



vestjyskBANK Annual Report 2009



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The Annual Report 2009 is accessible at vestjyskbank.dk

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Management's Report

A Year Marked by Recession and Consolidation

2009 was the year in which economies everywhere in the western world had to adapt to an economic situation characterised by recession, the aftermath of financial instability and increasing unemployment.

Governments and central banks, both internationally and in Denmark, responded by introducing a number of measures intended to reduce the negative consequences of the recession, boost confidence in the money markets and stabilise the financial sector. In Denmark, during the course of the year, the National Bank of Denmark's lending rate was reduced from 3.75% to a historic low of 1.20% and the Danish parliament, Folketinget, pushed through tax reforms, abolished the SP (Special Pensions) savings scheme, introduced a renovation pool and approved a package to help businesses.

At the end of 2008 and beginning of 2009, politicians also initiated a number of help packages to re-establish financial stability, partly in the form of a general State Guarantee in respect of bank debts, and partly through offering to bolster the capital framework in the form of a Government injection of capital to the banks. vestjyskBANK signed up to all of these measures which, on the one hand has meant that we have had to pay costs amounting to DKK 182m in respect of the State Guarantee Scheme, and on the other hand has meant that the Bank received DKK 1,438m in hybrid core capital with the result that its position today is robust and solid.

Besides the efforts made to strengthen the position of the Bank and its customers in a difficult market, in 2009 we have focussed in-

tensely on consolidation. Since, in the autumn of 2008, the Bank decided to go ahead with the merger with Ringkjøbing Bank and take over the activities of Bonusbanken, it was because we believed that this would give us the opportunity to create a larger and stronger vestjyskBANK. A Bank in which the effective use of staff functions and more resources in customer-related relations would form the basis for improved profitability and, at the same time, benefit customers and employees alike.

In 2009, management and employees in vestjyskBANK have worked hard to convert this vision into reality. We have created a shared identity and amalgamated three separate cultures into one which is rooted in the solid and recognisable West Jutlandic values of presence, competence and dynamism. We have consolidated the IT platforms, established new structures and policies and adapted the organisation in order to ensure that the foundations for generating future growth in terms of business strategies and revenue are firmly in place.

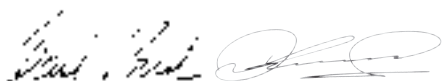
And we have achieved our goal. Thus, at the end of 2009 we are extremely happy to report that integration has been completed satisfactorily and that the estimated synergy gains of DKK 75m per annum will become visible from 2010 onwards.

Despite fragile signs of an improvement in the Danish and international economies, levels of uncertainty remain high. Market conditions and the liquidity situation remain tough and unemployment is increasing. As a result, it is to be expected that 2010 will be another challenging year.

However, we are entering 2010 in the certain knowledge that vestjyskBANK is solidly ca-

pitalised, well-trimmed and rests on sound, conservative business principles. Accordingly, we have retained the hallmark of our service and strengthened our position and are thus better equipped than ever before to assist our customers in their economic and financial affairs, provide our employees with an exciting and challenging workplace and ensure that value is created for our shareholders of in a satisfactory manner.

On that note, we would like to thank all our customers, employees and partners for their commitment, support and loyalty in 2009. We look forward to continued and fruitful cooperation in 2010.



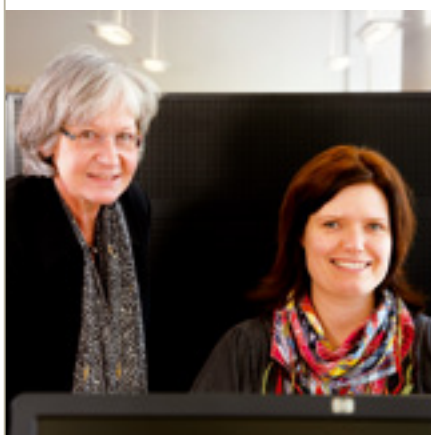
Frank Kristensen
CEO

Preben Knudsgaard
Managing Director



Management's Report

Strategic and Financial Goals



vestjyskBANK is among the ten largest banks in Denmark. Taking its West Jutlandic core area as its starting point, vestjyskBANK offers its 100,000 plus corporate and retail customers a complete range of banking, pension and insurance products via its head office in Lemvig and 24 towns in Jutland and on Funen as well as via the Bank's extensive Remote Customer concept.

The Bank's main business areas for retail customers are housing, investments and pensions. On the corporate side, we cover all industries extensively but focus on the needs of our small-medium sized business customers. We have particular competences in the field of agriculture and fisheries, supplemented by niche areas such as wind turbines, the private healthcare sector and the leisure sector.

Integration Accomplished – Synergies Harvested

After a 2009 characterised by organisational consolidation, we can categorically state that the merger with Ringkjøbing Bank and the take-over of Bonusbanken has lived up to all expectations, despite increased levels of impairment on loans and advances and the assertions that formed the basis for the decision at the end of 2008. The integration of the banks to form a single, large unit went according to plan and has given rise to expectations of cost synergies totalling DKK 75m from 2010 onward, made up of DKK 45m in a reduction of employee numbers and DKK 30m in savings in IT and other costs.

Consequently, vestjyskBANK is now bigger and stronger than ever before. Our business strategy is significantly more robust, both with regard to the retail and corporate segments which have achieved a critical mass, allowing

us to ensure that the organisation's resources are used more efficiently in staff as well as customer-oriented functions. We have re-evaluated all our commitments in terms of loans and advances following implementation of a standardised platform which, against the backdrop of vestjyskBANK's credit policy, ensures uniformity and a high quality of commitments to form the foundations of a solid, sound and conservative credit policy in the future. Finally, we have consolidated and standardised platforms and systems.

Stronger Platform Than Ever Before Gives Rises to Ambitious Targets

By virtue of the initiatives undertaken by vestjyskBANK in 2009, we have established the foundations for creating growth in terms of our business strategy and strengthening our future earnings capability. In specific terms, our long-term goals are

- to be among the most profitable banks in Denmark with a maximum cost percentage of 50
- to deliver core earnings of DKK 600m before impairment and the cost of bank packages from 2010 onwards
- to achieve a return on equity of 15% in 2012, providing that the loss ratio is gradually reduced to a normalised level corresponding to 0.5% with no market value adjustments.
- to achieve a minimum solvency level of 12%
- to achieve an excess coverage in compliance with statutory liquidity requirements of at least 50%

Furthermore, it is vestjyskBANK's long-term goal to increase its business volume in line with general developments in society without increasing the gap between loans and advances and



deposits and to be aware of any trend toward further consolidation in the financial sector but to be party to this only if it is strategically and culturally prudent.

In order to realise these goals, vestjyskBANK will follow a strategy based on the following key parameters:

- robust concepts for our relations with customers
- provision of advice on decent ethical and moral standards
- long-term relations
- efficient processes
- straightforward, distinct and competitive products
- sustainable development of our competences

We will maintain our focus on a solid and stringent credit policy and our loan portfolio shall be characterised by sound commitments and an expedient spread of industries, geographical locations and business sectors. Only in exceptional circumstances will vestjyskBANK have commitments exceeding 10% of the Bank's capital base. In terms of market risks, we will continue to act cautiously.

In the short term, while the consequences of the financial crisis and the economic downturn continue to impact on social development, vestjyskBANK will focus on two aspects. Firstly, we will seek to limit risks and control costs. Secondly, we will seek to exploit the synergies for which the consolidation process in 2009 laid the foundations.

Management's Report

Financial Highlights

The comparative figures for 2005-2007 do not include Bonusbanken nor Ringkjøbing Bank.

In the income statement Bonusbanken is included from 1 October 2008 and Ringkjøbing Bank from 3 December 2008.

Financial Highlights	2009	2008	2007	2006	2005
Income statement (DKK m)					
Net interest income	825	572	484	432	400
Net fee income	225	142	128	122	116
Dividends from shares, etc.	7	6	4	3	3
Market value adjustment of foreign exchange and sector shares	57	59	33	61	25
Other operating income	66	3	3	4	6
Core income	1,180	782	652	622	550
Staff costs and administrative expenses	-622	-447	-353	-318	-295
Other operating costs as well as depreciation and impairment of intangible and tangible assets	-42	-14	-12	-9	-14
Core earnings before impairment	516	321	287	295	241
Impairment of loans and advances and accounts receivable, etc. excl. sector assignments	-464	-155	15	-11	-35
Core earnings after impairment	52	166	302	284	206
Other market value adjustments	83	-117	-11	27	37
Profit after market value adjustments	135	49	291	311	243
Sector assignment - Banking Package I	-109	-26	0	0	0
Sector assignment - Banking Package II	-36	0	0	0	0
Sector assignment - impairment of loans and advances and accounts receivable, etc.	-73	-20	0	0	0
Profit after expenses to sector assignments	-83	3	291	311	243
Badwill resulting from merger recognised as income	0	251	0	0	0
Profit before tax	-83	254	291	311	243
Tax	18	4	-69	-72	-65
Profit for the year	-65	258	222	239	178
Balance sheet (DKK m)					
Loans and advances	23,874	24,069	14,563	11,531	9,037
Deposits	18,635	16,643	9,174	7,671	7,005
Shareholders' equity	2,130	2,200	1,714	1,656	1,404
Total assets	32,813	32,216	18,513	14,300	11,420
Guarantees	5,715	6,731	5,439	4,609	4,325
Business volume	48,224	47,443	29,176	23,811	20,367

Financial Highlights	2009	2008	2007	2006	2005
Key figures					
Solvency ratio	14.7%	9.8%	9.1%	11.2%	11.3%
Core capital ratio	11.4%	6.4%	7.3%	9.8%	10.7%
Return on equity before tax ¹	-3.8%	13.0%	17.3%	20.3%	17.9%
Return on equity after tax ¹	-3.0%	13.2%	13.2%	15.6%	13.1%
Earnings/costs ²	0.94	1.39	1.83	1.92	1.71
Cost percentage ³	56.3%	58.9%	56.0%	52.6%	56.2%
Employees calculated as full-time staff (average)	658.9	471.7	431.7	405.5	378.9
Interest rate risk ⁴	-1.6%	2.9%	2.1%	2.1%	0.9%
Foreign exchange position ⁵	3.9%	25.4%	99.6%	3.0%	3.3%
Foreign exchange risk	0.1%	0.1%	0.1%	0.0%	0.0%
Excess coverage in compliance with statutory liquidity requirements ⁶	125.8%	71.6%	47.5%	19.4%	31.2%
Loans and advances plus impairment of these relative to deposits	135.0%	150.3%	160.6%	153.0%	132.2%
Loans and advances relative to shareholders' equity	11.2	10.9	8.5	7.0	6.4
Growth in loans and advances for the year ⁸	-0.8%	65.3%	26.3%	27.6%	25.3%
Sum of large commitments ⁷	38.1%	80.5%	125.4%	44.4%	29.7%
Accumulated impairment percentage	4.4%	3.0%	0.9%	1.3%	1.7%
Accumulated impairment percentage incl. impairment pertaining to transfer of assets in connection with merger	5.1%	3.9%	0.9%	1.3%	1.7%
Impairment percentage for the year	1.7%	0.6%	-0.1%	0.1%	0.3%
Profit for the year, per share (unit size DKK 10)					
Equity value, per share (unit size DKK 10)	-5.3	25.3	26.3	27.8	20.5
Price of vestjyskBANK shares at the end of the year	174.2	180.3	207.4	191.1	164.7
Market price/profit for the year, per share (unit size DKK 10)	87.0	46.0	289.9	312.2	256.6
Market price/equity value, per share (unit size DKK 10)	-16.3	1.8	11.0	11.2	12.5
	0.5	0.3	1.4	1.6	1.6

- 1 On the basis of average shareholders' equity
- 2 Ordinary income relative to ordinary costs
Ordinary income = net interest and fee income + market value adjustments + other operating income
Ordinary costs = staff costs and administrative expenses + depreciation and impairment of intangible and tangible assets + other operating expenses + impairment of loans and advances and accounts receivable, etc.
- 3 Operating expenses incl. depreciation and impairment of tangible and intangible assets / core income
- 4 Interest rate risk relative to core capital after deductions
- 5 Foreign Exchange Indicator 1 relative to core capital after deductions
- 6 Excess coverage in compliance with the 10% requirement of Section 152 of the Danish Financial Business Act
- 7 Commitments larger than 10% of the capital base relative to the capital base
- 8 Growth in loans and advances for the year relative to vestjyskBANK's loans and advances at the beginning of the year

Management's Report

Financial Highlights Distributed by Quarter

Financial Highlights	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Income statement (DKK m)				
Net interest income	212	207	204	202
Net fee income	61	50	64	50
Dividends from shares, etc.	0	0	7	0
Market value adjustment of foreign exchange and sector shares	17	15	16	9
Other operating income	1	-16	54	27
Core income	291	256	345	288
Staff costs and administrative expenses	-148	-149	-166	-159
Other operating costs as well as depreciation and impairment of intangible and tangible assets	-28	-5	-4	-5
Core earnings before impairment	115	102	175	124
Impairment of loans and advances and accounts receivable, etc. excl. sector assignments	-175	-85	-147	-57
Core earnings after impairment	-60	17	28	67
Other market value adjustments	20	32	54	-23
Profit after market value adjustments	-40	49	82	44
Sector assignment - Banking Package I	-28	-28	-30	-23
Sector assignment - Banking Package II	-25	-11	0	0
Sector assignment - impairment of loans and advances and accounts receivable, etc.	-19	-16	-30	-8
Profit after expenses to sector assignments	-112	-6	22	13
Badwill resulting from merger recognised as income	0	0	0	0
Profit before tax	-112	-6	22	13
Tax	25	2	-4	-5
Profit for the period	-87	-4	18	8
Balance sheet (DKK m)				
Loans and advances	23,874	23,579	23,781	23,703
Deposits	18,635	18,299	19,303	18,639
Shareholders' equity	2,130	2,227	2,230	2,216
Total assets	32,813	33,833	34,117	34,541
Guarantees	5,715	5,188	5,718	5,614
Business volume	48,224	47,066	48,802	47,956

Financial Highlights	Q4 2009	Q3 2009	Q2 2009	Q1 2009
Key figures				
Solvency ratio	14.7%	15.5%	10.5%	10.5%
Core capital ratio	11.4%	12.2%	6,9%	6.9%
Return on equity before tax ¹	-20.3%	-1.2%	4.0%	2.4%
Return on equity after tax ¹	-15.9%	-0.7%	3.2%	1.5%
Earnings/costs ²	0.72	0.98	1.06	1.05
Cost percentage ³	60.4%	60.5%	49.5%	56.7%
Employees calculated as full-time staff (average)	647.7	646.3	648.5	693.5
Interest rate risk ⁴	-1.6%	-1.8%	1.9%	2.4%
Foreign exchange position ⁵	3.9%	6.2%	9.7%	23.2%
Foreign exchange risk	0.1%	0.1%	0.1%	0.1%
Excess coverage in compliance with statutory liquidity requirements ⁶	125.8%	150.2%	156.0%	173.9%
Loans and advances plus impairment of these relative to deposits	135.0%	135.3%	129.1%	132.5%
Loans and advances relative to shareholders' equity	11.2	10.6	10.7	10.7
Growth in loans and advances for the period ⁸	1.3%	-0.9%	0.3%	-1.5%
Sum of large commitments ⁷	38.1%	36.8%	61.9%	67.7%
Accumulated impairment percentage	4.4%	4.2%	3.9%	3.4%
Accumulated impairment percentage incl. impairment pertaining to transfer of assets in connection with merger	5.1%	4.9%	4.5%	4.2%
Impairment percentage for the period	0.6%	0.3%	0.6%	0.2%
Profit for the period, per share (unit size DKK 10)	-8.4	-0.3	1.5	0.7
Equity value, per share (unit size DKK 10)	174.2	180.5	181.0	179.4
Price of vestjyskBANK shares at the end of the period	87.0	108	79.5	53.0
Market price/profit for the period, per share (unit size DKK 10)	-10.4	-337.5	54.6	79.1
Market price/equity value, per share (unit size DKK 10)	0.5	0.6	0.4	0.3

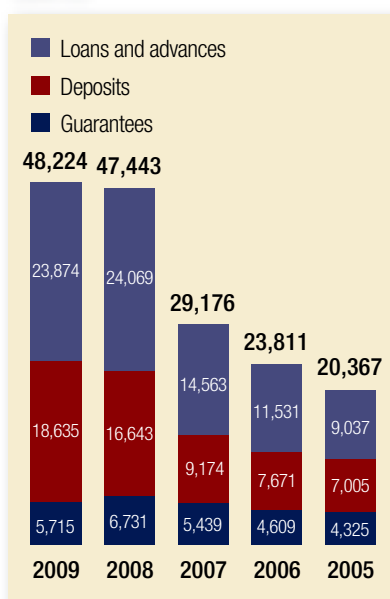
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Management's Report

Report



Business volume development
(DKK m)



Profit

Core earnings before impairment were realised at DKK 516m and correspond to the most recent reported expectations of core earnings of DKK 500-525m before impairment.

In 2009, vestjyskBANK had a deficit of DKK 83m before tax and DKK 65m after tax. This result is unsatisfactory and must be viewed in light of the economic crisis in 2009.

The following significant conditions impacted on the annual result for 2009:

- Costs relating to Banking Package I, the Private Contingency Association (Det Private Beredskab), total DKK 182m.
- Impairment of loans and advances other than impairment relating to Banking Package I amount to DKK 464m.
- Positive other market value adjustments amount to DKK 83m net.

Result in the Fourth Quarter

The result for the fourth quarter of 2009, taken in isolation, shows a deficit of DKK 112m before tax. This unsatisfactory quarterly result is due to substantial impairments on loans and advances.

Core earnings before impairment on loans and advances were DKK 115m in the fourth quarter.

This should be compared with core earnings before impairments on loans and advances of DKK 102m in the third quarter, DKK 175m in the second quarter and DKK 124m in the first quarter. Net interest income in particular improved in the fourth quarter in comparison with earlier quarters and one positive aspect of this is that the result of our efforts to raise the individual interest agreements on loans and advances is now beginning to show.

Other market value adjustments in the quarter are positive to the tune of DKK 20m.

As a result of the takeover of Bonusbanken as of 30 September 2008 and the merger with Ringkjøbing Bank on 2 December 2008, any comparison with 2008 is not really meaningful.

Business Volume

At the end of 2009, business volume amounted to DKK 48.2bn compared with DKK 47.4bn at the end of 2008. The total business volume is calculated as the Bank's total commitments in terms of loans and advances, deposits and guarantees. At the close of the year, loans and advances amounted to DKK 23.9bn, deposits amounted to DKK 18.6bn and guarantees totalled DKK 5.7bn.

During the course of the year, efforts have been made to increase deposits, and this has resulted in a narrowing of the gap between loans and advances and deposits. At the beginning of 2009, this gap constituted DKK 8.1bn, and at the end of 2009 it amounted to DKK 6.1bn. In 2009, there was intense focus on deposits which increased by a total of DKK 2bn. At the end of 2009, customers' securities held in custody amounted to DKK 9,193m.

See the graph "Business volume development"

Core Income

Seen in the light of market conditions, income from banking operations in 2009 have been acceptable. Net interest income is slightly lower than expected due to the fact that the increased margin on loans and advances did not occur as quickly as expected. The reason for this is that those interest agreements relating to CIBOR (Copenhagen Interbank Offered Rate) were re-negotiated individually with customers, and this process took longer than was originally

estimated. Furthermore, there was a time delay between the reduction in the interest rate on loans and advances and the funding. On top of this there is the increased cost of improved liquidity vestjyskBANK experienced in 2009. The income from fees and commissions for providing mortgage loans and money transmission services is at a satisfactory level. Income from securities trading and custody is still bearing the mark of the relatively low level of activity in this area. The vestjyskVÆRDIPLEJE concept (investment optimisation programme) for the management of free funds and pension funds, together with the vestjyskPENSIONSPULJER concept (funding pool) is in the process of being introduced throughout the entire bank.

See diagram entitled "Fees and commissions" for distribution.

The total income from interest and fees was realised at DKK 1,050m, which is in line with expectations. In 2009, net income from fees and commissions amounted to DKK 225m.

Market value adjustment of foreign exchange and sector shares amounted to DKK 57m. Market value adjustment of foreign exchange amounted to DKK 39m and was realised primarily on the basis of customers' foreign exchange transactions.

Market value adjustment of sector shares amounted to DKK 18m. Sector shares constitute the shares vestjyskBANK has in companies with which it cooperates within the sector. In 2009, vestjyskBANK recorded an exchange rate loss of DKK 22.5m on its shares in Letpension Holding A/S. The reason behind this is that the original ambitious project, entailing a highly advanced IT solution for the advising and administration of policies was not realised since

the price would exceed the estimated price by a very considerable amount. The IT solution has been scaled back, and an agreement has been concluded with PFA Insurance so that any policies taken out are issued by them. During the course of the the last quarter, the market value adjustment of sector shares in Sparinvest Holding A/S has decreased and constitutes a net capital loss of DKK 4m. On the positive side, there was a capital gain on shares in DLR-Kredit A/S and PBS Holding A/S.

Other Operating Income

Other operating income consists primarily of trade imports, entered as income of DKK 61m and arising when commitments on which trade impairments have been made are settled or change status to a considerably better quality.

Expenses

Operating expenses, including depreciation and impairment of tangible assets, amounted to DKK 664m and are in line with expectations. The level of expenses was impacted by the fact that 2009 was a year in which vestjyskBANK had to adapt to its new circumstances. The cost percentage is 56.3 and is regarded as satisfactory in a year that was impacted by the process of merging and the resultant direct and indirect merger costs and for which synergies will not become fully visible until 2010.

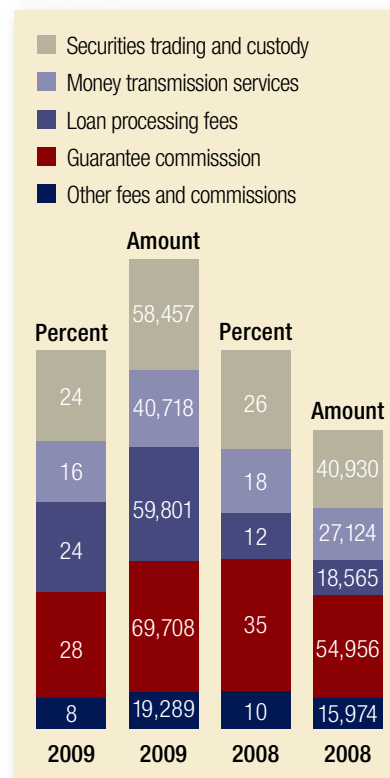
Core Earnings before Impairment

Core earnings before impairment were realised at DKK 516m and are therefore within the boundaries of the most recent reported expectations of core earnings in the region of DKK 500-525m.

Impairment on Loans and Advances and Accounts Receivable, Etc.

As the economic crisis worsened in 2009,

Fees and commissions (percent and DKK m)



Management's Report

Report

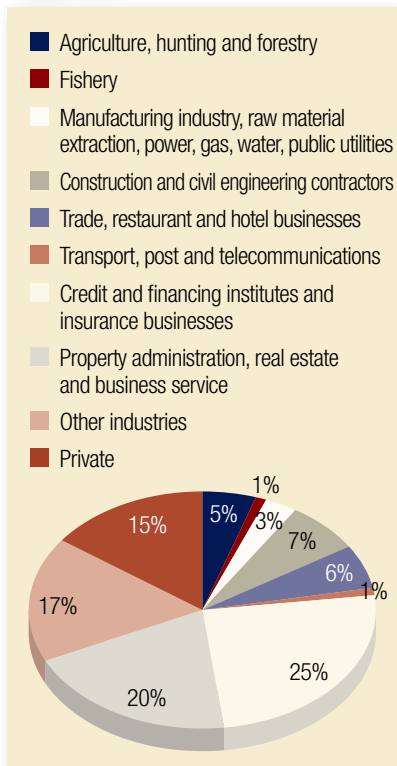
Impairment of loans and advances recorded as expenses in the merged bank are distributed thus:

In DKK m	2008	2009
On commitments from Bonusbanken	5.2*	108.6
On commitments from Ringkjøbing Bank	259.2	236.2**
On commitments from vestjyskBANK	150.7	220.3
Financial Stability	22.7	73.0
Reclassified bonds		23.0
Group impairment		86.8
Interest corrections		(14.8)
Readjusted trade impairment		(196.4) **
Total	437.8	536.7

* Impairment following the takeover, since impairment data from before the takeover is not available. However, in connection with the takeover approx. DKK 280m were impaired.

** Has been registered as impairment pertaining to the transfer of assets totalling DKK 196.4m and does not impact on the operating income.

Industry distribution of accumulated impairment



the need for impairment increased markedly. Throughout the whole of 2009, these impairments amounted to DKK 464m, to which can be added impairment of sector assignments totalling DKK 73m in relation to Banking Package I, making a total of DKK 537m.

The need for impairment was in evidence over a broad cross-section of the Bank's corporate customers with property administration, credit and financing and other businesses being particularly badly affected.

In addition, there has proven to be a considerable need for further impairments totalling DKK 109m on bad corporate commitments taken over from Bonusbanken. This corresponds to 5.8% of Bonusbanken's loans and advances and guarantees at the time of the takeover. In connection with the takeover of Bonusbanken, impairments of approximately DKK 280m were made with the result that total impairments amounted to 21% of the original loans and advances and guarantees in Bonusbanken.

Now, these loans and advances and guarantees have been adapted to comply with vestjyskBANK's standard for documentation and credit policy, and the need for impairment

on this part of the portfolio is not expected to deviate from the need for impairment on the rest of the Bank's portfolio. The same is true of Ringkjøbing Bank's loans and advances and guarantee portfolio, since the common credit culture has now been fully implemented.

Impairments in respect of retail customers are on the rise but nevertheless remain at a relatively low level.

Group impairment amounts to DKK 85.7m and are included in the aforementioned DKK 464m. Group impairment is mainly impacted by the changed circumstances which in turn affect the parameters included in the model. VestjyskBANK uses the model devised by the Association of Local Banks in Denmark, modified to take account of the specific conditions applying to vestjyskBANK.

Impairment for the year amounted to 1.7% of total loans and advances and guarantees at the end of 2009 compared to 0.6% in 2008. Impairment for the year is slightly above the expected level which was estimated to be in the region of 1.0-1.5% of loans and advances and guarantees. The reason for this is that the prevailing conditions have hit our customers harder than was expected. At the end of 2009, the accumulated impairment percentage was 5.1% compared to 3.9% last year.

In 2009 DKK 127m of impairments carried as an expense were finally lost.

The distribution by industry of accumulated impairment is shown in the diagram to the left.

It should be pointed out that of the impairments pertaining to the transfer of assets totalling DKK 273m from Ringkjøbing Bank, DKK 61m has

been entered as income for the 2009 financial year, after which DKK 212m was set aside as provisions for losses on commitments acquired from Ringkjøbing Bank. Of this amount, DKK 196m was flagged as a loss risk at the end of 2009 so that DKK 16m remains as potentially being flagged as a loss risk or to be entered as income.

Other Market Value Adjustments

Despite a low-risk investment policy, narrowing of the credit spread, a significant improvement in the shares market and prudent management, falling interest rates have had an extremely positive effect on the Bank's securities in 2009.

Both short-term and long-term bond interest decreased in 2009 and the credit spread, in particular, narrowed noticeably. This has resulted in a debt gain on the Bank's bond holdings. The shares market has been optimistic in 2009 following the negative overreaction in 2008. This has led to positive market value adjustments on the Bank's shareholdings, despite its limited holdings apart from shares held in sector companies.

The year's positive market value adjustments of DKK 83m are composed of positive market value adjustments on bonds amounting to DKK 84.1m, positive market value adjustments on shares amounting to DKK 38.8m, negative market value adjustment on derivative financial instruments totalling DKK 38.3m and negative market value adjustment of other assets and obligations etc. totalling DKK 1.0m.

Banking Package I

The expenses relating to this amount to DKK 109m in surety commission and DKK 73m in impairment on loans related to sector assignment to banks that are under administration in Financial Stability.

Banking Package II

This item is shown separately since expectations for core earnings for the year before impairment have been given prior to the expenses related to the banking packages. The item constitutes the difference between the average funding cost of committed loans and the interest on government capital injections of DKK 1.438bn. Interest costs in the form of the average funding cost are included in core earnings.

Balance Sheet

At the end of 2009, the vestjyskBANK's balance sheet amounted to DKK 32.8bn compared with DKK 32.2bn at the end of 2008. Since the beginning of 2008, total loans and advances have been reduced by DKK 190m to DKK 23.9bn and are in line with expectations for unchanged loans and advances.

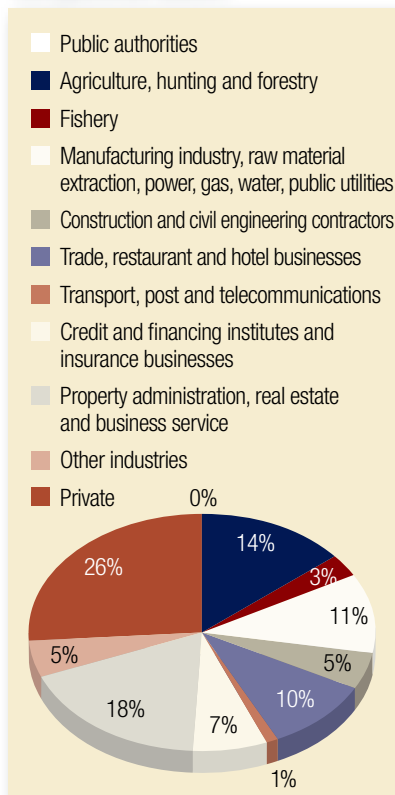
The areas in which vestjyskBANK has particular experience and competence include agriculture, wind turbines, camping and leisure, fishing and the private healthcare sector.

For a long time now, earnings from the agriculture sector have been, and continue to be, unsatisfactory. No improvement is expected in this segment before the second half of 2010. vestjyskBANK's commitments in the agriculture sector are distributed almost equally between milk production and pig production. The declining price of land as a result of low profitability means that shareholders' equity has come under pressure in this segment. However, vestjyskBANK has relatively few farming customers who are facing serious financial problems. The fishing industry is characterised by declining quoted prices. Despite this, our customers

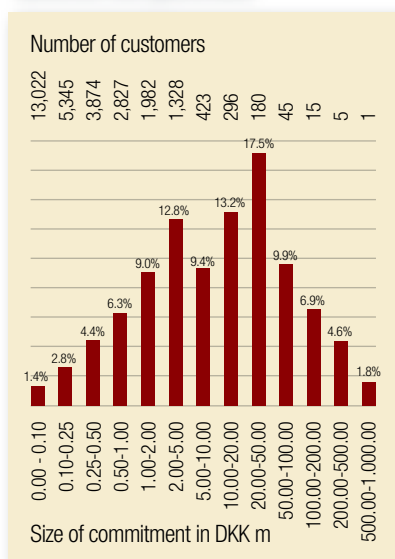
Management's Report

Report

Sector distribution of loans and advances and guarantee debtors



Breakdown of the spread of loans and advances and guarantees



in the fishing industry are managing adequately. The wind turbines financed by vestjysk-BANK continue operating satisfactorily and the settlement of loans is progressing quicker than estimated which makes it possible for new loans to be provided to this segment. In the camping and leisure sector and the private healthcare sector earnings remain stable.

Loans and advances to retail customers are characterised by ordinary consumer loans and loans for the purchase of property – including detached houses and summerhouses. In recent years, losses on retail customers have been very limited. In 2009 this figure showed an increase as a result of increasing unemployment and declining property prices. However, the level of losses remains low.

Loans and advances distributed by sector are shown in the diagram to the left.

The sum of “large commitments” which, according to the legal definition, are commitments larger than 10% of the capital base, were 38.1% at the end of 2009 and comprise three commitments.

A further breakdown of the spread of loans, advances and guarantees is shown in the graph to the left.

The sum of commitments totalling between DKK 0 – 2m represents approx. 24% (22%) of the Bank’s total loans, advances and guarantees. Commitments over DKK 2m and up to DKK 10m account for approximately 22% (22%). Commitments over DKK 10m and up to DKK 50m account for approximately 31% (30%) and commitments over DKK 50m account for approximately 23% (25%). The Bank’s Executive Management considers this spread in the size

of commitments to be satisfactory. The percentage rates in brackets show the corresponding figures as at 30 June 2009.

At the end of 2009, deposits amounted to DKK 18.0bn compared with DKK 16bn at the end of 2008. To this figure can be added deposits in financing pool schemes totalling DKK 835m.

Capital and Liquidity Structure Shareholders' Equity

At the end of 2009, shareholders' equity amounted to DKK 2,130m. Changes in shareholders equity since the end of 2008 are shown in the statement of changes in shareholders equity.

Subordinated Debt

At the end of 2009, subordinated debt amounted to DKK 2,597m. In the 3rd quarter of 2009, under the terms of Banking Package II, vestjyskBANK took out a loan from the government of DKK 1,438m as supplementary capital in the form of hybrid core capital. This loan has been included in the capital base as Tier II capital or supplementary capital. Subordinated loans totalling DKK 60m were settled in the fourth quarter of 2009.

See the tables “Supplementary capital distributed by maturity date” and “Supplementary capital distributed by possible settlement date” (page 17).

In the case of hybrid core capital under Banking Package II, there are special legal rules that must be complied with. The law stipulates that there must not be any erosion of capital which is why buy-back programmes with a view to impairing share capital are not permitted. Furthermore, there will only be taxable deductions on 50% of the Executive Management’s salaries. Dividends must not be paid out before 1 Octo-

ber 2010 and it is a legal requirement that the dividend must be able to be financed by net profits after tax. Furthermore, a summary of loans and advances must be published every six months. The individual interest premium for vestjyskBANK is 0.75 percentage points and means that vestjyskBANK is placed in the absolutely cheapest part of the interest spread in which the interest premium ranges from 0% to 2.25 percentage points. This indicates that the Danish state has granted vestjyskBANK a very small risk premium.

Solvency

At the end of 2009, the capital base totalled DKK 4.1bn which, when compared with risk-weighted items totalling DKK 28.1bn, gives a solvency ratio of 14.7%.

This increase in solvency from the end of 2008 to the end of 2009 can be attributed to the injection of hybrid core capital amounting to DKK 1.438bn from Banking Package II and a reduction in weighted assets by DKK 1.3m.

In addition to the standardised method, vestjyskBANK uses the comprehensive method for the purposes of calculating credit risk. To calculate operational risks, the basic indicator method is used, whereas the standardised method is used to calculate market risks.

Solvency Need

The individual solvency need for vestjyskBANK has been calculated as 10.5%, based on Management's expectations for the future, and the required capital base has been calculated as DKK 2.9bn, which can be compared with the capital base after deductions of DKK 4.1bn. For a more detailed explanation of the solvency need, refer to the Risk Report for 2009 which is published simultaneously with this Annual Report.

Liquidity

The less stringent conditions – adopted in 2008 – under which banks could borrow money from the National Bank of Denmark remained in force in 2009. These schemes will cease on 30 September 2010 along with the general state guarantee. Traditionally, vestjyskBANK's loans and advances have always been greater than its deposits. Therefore, in recent years, the bank has taken out committed loans and issued bonds through Danish as well as foreign banks. At the end of 2009 these totalled DKK 7.2bn. The repayment schedule for these loans and bonds is shown in the table to the right. Furthermore, vestjyskBANK has at its disposal untapped committed borrowing facilities totalling DKK 500m in the form of liquid reserves, of which half will lapse in June 2010, and the other half will lapse in December 2010.

During the course of 2009, vestjyskBANK reduced the shortfall in deposits by DKK 2.0bn, and at the end of 2009 the shortfall in deposits amounts to DKK 6.1bn. It is the Bank's goal that this is not increased.

At the end of 2009, the Bank's liquidity situation is good and capital adequacy, in accordance with statutory requirements, has increased from 71.6% at the end of 2008 to 125.8% at the end of 2009. It is the Bank's goal that its capital adequacy should be at least 50%, in accordance with statutory requirements. Consequently, the Bank is achieving its goal.

Banking Package I offers the option of a transitional scheme for the state guarantee, whereby the Danish state guarantees any debt that is not subordinated by 30 September 2010. The transitional scheme consists of a separate state guarantee in respect of loans taken out before the end of 2010. This guarantee may be va-

Supplementary capital distributed by maturity date (final end date)

2013	250,000,000
2014	324,557,000
2015	261,623,000
2016	225,000,000
Infinite	1,535,373,000
	2,596,553,000

Supplementary capital distributed by possible settlement date (1st call date)

2010	361,623,000
2011	324,557,000
2012	1,585,976,000
2013	225,000,000
2014	-
2015	99,397
	2,596,553,000

Committed Loans and Issued Bonds Distributed by Maturity Date

2010	4,901,000,000
2011	940,000,000
2012	1,369,000,000
	7,210,000,000

Management's Report

Report

Financing of loans and advances

(DKK m)

	End of year 2009	End of year 2008
Loans and advances	23,879	24,069
Deposits	17,800	15,992
Bonds issued with a maturity date > 1 year	478	3,798
Loans with a maturity date > 1 year	1,889	4,630
Subordinated loans	2,597	1,172
Shareholders' equity minus property	1,769	1,874
Total	24,533	27,466
Shareholders' equity	2,130	2,200
Properties	361	326
Shareholders' equity minus property	1,769	1,874

lid until the end of 2013. The management of vestjyskBANK has applied for and been granted a framework for guarantees for the securing of loans. Under the guarantee framework, a bond loan of SEK 1.5bn was issued on 18 February 2010, the proceeds of which will be included in liquidity. The loan will fall due for payment on 18 February 2013.

vestjyskBANK's liquidity policy and liquidity contingency plan states that loans shall be financed by deposits, bonds issued and loans with a maturity date of > 1 year, subordinated loans and shareholders' equity minus property. As the table to the left shows, this policy has been complied with.

Distribution of Profit for the Year

Shareholders' equity has been subtracted from the profits for the year

Expectations for 2010

Due to the uncertain economic conditions, expectations for 2010 have been determined with a greater degree of uncertainty than normal.

vestjyskBANK's business volume is expected to remain unchanged in 2010. On the loans and advances side, we expect that some of our current commitments will be extraordinarily amortised as a result of the decreasing level of activity. It is expected that these repayments will be replaced by new loans and advances to existing and new customers. However, this is not expected to cause a rise in the level of loans of advances in 2010. Similarly, the level of deposits is expected to remain unchanged due to the fact that customers are increasingly looking for securities that take account of low interest rates. Therefore, the current gap between loans and advances and deposits is expected to remain unchanged in 2010. Guarantees are expected to amount to DKK 4.5bn at the end of 2010.

Core earnings in 2010 have been budgeted at DKK 500m before impairment of loans and advances. However, it should be pointed out that increased costs resulting from Banking Package II amount to approximately DKK 100m which has reduced core earnings to the aforementioned DKK 500m. This means that, in real terms, the budget corresponds to the target that was originally set for 2010, which was DKK 600m in core earnings before impairment of loans and advances and the costs of banking packages. The cost percentage is expected to be marginally over 50. The number of employees at the start of 2010 has been reduced to 652 against 750 being employed in the three banks at the end of September 2008.

Impairment of loans and advances is expected to be between 1% and 1.25% of loans and advances and guarantees including losses incurred under Banking Package I sector assignments. There is a great degree of uncertainty surrounding this item due to the turbulent economic situation.

Management Line-up

In August 2009, Bjørn Albinus, Husby, joined the Board of Directors.

Auditing Committee

The tasks of the Bank's Auditing Committee are taken care of by the Board of Directors as a whole. The independent and specially qualified member is Bjørn Albinus. On the grounds of the size and complexity of the Bank and his qualifications and business experience, the Bank's Board of Directors has determined that Bjørn Albinus possesses the necessary qualifications, cf. the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups. These qualifications were obtained through many years' work as a board member and managing director in vari-

ous Danish companies, including listed companies. As managing director, he was responsible for financial reporting in accordance with IFRS principles. Bjørn Albinus does not have, and has never had, any form of employment in vestjysk-BANK or represented the interests of others in the company. Neither Bjørn Albinus himself nor persons related to him could be considered as not being independent of vestjyskBANK.

Related Parties

vestjyskBANK's related parties with significant influence include the Banks' Board of Directors, Executive Management and executive staff, as well as their family members. During the course of the year there have been normal transactions, under market conditions, with master butcher Peter Mortensen and with the company which is 100% owned by Director Anders Bech, Kaj Bech A/S. Otherwise, no transactions besides regular executive emoluments have taken place with the Bank's related parties.

Uncertainty Regarding Recognition and Measuring

The most significant source of uncertainty regarding recognition and measurement relates to the impairment of loans and advances, where the future prospects for agriculture in particular are uncertain. The Bank strives continually to improve methods of recognition and measurement, and has concluded that, as in 2008, as a result of the prevailing economic conditions, there is a greater degree of uncertainty regarding measurement of commitments than there was prior to 2008.

Accounting Process

The Board of Directors and Executive Management have overall responsibility for the Bank's control and risk management systems in connection with the accounting process, including compliance with relevant legislation and other

regulations applicable to the presentation of accounts. The Bank's systems of control and risk management can provide reasonable, but not absolute certainty that unlawful use of assets, loss and/or significant errors and omissions in connection with the presentation of accounts is avoided.

The Board of Directors evaluates the Bank's organisational structure, the risk of fraud and the presence of internal rules and guidelines.

The Board of Directors and Executive Management approve overall procedures and control systems in essential areas with regard to the accounting process.

Executive Management continuously monitors compliance with relevant legislation and other regulations and Executive Orders relating to the presentation of accounts and continuously keeps the Board of Directors informed of these.

The Board of Directors carries out an overall assessment of risks relating to the accounting process. As part of this risk assessment, the Board of Directors considers the risk of fraud and the measures that should be taken in order to reduce and/or eliminate such risks. To this end, they discuss any potential incentive/motive there may be for Management to manipulate the accounts or commit other types of fraud.

Events after the End of the Financial Year

No circumstances have occurred between the balance sheet date and today's date that might distort the evaluation of the Annual Report.



Management's Report

Risk Management

In accordance with the Danish Financial Business Act, the reporting requirement of the Capital Adequacy Executive Order (Pillar III) and other executive orders and guidelines, vestjyskBANK publishes detailed information regarding risk, capital structure, capital adequacy, risk management etc. Consequently, the "Risk Report 2009" has been prepared. The report can be viewed at www.vestjyskbank.dk. The following section provides an outline of vestjyskBANK's risk management.

vestjyskBANK's Board of Directors sets out the overall framework and policies for risk and capital structure, according to which the Executive Management of the bank and other management personnel manage the bank's risks. The Board of Directors is continuously updated on risk development and on how well the risk frameworks are taken advantage of. The day-to-day management of risks is taken care of by the departments the Risk Management Department, Investment & Pensions and the Credit Department. The Finance Department carries out an independent control.

Credit Risk

Refer to the Risk Report for 2009 for a more in-depth explanation. The area will be outlined in summarised form below. A very significant part of vestjyskBANK's business is the credit segment. This segment covers loans and advances, credits, guarantees and other financial services. In 2009, vestjyskBANK tightened up its credit policy in several areas in keeping with changes in socio-economic conditions so that the Bank has a prudent risk profile. We strive at all times to maintain a good quality of asset mass, in order to secure a stable foundation for future growth.

In accordance with the Danish Financial Business Act, a commitment to one customer or customers in the same group may not exceed 25% of the capital base. In order to ensure a suitable spread

across industries and customers, the Bank will only in exceptional cases take on commitments that exceed 10% of the Bank's basic own capital base. In this manner, vestjyskBANK seeks, in its issuance of credit, to ensure that singular commitments, including those to groups of companies, do not constitute a danger to the Bank's existence. At the end of 2009, the sum of large commitments totalled 38.1% of the capital base and comprised 3 commitments, which were all placed in the region of 10-15% of the capital base.

In its general management of credit risks, vestjyskBANK ensures a suitable spread, so that individual industries, geographic concentrations or specific types of securities do not become a disproportionately high credit risk.

When credit assessing corporate commitments, vestjyskBANK emphasises that the customer's business concept must be viable, and that the customer must possess the necessary competencies. An important aspect of the bank's credit assessment is analysing the customer's accounts and budgets. When credit assessing retail customers, the customer's credit allowance and ability are the deciding factors. vestjyskBANK segments customer commitments into different risk groups. To ensure correct segmentation, vestjyskBANK uses different systems. The segmentation is an important aspect of how the Bank manages credit risks.

74% of vestjyskBANK's loans and advances and guarantees are distributed to corporate customers and 26% to retail customers.

The need for both individual and group impairment and provisions for loss on credit commitments is assessed continuously. The Bank carries out impairment on commitments that carry objective indications of value decrease, to ensure that any

expected risk of loss is hedged. The impairments are carried out using a set of overriding criteria.

Loans and advances on which the payment of interest has been halted amounted to DKK 970m in 2009, which corresponds to 3.8% of the Bank's total loans and advances before impairment.

Commitments that are showing signs of weakness, e.g. because of poor earnings or a flimsy capital base, are monitored closely so that the Bank, by stepping in in time, may avoid carrying out impairments because of value decrease. The Bank makes group impairment on the basis of a segmentation model developed by Lokale Penge-

institutter, an industry organisation. This model is based on a series of macroeconomic variables.

Statement on growth in loans and advances in vestjyskBANK in 2009

In 2009, vestjyskBANK tightened up its credit policy in several areas in keeping with changes in socio-economic conditions. In 2009, the Bank made a conscious decision that there would be no growth in loans. The return flow there has been on lending is primarily attributable to new loans to existing customers.

In terms of credit management, vestjyskBANK focuses intensely on securing commitments in the

Statement on growth in loans, advances and guarantees in vestjyskBANK (DKK t)

Period	1 July to 31 December 2009			
	Total		Growth	
	Start of the year	End of year	Total	New
Public authorities	48,310	10,510	-37,800	14,162
Corporate				
Agriculture, hunting and forestry	4,601,018	5,071,965	470,947	38,944
Manufacturing business, raw material extraction, public service utilities	3,000,429	3,164,705	164,276	29,164
Construction and civil engineering contractors	1,652,841	1,665,163	12,322	16,012
Trade, restaurant and hotel business	2,771,968	3,018,491	246,523	62,932
Transportation, mail and telecommunications	451,235	471,218	19,983	1,151
Credit and finance companies and insurance companies	2,157,050	2,651,064	494,014	2,172
Property administration and real estate, business services	5,003,164	5,459,030	455,866	67,016
Other businesses	1,258,391	1,517,729	259,338	81,945
Total corporate	20,896,096	23,019,365	2,123,269	299,336
Retail				
Mortgages	2,232,301	2,082,592	-149,709	23,654
Other consumer loans	6,186,857	5,770,872	-415,985	261,955
Non-consumer loans	81,608	75,932	-5,676	0
Total retail	8,500,766	7,929,396	-571,370	285,609
Total	29,445,172	30,959,271	1,514,099	599,107

Management's Report

Risk Management

best way possible which is why when changing or renegotiating a commitment, new securities are provided.

With regard to credit policy, there has been a change in the wish to have an absolute minimum of commitments that exceed 10% of the Bank's capital base in accordance with Section 145 of the Danish Financial Business Act. The Bank now only wishes to have a maximum of five such commitments from the previous limit of a maximum of ten. At present, the Bank has three commitments that exceed 10% of the Bank's capital base.

The Bank continuously follows up on

- its asset mass
- the geographical distribution of commitments
- the industry distribution of commitments
- the credit-worthiness of commitments
- the different types of securities the Bank receives.

When conducting credit assessments on corporate customers, considerable emphasis is placed on the company's cash-flow and its ability to survive in times of crisis. Throughout 2009, the Bank has observed that the prevalent socio-economic conditions have had an effect on the credit-worthiness of corporate customers. These customers have seen a decline in earnings and the value of their assets has also decreased. Consequently, vestjyskBANK focuses intensely on the Bank's credit risk.

The credit-worthiness of the Bank's lending portfolio to retail customers has not changed markedly in 2009. Much of the Bank's portfolio of retail customers is geographically located in areas which, during the good years, only saw limited increases in property prices and as a result are not experiencing the major decline in prices now. This means that vestjyskBANK has

a sound portfolio of retail customers who are not characterised by properties for which they have over-borrowed and technical insolvency.

Liquidity Risk

vestjyskBANK's cash flow position is monitored closely as part of the Bank's daily cash flow management. Cash flow management centres on the objective of ensuring a cash flow position which is adequate to cover expected loans and cash movements, as well as always ensuring sufficient cash flow to cover normal deviations in the amount of deposits made. The cash flow position consists of liquid securities, drawing rights in the National Bank of Denmark and pledged, undrawn loans at other credit institutions.

Market Risks

The risk that the market value of the Bank's financial assets and liabilities may change because of changes in market conditions is referred to as "market risks." Engaging in market risks is a natural part of the Bank's business, which affects the total income of the Bank. Market risks are monitored and adherence to the guidelines which have been laid down is checked on a daily basis. Deviations are immediately reported to the Executive Management.

Interest

The interest risk is calculated – according to the Danish Financial Supervisory Authority – as the total risk of loss, given a general change in the level of interest rates of 1 percentage point. The total interest risk covers the risk on bonds, derivative financial instruments and fixed-interest loans and advances and deposits. The bank uses interest swaps to wholly or partly hedge the interest risk on fixed-interest loans and advancements and deposits, as part of the risk management.



At the end of 2009, the total interest rate risk was DKK -50.8m which, measured against core capital, amounts to -1.6%, compared with 2.9% in 2008.

Shares

The share risk is calculated on the basis of the invested sum in shares and share-related products. At the end of 2009, the share risk amounted to 22.1% of core capital, compared with 32.8% in 2008. Approximately 80% of the Bank's share portfolio comprises shares held in companies with which the Bank cooperates.

Foreign Exchange

At the end of 2009, the foreign exchange risk stood at 3.9% of core capital compared with 25.4% at the end of 2008. The risk is measured through key figure Foreign Exchange Indicator 1, which is calculated according to the guidelines of the Danish Financial Supervisory Authority.

Derivative Financial Instruments

Derivative financial instruments are used, both by the Bank's customers and the Bank to hedge and manage financial risks as well as to take positions. Derivative financial instruments are included in the assessment of the Bank's market risks, as they can be assigned to each of the three underlying risk types.

Operational Risks

In organisational terms, a department for dealing with operational risks in general has been established and in which the overall responsibility for operational risks is anchored.

vestjyskBANK views dependence on key employees as an area of focus. We continuously work to minimise this dependence on key employees, for instance through written business procedures, centralisation of tasks,

and by outsourcing work which has no bearing on the Bank's competitiveness.

vestjyskBANK continuously works on policies and contingency plans, in case of physical disasters and IT breakdowns. The Bank is a member of Bankernes EDB Central (BEC), which is in charge of daily operations of the computer systems. The Bank follows the directions and recommendations which it receives from BEC and undertakes no independent development of IT systems.

The Bank's contingency plans for IT cover breakdowns at Head Office and parts of the Bank's branch network. In the case of a breakdown at one or more branches, operations may be continued at other branches, and in the case of longer-lasting breakdowns at Head Office, the key functions may be carried out at branches. The Bank's contingency plans are evaluated at least once a year by the Board of Directors. Measures taken to minimise the operational risk include ensuring that the performance of activities is separated, in organisational terms, from control of the same.

Risks Relating to the Capital Base

Management has set a solvency target of at least 12%, however, it should be at least solvency needs + 2 percentage points.

The capital base is monitored on a daily basis, and the Board of Directors receives monthly updates based on pre-determined guidelines.

Compliance

vestjyskBANK has a compliance function that is responsible for monitoring compliance with financial legislation. A set of instructions and a yearly plan, approved by the Board of Directors, is in place.



Management's Report

Responsibility

Corporate Governance

vestjyskBANK bases its Corporate Governance policy on recommendations from the Committee for Good Corporate Governance, established by NASDAQ OMX Copenhagen and Recommendations for the Members of the Danish Bankers Association.

Refer to vestjyskBANK's website:
vestjyskbank.dk/corporate_governance_GB

Statement on Responsibility

vestjyskBANK's policy on responsibility is limited to core areas comprising employees, customers and the local community in which we play an active part.

Responsibility is an integral part of vestjyskBANK's business and something on which we have been working for several years via our vision, mission and values.

- **Mission:** It is all about people – people's dreams and security. In this regard, the Bank gives three main groups of stakeholders – shareholders, customers and employees – equal priority.
- **Vision:** vestjyskBANK shall be the most attractive cooperation partner. These are the areas in which we concentrate our long-term, overarching goals for the work we perform – our guiding stars. Through healthy growth, vestjyskBANK should consistently be among the most profitable banks in Denmark, thereby ensuring the greatest degree of influence possible with regards to its own development and independence. At vestjyskBANK the customers should be serviced by "whole people," who have a common set of underlying values.

Customers and the Bank alike should experience the creation of value with mutual loyalty as the result. vestjyskBANK is, and will remain, a modern and value-driven workplace, which attracts and retains competent and committed employees, who possess the necessary professional skills and human qualities.

- **Values:** Presence, competence and dynamism. These values help manage the Bank's conduct on a day-to-day basis. We wish to be close to our customers and want to be empathetic, present and engaged. We use our value-based management style as an active management tool, focussing on the individual employee, and it is expected that the individual employee lives by and takes responsibility for these values.

As the above indicates, to a great extent, it is people who are the main focal point. This means customers, shareholders and employees, and consequently the local environment in which we live as well.

Here, we describe some of the initiatives we have taken which help us underline our commitment.

Customers

The goal of vestjyskBANK is to provide good, prudent advice. In order to meet this goal, in 2009 we conducted an exhaustive survey among customers and non-customers to determine precisely the things they value in their bank. We want to offer our customers straightforward, clear-cut products. On the investment side we are offering the products vestjyskVÆRDIPLEJE and vestjyskPENSIONSPULJER which only contain the securities our customers find easy to understand. We only offer other securities at the customer's re-



quest. Our aim is that customers make use of self-service options as much as possible with a view to lowering costs for both customers and ourselves. On this basis we are offering gebyrfriHVERDAG, which will benefit the environment at the same time. gebyrfriHVERDAG is based on electronic communication, including correspondence to the customer's e-Boks (an electronic archive). This inducement to self-service will never affect the availability of personal one-to-one advice. At vestjyskBANK it is all about people. Therefore we always place the needs of the customer centre-stage and, mostly, we base our decisions on individual assessments and long-term outlooks.

Moreover, it is important to the Bank that our customers have the option of providing feedback and filing complaints, either through the website or by contacting advisers directly – and the Bank listens to every complaint or enquiry. Since our customers are the focal point of our business, it is important to vestjyskBANK that its relationship with customers is highly ethical. This is reflected in the cases that are brought before the Danish Complaint Board of Banking Services (Pengeinstituttankenævnet). In 2009, two rulings were passed in respect of vestjyskBANK out of a total of 313 for the entire sector, cf. statistics from the Danish Complaint Board of Banking Services. These rulings found in favour of vestjyskBANK.

In addition, it is important that employees' remuneration does not affect the advising of customers, which is why vestjyskBANK does not operate any bonus remuneration schemes, neither to management nor to employees.

In 2009, accessibility to vestjyskNETBANK (vestjyskBANK's home banking system) was over 99.9% and is therefore at a satisfactory level.

The law stipulates that our employees are subject to a duty of confidentiality which helps give our customers confidence in our organisation. At the present time, vestjyskBANK has not reached any decision with regard to purposes/sectors for which it will not provide loans. Similarly, the Bank has not taken any position on investment in securities on the basis of a consideration of responsibilities.

Employees

It is important to vestjyskBANK that our mission is implemented on a day-to-day basis. Not only should employees adhere to it in any contact with customers, they should also adhere to it with regard to other employees.

vestjyskBANK wishes to be a healthy workplace. Employees are offered every assistance possible in order to avoid industrial injuries, particularly mouse-related RSI. Furthermore, vestjyskBANK has established the programme "Start a healthy habit" which comprises, for instance, health check-ups, the workplace exercise programme "Arbejdspladsen motionerer" and the cycle-to-work programme "Vi cykler til arbejde".

Workplace satisfaction surveys are conducted every 30 months. vestjyskBANK has an efficient and effective Working Environment and Cooperation Committee.

In addition, vestjyskBANK has an alcohol and stress policy, the aim of which is to ensure that any problems are dealt with promptly.

The wellbeing of employees is taken into consideration in the form of flexi-time arrangements and employee care in the form of a fixed amount that can be used to purchase fruit etc. Furthermore, some vestjyskBANK employees are employed on a flexi-job basis.

Management's Report

Responsibility



In order to make employees' contact as rewarding as possible to both parties, it is important that the Bank has competent and committed employees. Employee development interviews are conducted every year where development opportunities and expectations are discussed and, with regard to career development, opportunities are available within the organisation for both on-the-job training and job rotation. Furthermore, all managers undergo what we call "the industry's best manager development programme", *vestjyskVIND*, which focuses on personal development and strategic development of the various departments.

With regard to the merger between *vestjyskBANK* and Ringkjøbing Bank in 2008, it has been extremely important that the necessary restructuring was conducted in a responsible manner. Key employees have been involved in this work in the form of task forces whose job it was to come up with suggestions as to how the organisation should be in the future. Since the Bank found it necessary to lay off a number of employees, voluntary redundancy schemes with financial incentives for voluntary resignation were offered. Laid-off employees were offered support in the form of psychological help and assistance in the form of a cash amount to put towards relevant courses/training in order to help them in the best way possible.

To help employees who have retired remain in contact with the Bank in which they have worked for several years, *vestjyskBANK* has a retired worker's club.

Society

For *vestjyskBANK* it is important that it is engaged in the local community. This is expressed, for instance, through *vestjyskBANK*'s numerous sponsorship agreements with sporting, cultural and charity organisations. Our sponsorships cover a wide spectrum of organisations – from local spor-

ting associations to elite sport. One example that springs to mind is Team *vestjyskBANK*, a cycling team launched by our new division in Horsens. The team consists of 36 notable residents of Horsens, among them the town's mayor. The team cycled from Horsens to Paris, departing on 18 July 2009. The team has the backing of a number of firms and individuals who, via sponsorship agreements, help support a child and youth project in South Africa.

Environment

vestjyskBANK would like to contribute to a cleaner environment and healthier lifestyle for everyone - but will leave it up to each individual's personal initiative. Therefore, on *vestjyskBANK*'s website individuals can find a lot of useful information relating to energy and the environment. On the website you can find information on energy consultants who are able to give an assessment of your energy consumption and suggestions for making savings. You can also use the Environment calculator, *Miljøberegneren*, to calculate the economic ramifications of environmental initiatives in the home as well as useful energy-saving tips for reducing your consumption of electricity, water and heating and getting more out of your car per litre of fuel.

Closer to home, in our own premises, we have initiated a number of measures aimed at helping the environment in the form of sorting of waste, with the result that environmentally insensitive paper is sent for recycling and light sources are switched on using movement sensors in new buildings and modernised premises. Furthermore, we have started making use of video conferences so that we can reduce transportation to and from meetings, etc. It is expected that the use of video conferences will increase in the coming years.

vestjyskBANK does not impose any particular responsibility requirements on its suppliers.

Management's Report

Capital Structure and Ownership



Capital

vestjyskBANK's share capital amounts to DKK 125m and is denoted as a single share class. The entire share capital is listed on the NASDAQ OMX Copenhagen.

The nominal value of a share is DKK 10 and there are 12.5m shares. A share must be registered in a specific name in order to qualify for a voting right. The shares are freely convertible. No shareholder is obliged to redeem his/her shares fully or in part. No shares are attributed any special rights. Each DKK 10 share carries one vote. No individual is permitted, through his/her own votes or through a proxy issued by a party other than the Board of Directors, to vote on the basis of more than 3% of the share capital.

No shareholder has informed the Bank in accordance with Article 28a of the Danish Public Companies Act that he/she owns more than 5% of the share capital.

At the General Meeting on 11 March 2009, the Board of Directors was authorised to acquire own shares up to a nominal value of 10% of the share capital. At the end of 2009, vestjyskBANK owns 271,247 of its own shares, corresponding to 2.2%.

At the Extraordinary General Meeting of 19 August 2009, the Board of Directors was authorised to expand the share capital by a nominal amount of DKK 62.5m until 18 August 2014. In addition, hybrid core capital injected by the government may be converted up to a nominal DKK 1.438bn in accordance with the stipulated rules which appear in the Bank's Articles of Association.

At the end of 2009, vestjyskBANK had 43,127 shareholders listed by name. Together, they own 95.4% of the share capital. The 10 main shareholders own 19.1% of the share capital, while 70% of the share capital is subscribed to by 4,258 shareholders. The shareholding

Management's Report

Capital Structure and Ownership



structure is characterised by a large number of shareholders who own minority holdings, but also by a number of major, institutional investors who follow the Bank's development on a professional level, thereby ensuring good corporate governance at vestjyskBANK.

For any amendment to the Bank's Articles of Association to be valid, at least one half of the share capital must be represented at the General Meeting. Any motion proposed must be adopted with at least 2/3 of both the votes cast and 2/3 of the share capital represented at the General Meeting. Where half the share capital is not represented at the General Meeting, and where a motion is otherwise adopted by 2/3 of the votes cast and 2/3 of the share capital represented, the Board of Directors will convene a new General Meeting within 14 days, at which the motion may be adopted by 2/3 of the votes cast, irrespective of the proportion of the represented capital. Amendments to the Articles of Association proposed by the Board of Directors do not require half of the share capital to be represented.

The Board of Directors is elected directly at the General Meeting and members are appointed for three years at a time. Members may be re-elected. Members of the Board of Directors must retire at the first Ordinary General Meeting after the date on which they reach 67 years of age.

Other Conditions

Apart from funding agreements, vestjyskBANK has not entered into any agreements which take effect or become subject to amendment or expiry in the event of the Bank being taken over as a result of a finalised takeover bid. Furthermore, no agreements have been entered into with the Bank's Management or employees regarding compensation in the event of resignation or

dismissal without due cause, or in the case of redundancies arising from a takeover bid.

Management's Report

Information to Shareholders

With effect from 1 July 2009, Nasdaq OMX Copenhagen has decided to close the Plus Segments whereby vestjyskBANK was part of the Midcap+ segment. This means that a vestjyskBANK share is now only included in the MidCap index.

The closing rate of vestjyskBANK's shares was 87.00 at the end of 2009, compared with a closing rate of 46 at the end of 2008 – an increase of 89.1%. During the course of 2009, just over 2.6 million shares were traded, at a total market value of DKK 230m.

See the graphs entitled "Movements in share index" and "Trading volume of vestjyskBANK shares".

Dividend Policy

vestjyskBANK's dividend policy is determined on the basis of the Bank's long-term solvency objectives. The Board of Directors assesses the need to repurchase shares on a yearly basis, taking into account the annual result, the need for continued growth, as well as the development of the share. The dividend percentage is then determined, based on a combination of solvency objectives and repurchase strategy.

In accordance with the Guarantee Scheme which was set up in conjunction with the Financial Stability Act – Bank Package 1, participants in the scheme have made a commitment that they will not pay out any dividends before 1 October 2010.

Communications Policy and Investor Relations

The purpose of vestjyskBANK's communication policy and investor relations activities is to ensure the provision of quality and relevant information to NASDAQ OMX Copenhagen,

other stock market stakeholders, present and potential shareholders, the media, analysts and brokers.

The information should give a fair representation of vestjyskBANK's financial conditions, strategy and expectations of the future. Information is disseminated to the market in accordance with NASDAQ OMX Copenhagen rules, which includes releasing yearly, half-yearly and quarterly reports with all relevant specifications in accordance with Danish law, responding to all enquiries from investors in this regard and making information available in Danish and English.

The full text of the Bank's communication and investor relations policies is available at vestjyskbank.dk.

Website and Shareholder Magazine

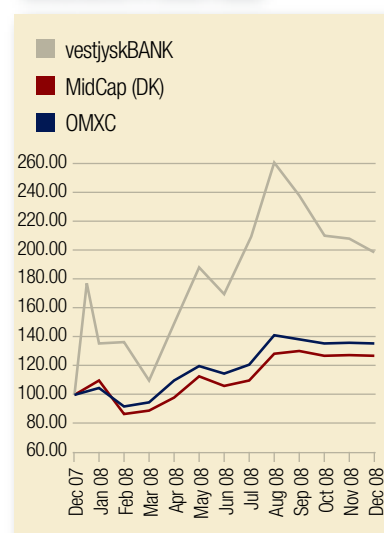
The Bank's website, www.vestjyskbank.dk, includes an investors' portal, which contains relevant and updated information for shareholders and other stakeholders. The portal contains all published company announcements, the current share price, annual reports and other IR information.

The bank releases the shareholder and customer magazine FJORDTERNEN twice a year. Fjordternen is sent to shareholders and customers and can be viewed on the bank's website. We will endeavour at all times to produce an ambitious and exciting magazine that will reinforce customers' and shareholders' interest in and preference for the Bank.

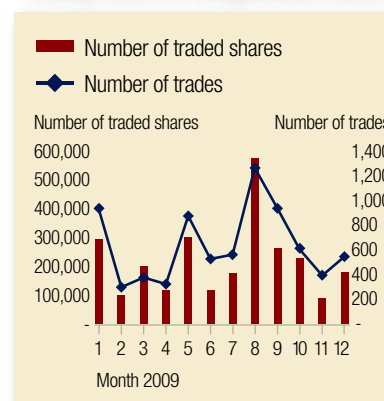
Responsible for Investor Relations

Deputy Managing Director Kaj Damgaard is in charge of managing investor relations at vestjyskBANK. The Bank's contact with the

Movements in Share Index



Trading Volume of vestjyskBANK Shares



Management's Report

Information to Shareholders



stock market's stakeholders and any questions relating to the Bank's investor relations policy are handled by:

CEO
Frank Kristensen
vestjyskBANK
Torvet 4-5
DK-7620 Lemvig
Tel. +45 96 63 21 01
fk@vestjyskbank.dk

Deputy Director
Kaj Damgaard
vestjyskBANK
Torvet 4-5
DK-7620 Lemvig
Tel. +45 96 63 21 42
kad@vestjyskbank.dk

General Meeting and Shareholders' Meeting

vestjyskBANK will be holding its Ordinary General Meeting on Wednesday 17 March 2010 at 4 p.m. at Lemvig Idræts- og Kulturcenter (Sports and Culture Centre), Christinelystvej 8, DK-7620 Lemvig.

A shareholders' meeting will be held in Holstebro on Tuesday 23 March 2010 at 6 p.m. in Musikteatrets koncertsal, Den Røde Plads 16, DK-7500 Holstebro.

A shareholders' meeting will also be held in Ringkøbing on Wednesday 24 March 2010 at 5 p.m. in Ringkøbing Sports- og Kursuscenter (ROFI), Kirkevej 26, DK-6950 Ringkøbing.

Financial Calendar for 2010

■ 24 February	Annual Report 2009
■ 17 March	Annual General Meeting
■ 29 April	Quarterly Report, Q1 2010
■ 12 August	Half-yearly report, H1 2010
■ 28 October	Quarterly report, Q1-3 2010

Stock Exchange Notices for the Year

■ 16 January	Issue of bond loan
■ 2 February	Major shareholder announcement
■ 25 February	Annual Report
■ 2 March	General Meeting notice
■ 9 March	Major shareholder announcement
■ 12 March	Minutes of the General Meeting
■ 23 March	Insider trading with the Bank's shares
■ 23 March	Insider trading with the Bank's shares
■ 24 March	Insider trading with the Bank's shares
■ 25 March	Insider trading with the Bank's shares
■ 30 March	Announcement on interest on variable interest rate bond loans
■ 29 April	Quarterly Report, Q1
■ 30 June	Announcement on interest on variable interest rate bond loans
■ 5 August	Half-yearly Report, H1
■ 10 August	Notice of Extraordinary General Meeting
■ 14 August	Notice of powers granted to vestjyskBANK's Board of Directors
■ 19 August	Minutes of Extraordinary General Meeting
■ 20 August	Raising of subordinated loan capital in the form of hybrid core capital
■ 8 September	Articles of Association following the Extraordinary General Meeting
■ 30 September	Announcement on interest on variable interest rate bond loans
■ 28 October	Quarterly Report, Q1-3
■ 5 November	Repayment before maturity of supplementary capital

Management's Report

The Organisation

vestjyskBANK's vision is to be "the most attractive partner". This is achieved by attracting and engaging the most competent employees – so that our customers are assured of receiving precisely the advice they need. Customers should be greeted by "whole people" and experience value creation, resulting in mutual loyalty.

Therefore, at vestjyskBANK we focus intensely on developing managers and employees, and on organising ourselves in such a way that tasks are performed efficiently and properly.

Organisation

In order to ensure as much time as possible for providing advice, the various branches are typically sub-divided into a retail customer section and a corporate customer section, as well as a customer service section. That way, the advisers' time is spent advising customers while other colleagues perform the administrative tasks.

The staff functions support customer-related functions with specialists in all fields. This means that advisers are able to deal with all the customer consultancy needs, even when cutting-edge skills are needed.

We continually strive to streamline and optimise the performance of administrative tasks so that as much time as possible is spent advising customers.

Furthermore, the Bank carried out a re-structuring of the organisation in March 2009.

Staff seniority and age distribution are displayed in the tables to the left.

Management

As an employee and manager in vestjyskBANK, each and every individual contributes to translating the vision, mission and values into practical reality on a daily basis. It is important to develop commercial potential under the changed market conditions while, at the same time, ensuring that a long-term strategic focus is maintained.

This requires the individual manager to consistently – and in a present and competent manner – act as a catalyst to usher in precisely those changes which assure the organisation of its market share, employee development and optimal use of resources.

Therefore, in 2009-2010, all managers will undergo the intensive and challenging leadership development process, vestjyskVIND, where strategic leadership, business development and personal development are combined with concrete practical activities.

Employees Create a Shared Culture and Shared Values

As a result of the merger between vestjyskBANK and Ringkøbing Bank and the takeover of Bonusbanken, we have implemented a number of initiatives aimed at strengthening awareness of the culture and values across the organisation.

Recently we have carried out a culture awareness process for all employees, department by department, which focussed on cooperation, values and culture etc. The result of this culture awareness process is a number of focus areas on which managers and employees will work on a day-to-day basis in the context of the leadership development process, vestjyskVIND.

Staff seniority

More than 20 years	163
15-19 years	37
10-14 years	74
5-9 years	102
0-4 years	276
Total	652

Staff age distribution

19-24 years	39
25-29 years	49
30-34 years	71
35-39 years	62
40-44 years	97
45-49 years	108
50-54 years	91
55-59 years	103
60-64 years	31
65-69 years	1
Total	652



The objective is to anchor the values throughout the entire organisation so that colleagues and customers recognise them in the behaviour they experience. The process will continue in 2010 with an internal value process linked to the external branding of the distinctive vestjyskBANK culture.

Other Events During the Year

The core production groups, organised into four units, are now in place. We have been working hard to establish the interfaces between the branches and the central production units, so that the most efficient working procedures are used.

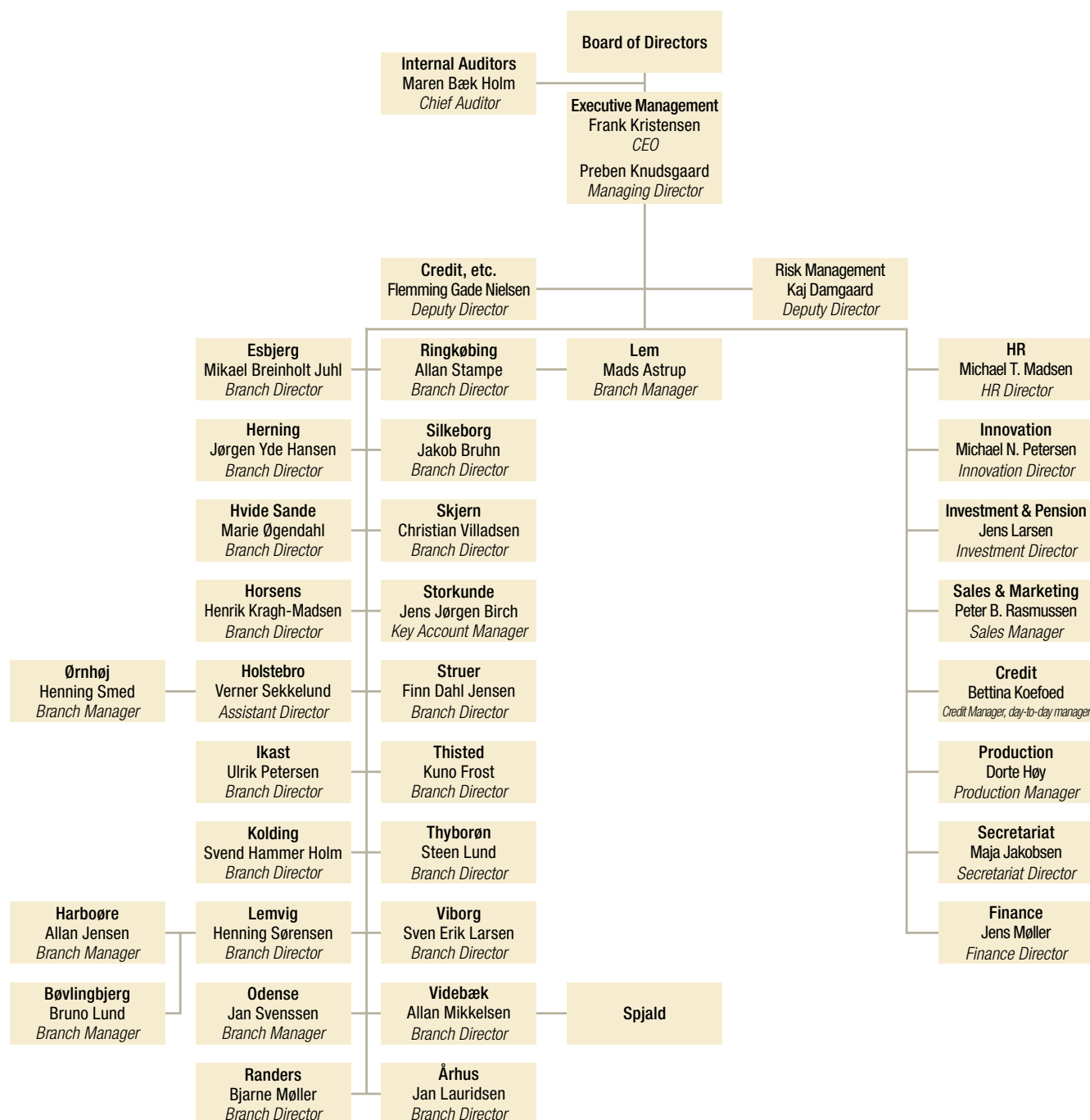
We have established an advice centre in Herning which uses the branch network with skills in the fields of mortgage advice, debt management, investment advice and pensions advice. This grouping of professionals ensures that the concepts we develop are of the highest quality and that we comply with legal requirements and

vestjyskBANK's high ethical standards. The investment and pensions advisers make a valuable contribution partly through the facilitation of customer meetings involving complicated tasks and partly through enhancing the skills of the branches' advisers so that, on a local basis, we are able to handle the most frequently occurring customer situations, and partly by ensuring a high standard of quality with regard to the service provided to customers. The PM Group manages the Bank's pension pools and individual PM agreements.

Furthermore, there have been changes in our branch network in that the Nørreport branch in Holstebro has been closed down and amalgamated with the Store Torv branch in Holstebro to form a stronger unit, which, as a consequence, has become the Bank's largest branch. Changes have also been made to the opening hours of several smaller branches, ensuring that competent employees focussing on providing advice are available.

Management's Report

Organisational Chart



Management's Report

Board of Directors and Executive Management

Board of Directors:

Director Anders Bech (born 1947), Chairman

Conforms to the definition of independence of the Committee for Good Corporate Governance.

- Elected to the Board of Directors of the former Vestjysk Bank for the first time in 1997
- Retained his post on the Board at vestjysk-BANK following the merger with Nordvest-bank in 2002 and, at the same time, was elected as Chairman
- Has been re-elected to vestjyskBANK's Board of Directors
- Expiry of current term: 2012

Other management posts or organisational tasks:

- Managing Director of Kaj Bech A/S and Kaj Bech Holding A/S
- Member of the Board of Directors of Kaj Bech A/S, Kaj Bech Holding A/S, Ejendomselskabet Doktorvænget A/S and Fonden Nørre Vosborg

Holds own and related parties' shares, options or warrants in vestjyskBANK: 17,010 shares

Stock changes during the financial year: None.

Director Poul Hjulmand (born 1945), Vice-Chairman

Conforms to the definition of independence of the Committee for Good Corporate Governance

- Elected to the Board of Directors of Ringkjøbing Bank for the first time in 2003 and, at the same time, elected Board Chairman
- Retained his post on the Board at vestjysk-BANK following the merger in 2008 and, at the same time, was elected as Vice-Chairman
- Expiry of current term: 2011

Other management posts or organisational tasks:

- Managing Director of Landia A/S Group
- Member of the Board of Directors of Landia A/S, Landia Inc. and Landia UK. Ltd., Landia GmbH, Landia Holding ApS, Vestas aircoil A/S, Hydromann Holding A/S, ConSet A/S, Conset Norge A/S, RAH A.m.b.a., RAH Net A/S, RAH Service A/S, RAH Adm. A/S, RAH Holding A/S, Vestjyske Net A/S, Iron Pump A/S, Iron Pump Holding A/S, Ølgaard-Jensens Fond, Hvide Sande Havn og Lem Varneværk

Has occupied other management posts or performed organisational tasks in the past 5 years: Member of the Board of Directors of Samson Pumps A/S, K.P. Komponenter A/S, K.P. Holding A/S, Skjern Vinduer A/S and Hydromann A/S.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 3,977 shares

Stock changes during the financial year:
Has acquired 1,900 shares.

Director Bjørn Albinus (born 1949)

Conforms to the definition of independence of the Committee for Good Corporate Governance

- Elected to the Board of Directors in 2009. Appointed as Chairman of the Board's Auditing Committee at the same time
- Expiry of current term: 2012

Other management posts or organisational tasks:

- Member of the Board of Directors in Damolin A/S

Has occupied other management posts or performed organisational tasks in the past 5 years:

- Managing Director of Cheminova A/S and Auriga Industries A/S



Management's Report

Board of Directors and Executive Management



- Member of the Board of Directors of BHJ A/S, Skamol A/S and Hardi International A/S

Holds own and related parties' shares, options or warrants in vestjyskBANK: None.

Stock changes during the financial year: None.

Director Carl Olav Birk Jensen (born 1955)

Conforms to the definition of independence of the Committee for Good Corporate Governance

- Elected to the Board of Directors of Ringkjøbing Bank for the first time in 2001 and elected as Vice-Chairman in 2007
- Retained his post on the Board at vestjyskBANK following the merger in 2008
- Expiry of current term: 2011

Other management or organisational tasks:

- Member of the Board of Directors of Ringkjøbing Håndbold ApS

Has occupied other management posts or performed organisational tasks in the past 5 years: Managing Director of Central Vask Ringkjøbing ApS.

Holds own and related parties' shares, options or warrants in vestjyskBANK: 8,374 shares

Stock changes during the financial year:

Has acquired 4,634 shares.

Kirsten Lundgaard-Karlshøj (born 1951), Farm Owner

Conforms to the definition of independence of the Committee for Good Corporate Governance

- Elected to the Board of Directors of the former Vestjysk Bank for the first time in 1998.
- Retained her post on the Board at vestjysk-

BANK following the merger with Nordvest-bank in 2002

- Has been re-elected to vestjyskBANK's Board of Directors
- Expiry of current term: 2012

Other management posts or organisational tasks:

- Runs a large farm

Has occupied other management posts or performed organisational tasks in the past 5 years: Member of the Board of Directors of Dansk/Californisk Ejendomsselskab ApS

Holds own and related parties' shares, options or warrants in vestjyskBANK: 15,500 shares

Stock changes during the financial year: None

Peter Mortensen (born 1972), Master Butcher

Conforms to the definition of independence of the Committee for Good Corporate Governance

- Elected to the Board of Directors of vestjyskBANK in 2008
- Expiry of current term: 2011

Other management posts or organisational tasks:

- Managing Director of Slagter Mortensen Lemvig ApS

Holds own and related parties' shares, options or warrants in vestjyskBANK: 3,705 shares

Stock changes during the financial year:

Has acquired 2,700 shares.

Key Account Manager

Peder Hesselaa Nielsen (born 1961).

Elected by the Employees

Conforms to the definition of independence of the Committee for Good Corporate Governance, despite being in the Bank's employ.

- Elected to the Board of Directors of Vestjysk Bank for the first time in 2003 as employee representative
- Has been re-elected to vestjyskBANK's Board of Directors
- Expiry of current term: 2011

Other management posts or organisational tasks:

- Member of the Board of Directors of HHH Polen Invest ApS

Holds own and related parties' shares, options or warrants in vestjyskBANK: 1,000 shares

Stock changes during the financial year: None

Sales Manager Peter Bækkelund Rasmussen (born 1967).

Elected by the Employees

Conforms to the definition of independence of the Committee for Good Corporate Governance, despite being in the Bank's employ.

- Elected to the Board of Directors of Vestjysk Bank for the first time in 2007 as employee representative
- Expiry of current term: 2011

Holds own and related parties' shares, options or warrants in vestjyskBANK: 1,899 shares

Stock changes during the financial year:
Has acquired 1,176 shares

Executive Management:

CEO Frank Kristensen (born 1952)

- Took up his post as Bank Director at nordvestBANK in 1999 and continued in the same role at vestjyskBANK following the merger between nordvestBANK and the former Vestjysk Bank in 2002. Bank Managing Director following the merger with Ringkjøbing Bank in 2008

Other management posts in Danish limited companies:

- Member of the Board of Directors of Totalkredit A/S, PRAS A/S, VP Securities A/S, PBS Holding A/S, MultiData Holding A/S, e-nettet Holding A/S and Atrium Fondsmæglerselskab A/S

Holds own and related parties' shares, options or warrants in vestjyskBANK: 11,994 shares

Stock changes during the financial year:

Has acquired 10,000 shares.

Managing Director Preben Knudsgaard (born 1949)

Took up his post as Bank Director at Ringkjøbing Bank in 1992 and continued in the same role at vestjyskBANK following the merger in 2008.

Other management posts in Danish limited companies:

- Member of the Board of Directors of BI Holding A/S

Holds own and related parties' shares, options or warrants in vestjyskBANK: 12,137 shares

Stock changes during the financial year:

Has acquired 4,800 shares.

Management's Report

Partners

vestjyskBANK cooperates with and receives commission from the following:

Mortgage Finance

As regards mortgage finance, vestjyskBANK collaborates primarily with Totalkredit in providing finance for permanent main residences and holiday homes, as well as for owner-occupied flats. Furthermore, vestjyskBANK is a shareholder in the holding company Pras A/S which owns Totalkredit and the nominal value of its stake in Pras amounts to DKK 20,822,737.00 (booked at DKK 59.8m).

As regards financing mortgages for commercial properties, including agricultural properties, residential lets and cooperative housing, vestjyskBANK collaborates primarily with DLR Kredit, of which the Bank is a co-owner. The nominal value of the Bank's stake in DLR Kredit is DKK 24,481,687.00 and its book value DKK 315.3m. In addition to these primary partners, vestjyskBANK also collaborates with Nykredit and Realkredit Danmark.

LeasIT

In the field of leasing, vestjyskBANK collaborates with LeasIT in referring leasing agreements.

Insurance

In the field of insurance, vestjyskBANK collaborates with PFA forsikring in providing life and disability insurance.

As regards general insurance, vestjyskBANK collaborates primarily with Privatsikring and Vestjylland Forsikring.

Furthermore, vestjyskBANK is a co-owner of Letpension A/S via Letpension Holding A/S

which started trading in 2009 with, however, a slightly different concept than was originally envisaged. Now, Letpension A/S functions as an advisory and conveyance platform which passes on insurance policies taken out to PFA. The nominal value of vestjyskBANK's stake is DKK 17,777,176.00 and its book value is DKK 8.6m.

Securities Market

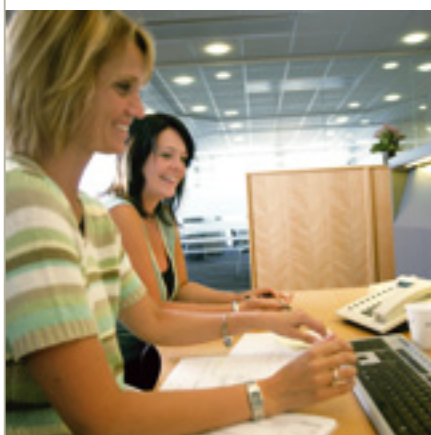
vestjyskBANK collaborates with Bankinvest in facilitating Bankinvest's investment funds and other related products and is also a shareholder in BI Holding A/S, which is the group's parent company. The nominal value of vestjyskBANK's stake is DKK 416,255.00 and its book value is DKK 9.4m.

vestjyskBANK collaborates with Garanti Invest A/S in facilitating structured products and also has shareholdings in this company. The nominal value of its stake in Garanti Invest A/S is DKK 373,900.00 and its book value is DKK 2.4m.

vestjyskBANK cooperates with Atrium Fondsmæglerelskab A/S on the facilitation of Atrium investment funds and is also a shareholder in the company. The nominal value of vestjyskBANK's stake is DKK 30,000 and its book value is DKK 0.2m.

vestjyskBANK collaborates with Sparinvest in facilitating Sparinvest's investment funds and also has shareholdings in Sparinvest Holding A/S. The nominal value of its stake in Sparinvest Holding A/S is DKK 689,000.00 and its book value is 21.2m.

In addition, vestjyskBANK collaborates with Sydinvest, Egnsinvest, Nordea Bank Danmark A/S, Atrium Value Partner, Carnegie, Dexia Invest and ValueInvest.





vestjyskBANK collaborates with Forvaltningsinstituttet for Lokale Pengeinstitutter, a body approved by the Danish Ministry of Justice to perform management tasks. Under the terms of this partnership, the Bank refers customers to Forvaltningsinstituttet..

Payment Services

vestjyskBANK collaborates with PBS A/S and PBS International A/S in the field of payment and money transmission and credit card services. vestjyskBANK is a co-owner of PBS A/S via PBS Holding A/S. The nominal value of its stake in PBS A/S is DKK 537,875.00 and its book value is DKK 25.2m.

Payroll Management for Customers

vestjyskBANK collaborates with Multidata A/S on payroll management systems. vestjyskBANK is a co-owner of Multidata A/S via Multidata Holding A/S. The nominal value of the Bank's stake in Multidata A/S is DKK 107,575.00 and the book value is DKK 7.2m.

Other Partners

In addition to the above-mentioned partners, vestjyskBANK also collaborates with the following important partners, but without commission:

BEC

vestjyskBANK is a co-owner of BEC, which is one of Denmark's three jointly-owned IT providers in the banking sector. On account of its partnership with BEC, vestjyskBANK can continuously utilise operationally safe, user-friendly and competitive IT solutions. Furthermore, BEC is a major provider of services to other operators in the financial sector. The book value of vestjyskBANK's stake in BEC is DKK 115.5m.

BoligCenterVestjylland

vestjyskBANK collaborates with BoligCenterVestjylland, a local property agent. This partnership includes property valuation and mutual customer referral.

Management's Report

Partners



Nykredit Mægler

vestjyskBANK collaborates with Nykredit Mægler. This partnership includes property valuation and mutual customer referral.

Euler Hermes

vestjyskBANK collaborates with Euler Hermes. This partnership covers customer referral as regards credit insurance.

Electronic archive

vestjyskBANK collaborates with e-Boks A/S on the Bank's provision of an electronic correspondence archive to customers who have signed up for an e-mail account. vestjyskBANK is a co-owner of e-Boks A/S via PBS Holding A/S.

Finance Sector's Training Centre

vestjyskBANK collaborates with the Finance Sector's Training Centre, which is used for organising basic and advanced education and training courses.

Amagerbanken

vestjyskBANK collaborates with Amagerbanken on the processing of fund orders which vestjyskBANK receives from customers via WEBbank.

Arbejdernes Landsbank

vestjyskBANK collaborates with Arbejdernes Landsbank on the processing of fund orders which vestjyskBANK receives from customers via WEBbank.

VP Securities Services

vestjyskBANK collaborates with and is a co-owner of VP Securities Services, whose key task is to issue securities electronically, record share and rights ownership and to facilitate the clearing and settlement of securities. The nominal value of vestjyskBANK's stake in VP Securities Services is DKK 192,000.00 and its book value is DKK 2.4m.

The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark

vestjyskBANK is a member of the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, together with 98 other local banks. The Association's objectives are to support its members and promote their joint interests by taking account of individual members' independence, freedom of action and integrity, as well as to work towards secure development of the financial sector, so that its members can discharge their duties in the best possible manner.

Public Sector Tasks

Electronic Registration

Electronic registration was launched during the second half of 2009, instead of in the first quarter of 2008, as originally planned. This is a change that will have a considerable impact on the work of vestjyskBANK. However, the launch faced major teething problems resulting in lengthy waiting times. Once the system has been fully integrated, a lot of paper will disappear and procedures are expected to become simpler and faster.

Robberies

In 2009, vestjyskBANK did not experience any robberies. This may be attributed, in particular, to the fact that time-delay locks were fitted on tills which store significant amounts of money. In order to increase its efforts to tackle robberies, the Bank has decided to close manned service desks in smaller branches in 2010 and replace them with automated teller machines (ATMs). The Bank is taking this step out of concern for our employees, because those employees who have been the victims of robberies often find it difficult to process these events from a distance.

Management's Statement

The Board of Directors and the Executive Management have today reviewed and approved the Annual Report of vestjyskBANK A/S for the financial year 1 January – 31 December 2009.

The Annual Report has been prepared in accordance with the Danish Financial Business Act, and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions. The accounting policy selected is considered appropriate, inasmuch as the Annual Report provides a fair view of the Bank's assets, liabilities, financial position and profit/loss.

The Management's Report contains a true and fair review of the development of the Bank's activities and financial issues, as well as a true and fair description of the significant risks and uncertainties which may affect the Bank.

The Annual Report is recommended for approval by the General Meeting.

Lemvig, 24 February 2010

Executive Management

Frank Kristensen

Preben Knudsgaard

Board of Directors

Anders Kristian Bech

Poul Hjulmand

Bjørn Albinus

Kirsten Lundgaard-Karlshøj

Peder Hesselaa Nielsen

Peter Bækkelund Rasmussen

Carl Olav Birk Jensen

Peter Juhl Mortensen

Auditors' Reports



Internal Auditor's Report

We have audited the Financial Statements and Management's Report of Vestjysk Bank A/S for the financial year 1 January – 31 December 2009. The Financial Statements comprise Income Statement, Balance Sheet, Statement of Changes in Shareholders' Equity, Accounting Policies and Notes. The Financial Statements are prepared in accordance with the Danish Financial Business Act. The Management's Report is prepared in accordance with Danish disclosure requirements of listed financial undertakings.

Basis of Opinion

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups and in accordance with the Danish Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance whether the Financial Statements and Management's Report are free from material misstatement.

The audit has been performed in accordance with the division of duties agreed with the external auditors and has included an assessment of procedures and internal controls established, including the risk management organised by Management relevant to reporting processes and significant business risks. Based on materiality and risk, we have examined, on a test basis, the basis of amounts and other disclosures in the Financial Statements and Management's Report, including evidence supporting amounts and disclosures. Furthermore, the audit has included evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting

estimates made by Management, as well as evaluating the overall presentation of the Financial Statements and Management's Report.

We have participated in the audit of risk and other material areas and believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the procedures and internal controls established, including the risk management organised by Management relevant to the Entity's reporting processes and significant business risks, are working satisfactorily.

Furthermore, in our opinion, the Financial Statements give a true and fair view of the Entity's assets, liabilities and financial position at 31 December 2009 and of the results of the Entity's activities for the financial year 1 January - 31 December 2009 in accordance with the Danish Financial Business Act. It is moreover our opinion that Management's Report includes a true and fair account of the Bank's activities and financial circumstances as well as a description of the most material risks and uncertainty factors which may affect the Bank in accordance with Danish disclosure requirements of listed financial undertakings.

Lemvig, 24 February 2010

Maren Bæk Holm
Chief Auditor

Independent Auditor's Report

To the Shareholders of Vestjysk Bank A/S

We have audited the Financial Statements and Management's Report of Vestjysk Bank A/S for the financial year 1 January – 31 December 2009. The Financial Statements comprise Income Statement, Balance Sheet, Statement of Changes in Shareholders' Equity, Accounting Policies and Notes. The Financial Statements are prepared in accordance with the Danish Financial Business Act. The Management's Report is prepared in accordance with Danish disclosure requirements of listed financial undertakings.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Danish Financial Business Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Furthermore, Management is responsible for preparing a Management's Report that includes a true and fair account in accordance with Danish disclosure requirements of listed financial undertakings.

Auditor's Responsibility and Basis of Opinion

Our responsibility is to express an opinion on the Financial Statements and Management's Report based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those Standards require that we comply with

ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements and Management's Report are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements and Management's Report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements and Management's Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank's preparation and fair presentation of the Financial Statements and to the preparation of a Management's Report that includes a true and fair account in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements and Management's Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Bank at 31 December 2009 and of the results of the bank operations for the financial year 1 January - 31 December 2009 in accor-



Auditors' Reports

dance with the Danish Financial Business Act. It is moreover our opinion that Management's Report includes a true and fair account of the Bank's activities and financial circumstances

Holstebro, 24 February 2010

PricewaterhouseCoopers

Statsautoriseret Revisionsaktieselskab

H.C. Krogh

State Authorised Public Accountant

as well as a description of the most material risks and uncertainty factors which may affect the Bank in accordance with Danish disclosure requirements of listed financial undertakings.

Krøyer Pedersen

Statsautoriserede Revisorer I/S

Henrik Holm

State Authorised Public Accountant



Accounting Policies

General Policies

The Annual Report has been prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reporting for Credit Institutions and Investment Companies etc. Furthermore, the Annual Report has been prepared in accordance with other Danish reporting requirements relating to annual reports for listed financial institutions.

Changes in Accounting Policies

During the course of 2009, the IT consolidation of vestjyskBANK, Bonusbanken and Ringkjøbing Bank was completed. This has meant, for instance, that impairments made in Bonusbanken and Ringkjøbing Bank are now treated in the same way as other impairments (objective indication of impairment in vestjyskBANK) since these impairments can no longer be kept separate. Changes in practice implemented with effect from 1 January 2009 and comparative figures for 2008 have been adjusted.

The changes in accounting policy do not affect the Bank's result or shareholders' equity, but as a result of the change in policy, the accumulated impairment percentage has increased from 1.1% to 3% since the impairments originating from Bonusbanken and Ringkjøbing Bank are now included in the key figures.

Changes in practice have the additional effect that reversal of impairments made in Bonusbanken and Ringkjøbing are now entered as income under 'Impairment of Loans and Advances and Accounts Receivable etc.' as opposed to under 'Other Operating Income' as was the case previously.

Only reversals of the so-called impairments pertaining to transfer of assets, made at the

time of the merger between vestjyskBANK and Ringkjøbing Bank are now entered under 'Other Operating Income'. These impairments pertaining to transfer of assets arose because the current value of a number of commitments was lower than the amortised cost value in Ringkjøbing Bank.

The accounting policies have otherwise not changed in relation to the Annual Report for 2008.

Recognition and Measurement in General

Assets are recognised in the balance sheet when, as a consequence of an earlier occurrence, it is probable that any future economic benefit will flow to the Bank, and when the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Bank, as a consequence of an earlier occurrence, has a legal or actual liability to do so, and when it is probable that any future economic benefit will flow from the Bank, and the value of the liability can be measured reliably.

Upon first recognition, assets and liabilities are measured at fair value. However, tangible assets are measured at cost price on first recognition. Measurement after first recognition is carried out as described for each accounting item.

For the purposes of recognition and measurement, the Bank makes allowance for any predictable risks or losses which occur before the Annual Report is presented and which confirm or invalidate circumstances existing on the date of the balance sheet.

In the income statement, income is recognised as earned, whereas expenditure is recognised with the amounts relating to the accounting



year. However, any increase in the value of owner-occupied property is recognised directly in the shareholders' equity.

Financial instruments are recognised on the day on which settlement occurs.

The Bank does not practise segment reporting, as neither the Bank's activities nor its geographical markets deviate from each other to a considerable extent.

Accounting Estimates

Determination of the accounting value of certain assets and liabilities involves an estimation of how future events might affect the value of such assets and liabilities. The most essential estimates relate to the impairment of loans and advances, determination of the current values of unlisted financial instruments and to provisions for liabilities.

The estimates carried out are based on the premises considered to be responsible by the Management, but which are uncertain. In addition, the Bank is affected by risks and uncertainties which may result in actual results deviating from the estimates.

As regards impairment of loans and advances and accounts receivable, there are essential estimates associated with quantification of the risk of not all future payments being received. As regards the current value of unlisted financial instruments, there are essential estimates involved in measuring the current value.

Conversion of Foreign Currencies

Foreign currency transactions are converted upon first recognition at the exchange rate on the transaction date. Accounts receivable, liabilities and other foreign exchange mone-

tary items which have not been settled on the balance sheet date are converted to the currency's closing rate on the balance sheet date. Exchange differences arising between the rate prevailing on the transaction date and the rate prevailing on the payment, or balance sheet, date are recognised in the income statement as market value adjustments.

Hedge Accounting

The Bank applies special hedge accounting rules in order to avoid any inconsistencies which might arise as a result of certain financial assets or financial liabilities being measured at amortised cost. However, derivative financial instruments are measured at current value. Hedging transactions have been established at portfolio level for the following items: fixed-interest loans, loans denominated in foreign currencies and bonds and fixed-interest deposits. These are covered by means of such products as options, forward transactions, swaps and caps.

Mergers

With the acquisition or merger with other companies, these are recognised from the takeover date. Sold companies are recognised up to the transfer date.

The merger occurs with the utilisation of the acquisition method after which the acquired companies' assets and liabilities are recognised at fair value on the day of acquisition. The tax value of the conducted revaluations is taken into consideration.

Positive differences between the cost price and the revaluated value of the acquired net assets are recognised in the balance as goodwill and are written down, if impairment arises. Negative differences are recognised as income in the income statement.



Accounting Policies



With the merger with Ringkjøbing Bank and the acquisition of Bonusbanken in 2008, the cost price is calculated as the market value on the date of acquisition by the vestjyskBANK shares issued with the merger and by the settled vestjyskBANK shares with the acquisition, respectively.

Income Statement

Interest, Fees and Commissions

Interest income and interest expenses are recognised in the income statement for the period they pertain to. Commissions and fees constituting an integral part of the effective interest rate of loans and advances are recognised at amortised cost.

Interest income from loans and advances, which have become either partly or fully impaired, is recognised only under "Interest income" with the calculated effective rate of interest on the loan's impaired value. Moreover, interest income is recognised under the item "Impairment of loans and advances and accounts receivable, etc."

Commissions and fees forming part of a current debt service are accrued over the term.

Other fees are recognised in the income statement on the transaction date.

Staff costs and administrative expenses

Staff costs comprise salaries and social security costs, pensions, etc. paid out to staff members. The costs of goods and services provided to employees, including anniversary bonuses, are recognised when employees have completed the duties which entitle them to the goods and services in question.

Incentive scheme costs are recognised in the

income statement in the financial year to which the cost relates.

The majority of staff members have joined contribution-based pension schemes. In the contribution-based schemes, fixed amounts are paid to an independent pension fund. The Bank has no obligation to pay further contributions.

Other expenses that are not recognised under other items in the income statement, including guarantee commission for the Private Contingency Association (Det Private Beredskab), are recognised under "Other operating expenses".

Tax

Tax for the year, consisting of the year's current tax and any change in deferred tax, is recognised in the income statement to the extent to which it refers to the profit for the year, and directly in the shareholders' equity to the extent to which it refers to entries directly in the shareholders' equity.

Current tax liabilities and current tax receivables, respectively, are recognised in the balance sheet as the calculated tax of taxable income for the year adjusted for tax paid on account.

Deferred tax is recognised in all temporary differences between accounting and tax values of assets and liabilities.

Deferred tax is either recognised as a liability in the balance sheet under "Provisions for deferred tax" or, after careful assessment, as an asset under "Deferred tax assets", if the net value is an asset.

Balance Sheet

Cash in Hand and Demand Deposits at Central Banks

Cash in hand and demand deposits consist of the Bank's holdings in domestic or foreign currency notes and coins, as well as of any demand deposits at central banks.

Accounts Receivable at Credit Institutions and Central Banks

Accounts receivable at credit institutions and central banks are comprised of accounts receivable at other credit institutions as well as term deposits held with central banks. This item is measured at amortised cost price which normally corresponds to nominal value.

Loans and Advances and Other Accounts Receivable

Loans and advances and other accounts receivable are measured at amortised cost price, which normally corresponds to the nominal value, with deduction of establishment fees etc. and with deduction of impairment intended to offset any loss which has occurred, but remains unrealised.

Impairment of loans and other accounts receivable is made for the individual subsidiaries and the Group as a whole. Impairment on losses is made when there is objective indication of impairment.

As regards individual impairments, objective indication is considered, as a minimum requirement, to have arisen in the case of one or more of the following events:

- The borrower is experiencing considerable financial difficulties
- The borrower has breached the contract, for example, by failing to meet payment obligations for instalments and interest

- The borrower has been granted exemption from certain conditions that would not normally be considered if it was not for the borrower's financial difficulties, or
- It is likely that the borrower will go bankrupt or be subject to other financial reconstruction measures.

Impairment is made with the difference between the accounting value before the impairment and the present value of any expected future payments in respect of the loan in question. Expected future payments are calculated on the basis of probability-weighted scenarios, assessed on the debtor's ability to pay and realisation of securities and any dividends. The effective rate of interest is used as a discounting factor.

Loans which have not been impaired individually are included in the collective impairment.

For loans and advances and accounts receivable that have not been impaired individually, a collective assessment is made to determine whether there has been any objective indication of impairment.

Collective assessments are made on groups of loans and advances and accounts receivable that have similar characteristics with regard to credit risk. The Bank uses a system composed of 11 groups: a single group for public authorities, one group for retail customers and 9 groups for corporate customers, whereby corporate customers are sub-divided according to their respective industries.

The collective assessment is made by means of a segmentation model, developed by the industry organisation Lokale Pengeinstutter. The association is responsible for ongoing main-



Accounting Policies



tenance and development of the model. The segmentation model determines cohesion of the individual groups by taking into account any losses incurred and a number of significant explanatory macroeconomic variables via a linear regression analysis. Among the explanatory macroeconomic variables are unemployment, house prices, interest rates, number of bankruptcies/foreclosure auctions etc.

The macroeconomic segmentation model is initially calculated on the basis of loss data for the entire banking sector. Therefore, vestjyskBANK has carried out an assessment of whether the model estimates pose any credit risk to vestjyskBANK's own loan portfolio.

This assessment has resulted in the model estimates being adjusted to fit our own situation. Consequently, it is the adjusted estimates that form the basis for calculating collective impairment. For each group of loans and advances and accounts receivable, an estimate emerges that indicates the percentage of decrease in value associated with a given group of loans and advances and accounts receivable on the balance sheet date. By comparing the original risk of loss attached to the loan and the risk of loss at the beginning of the current financial period, the individual loan's contribution to the collective impairment emerges. Impairment is calculated as the difference between the accounting value and the discounted value of any expected future payments.

Provisions for loss on guarantees and provisions for loss on unutilised agreements promising to grant a credit are recognised under "Provisions for liabilities".

Bonds

Bonds which are traded on regulated markets are measured at current value. Current value is calculated according to the closing rate prevailing on the market in question on the balance sheet date.

Under certain conditions reclassification is performed on bonds which no longer fulfil the conditions regarding possession with trade in view to the account item "Loans and advances and other accounts receivable at amortised cost price".

Shares

Shares which are traded on regulated markets are measured at current value. Current value is calculated according to the closing rate prevailing on the balance sheet date.

Unlisted shares in companies which the Bank owns jointly with a number of other financial institutions are valued at current value. If no current market data are available, the current value is determined on the basis of the companies' latest presented and approved accounts. Any remaining unlisted securities are recognised at purchase price or at a lower current value, if applicable.

Derivative Financial Instruments

Derivative financial instruments are measured at current value, which as a rule is based on listed market prices. Where non-listed instruments are involved, these are calculated at current value in accordance with generally recognised principles which are based on market-based parameters. Derivative financial instruments are recognised under "Other assets" and "Other liabilities", respectively.

Where a hedging circumstance conforms to the definition of hedge accounting at current value under the terms of the Danish Financial Supervisory Authority's Executive Order on Financial Reporting, both the hedging instrument and the item hedged are measured at current value on the balance sheet date.

All valuation adjustments concerning derivative financial instruments and hedge accounted items are entered under the item "Market value adjustments" in the income statement.

Pooled Assets

All pooled assets and deposits are recognised under separate balance sheet items. Return on pooled assets and dividends paid to pool participants are carried under the "Market value adjustments" item.

Land and Buildings

Investment property is property which is predominantly owned for the purpose of generating income from letting and hiring and/or capital gains. Upon acquisition, investment property is recognised at cost and subsequently measured at current value. Current value and letting/hiring income adjustments are recognised in the income statement under "Market value adjustments" and "Other operating income", respectively.

The current value of an investment property is calculated on the basis of a systematic assessment of that property's expected future return.

No depreciation is taken account of as regards such property.

Owner-occupied property is property which the Bank owns itself for the purpose of conducting banking operations in it.

Upon first recognition, owner-occupied property is measured at revalued amounts calculated at current value at the time of revaluation, on the basis of a return-on-investment model and with deduction of subsequent accumulated depreciation. The required rate of return on investment is in the region of 6 – 8%, depending on the location of the property. Revaluation is performed so frequently that there are no essential differences to the current value.

External experts are used for valuing the most important properties.

Increases in the revalued amounts of owner-occupied property are recognised under revaluation reserves under the item "Shareholders' equity". Decreases in such amounts are recognised in the income statement unless they involve reversal of any previous appreciation. Depreciation is made on the basis of the appreciated value and is calculated linearly on the basis of the expected lifespan, which is 50 years, of the depreciable amount with deduction of an estimated scrap value.

Installations are depreciated linearly over a period of 15 years.

Intangible assets

Intangible assets relate to the value of customer relations and goodwill acquired in connection with the takeover of Bonusbanken.

The value of customer relations is measured at cost price less accumulated depreciation and impairment. The value of customer relations is depreciated over an expected life span of 10 years.

Goodwill represents the amount by which the cost price of an acquired company exceeds



Accounting Policies

the current value of acquired assets and liabilities and contingent liabilities at the time it is taken over.

Goodwill is recognised as an asset and is not amortised but is subject to a test for depreciation at least once a year.

Impairment is recognised in the income statement.

Other Tangible Assets

Other tangible assets are measured at cost with deduction of accumulated depreciation and impairment. Linear depreciation is made on the basis of an estimate of the expected lifespan of any other assets:

IT equipment	2 – 3 years
Plant and equipment	3 years
Vehicles	3 – 4 years

Other fixed tangible assets are assessed for depreciation when there is an indication of a decrease in their value.

Other Assets

This item includes assets which have not been recognised under any other asset item, including market value increases arising from spot purchases and derivative financial instruments as well as any interest receivable.

Other Liabilities

This item includes liabilities which have not been recognised under any other liability item, including market value decreases arising from spot purchases, derivative financial instruments and any interest payable.

Prepayments

Prepayments recognised under assets comprise all expenses paid in relation to the sub-

sequent financial year. Prepayments are measured at cost price.

Debt to Credit Institutions and Central Banks/Deposits

Debt to credit institutions and central banks, as well as deposits, is valued at amortised cost.

Provisions for Pensions

This obligation is calculated in accordance with actuarial evaluation.

Subordinated Debt/Issued Bonds

Subordinated debt/issued bonds are valued at amortised cost price.

Dividends

The proposed dividend for the financial year is shown as a separate entry under the item "Shareholders' equity".

Own Shares

Acquisition costs and considerations for treasury shares and dividend from own shares are recognised directly as earnings retained under the item "Shareholders' equity".



Income Statement

Note no.	2009 DKK t	2008 DKK t
1 Interest income	1,733,853	1,456,652
2 Interest expenses	944,733	884,489
Net interest income	789,120	572,163
Dividends of shares, etc.	7,058	5,605
3 Fees and commission income	247,973	157,549
Paid fees and commission expenses	22,854	15,132
Net interest and fee income	1,021,297	720,185
4 Market value adjustments	140,803	-58,001
Total other operating income	65,684	254,147
Reversed acquired impairment	60,900	0
Badwill resulting from merger	0	251,338
Other operating income	4,784	2,809
5-7 Staff costs and administrative expenses	622,341	447,384
8 Depreciation and impairment of intangible and tangible assets	41,940	13,272
Other operating expenses	109,340	25,746
Impairment of loans and advances and accounts receivable, etc.	536,690	175,200
Resultat af aktiviteter under afvikling	-222	0
Pre-tax profit	-82,749	254,729
9 Tax	-17,594	-3,672
Profit	-65,155	258,401

Balance Sheet

at 31 December

Note no.	2009 DKK t	2008 DKK t	
Assets			
	Cash in hand and demand deposits at central banks	485,386	393,938
10	Accounts receivable at credit institutions and central banks	1,445,186	774,252
11-16, 32	Loans and advances and other accounts receivable at amortised cost price	23,874,057	24,069,237
13, 17, 32	Bonds carried at current value	4,297,370	4,535,457
18	Shares, etc.	706,871	619,974
19	Assets relating to pooled funds schemes	835,012	651,407
20	Intangible assets	110,058	111,554
	Total land and buildings	360,515	325,523
21	Investment properties	18,401	9,251
22	Domicile properties	342,114	316,272
23	Other tangible assets	17,375	16,478
	Current tax assets	1,036	53,857
24	Deferred tax assets	164,793	144,752
	Assets in temporary possession	9,255	500
	Other assets	475,435	494,893
	Prepayments	30,173	24,111
	Total assets	32,812,522	32,215,933
Liabilities			
Debt			
25	Debt to credit institutions and central banks	3,608,321	7,349,500
26, 32	Deposits and other amounts due	17,799,809	15,991,663
	Deposits in pooled funds schemes	835,012	651,407
27, 32	Issued bonds carried at amortised cost price	5,079,836	3,798,323
	Current tax liabilities	0	453
	Other liabilities	639,268	1,001,529
	Prepayments	58	249
	Total debt	27,962,304	28,793,124
Provisions for liabilities			
	Provisions for pensions and similar liabilities	22,730	20,687
	Provisions for losses on guarantees	95,593	29,439
	Other provisions for liabilities	5,489	0
	Total provisions for liabilities	123,812	50,126
Subordinated debt			
28, 32	Subordinated debt	2,596,553	1,172,462
Shareholders' equity			
29	Share capital	125,000	125,000
	Revaluation reserves	30,848	30,848
	Earnings retained / loss brought forward	1,974,005	2,044,373
	Total shareholders' equity	2,129,853	2,200,221
	Total liabilities	32,812,522	32,215,933

Statement of Changes in Shareholders' Equity

	Share capital DKK t	Revaluation reserves DKK t	Earnings retained DKK t	Proposed dividends DKK t	Total shareholders' equity DKK t
Shareholders' equity, beginning of 2009	125,000	30,848	2,044,373	0	2,200,221
Movements in shareholders' equity in 2009:					
Profit for the year			-65,155		-65,155
Total income			-65,155		-65,155
Additions, sale of own shares			151,643		151,643
Outflow, acquisition of own shares			-155,851		-155,851
Tax relating to own shares			-1,005		-1,005
Distributed dividends			0	0	0
Total movements in shareholders' equity	0	0	-70,368	0	-70,368
Shareholders' equity, end of 2008	125,000	30,848	1,974,005	0	2,129,853

	Share capital DKK t	Revaluation reserves DKK t	Earnings retained DKK t	Proposed dividends DKK t	Total shareholders' equity DKK t
Shareholders' equity, beginning of 2008	86,000	15,750	1,569,291	43,000	1,714,041
Movements in shareholders' equity in 2008:					
Appreciation after tax for the year		15,098			15,098
Profit for the year			258,401		258,401
Total income		15,098	258,401		273,499
Additions, sale of own shares			195,460		195,460
Outflow, acquisition of own shares			-188,502		-188,502
Tax relating to own shares			19,606		19,606
Distributed dividends			966	-43,000	-42,034
Shares issued in connection with merger	39,000		189,151		228,151
Total movements in shareholders' equity	39,000	15,098	475,082	-43,000	486,180
Shareholders' equity, end of 2008	125,000	30,848	2,044,373	0	2,200,221

Notes to the Annual Report

Note no.	2009 DKK t	2008 DKK t
1 Interest income		
Accounts receivable at credit institutions and central banks	53,602	26,818
Loans and advances and other accounts receivable	1,477,024	1,262,838
Bonds	163,325	128,638
Derivative financial instruments		
Foreign exchange contracts	44,930	23,670
Interest rate contracts	-5,048	13,185
Total derivate financial instruments	39,882	36,855
Other interest income	20	1,503
Total interest income	1,733,853	1,456,652
2 Interest expenses		
Credit institutions and central banks	160,117	279,612
Deposits and other amounts due	477,112	457,214
Issued bonds	201,035	101,549
Subordinated debt	106,025	46,102
Other interest expenses	444	12
Total interest expenses	944,733	884,489
3 Fees and commission income		
Securities trading and custody	58,457	40,930
Money transmission services	40,718	27,124
Loan processing fees	59,801	18,565
Guarantee commission	69,708	54,956
Other fees and commissions	19,289	15,974
Total fees and commission income	247,973	157,549
4 Market value adjustments		
Bonds	84,070	-12,426
Shares, etc.	56,767	-27,016
Foreign exchange	39,221	10,017
Derivative financial instruments		
Foreign exchange contracts	2,638	8,070
Interest rate contracts	-44,468	-39,895
Share contracts	3,544	3,991
Raw material contracts	1	0
Total derivate financial instruments	-38,285	-27,834
Assets relating to pooled funds schemes	148,826	-11,637
Deposits in pooled funds schemes	-148,826	11,637
Other assets	5,289	10,710
Other liabilities	-6,259	-11,452
Total market value adjustments	140,803	-58,001

Notes to the Annual Report

Note no.	2009 DKK t	2008 DKK t
5 Staff costs and administrative expenses		
Salaries and remuneration to the Board of Directors, Executive Management and Board of Representatives		
Board of Directors	1,321	927
Executive Management:		
Salaries	5,797	3,110
Pensions	3,145	1,609
Total Executive Management	8,942	4,719
The value of benefits in kind amounts to DKK 262t (2008: DKK 164t)		
The Bank does not uphold agreements with the Executive Management in relation to bonus or incentive schemes or similar remuneration schemes.		
The Bank is exempt from any pension liability in relation to the resignation of the Executive Management, be it on account of age, illness, disability or any other reason.		
With reference to the conditions for participation in Banking Package II, it should be pointed out that when calculating the taxable income for the 2009 financial year, remuneration for the Executive Management, totalling DKK 4,602t, has been deducted.		
Board of Representatives	0	187
Total	10,263	5,833
Staff costs		
Salaries	285,937	197,602
Pensions	37,439	24,262
Expenses for social security, tax on labour costs, etc.	30,355	22,004
Total	353,731	243,868
Other administrative expenses	258,347	197,683
Total staff costs and administrative expenses	622,341	447,384
6 Number of employees		
The average number of employees in the financial period, calculated as full-time employees	658,9	471,7
7 Audit fees		
Total fees payable to the auditing companies elected at the annual general meeting to carry out the statutory audit	3,496	3,146
Of which other services than auditing	1,885	2,212
8 Depreciation and impairment of intangible and tangible assets		
Intangible assets	1,496	0
Total land and buildings	29,431	6,448
Other tangible assets	11,013	6,824
Total depreciation and impairment of intangible and tangible assets	41,940	13,272

Note no.	2009 DKK t	2008 DKK t
9 Tax		
Calculated tax of profit for the year	0	0
Deferred tax	-18,156	-3,537
Deferred adjustment of calculated tax from previous years	562	-135
Total tax	-17,594	-3,672
Effective tax rate		
Current tax rate	25.0%	25.0%
Adjustments to this:		
Non-deductible expenses	-2.6%	0.1%
Non-taxable incomes	7.0%	-1.8%
Badwill resulting from merger	0.0%	-24.7%
Property depreciation, etc.	-7.4%	0.0%
Adjustment of tax for previous years	-0.7%	0.0%
Total effective tax rate	21.3%	-1.4%
10 Accounts receivable at credit institutions and central banks		
Accounts receivable at notice at central banks	999,763	49,948
Accounts receivable at credit institutions	445,423	724,304
Total accounts receivable at credit institutions and central banks	1,445,186	774,252
Distributed by maturity		
On demand	261,324	524,486
Up to 3 months	1,074,763	82,276
More than 3 months and up to 1 year	0	3,231
More than 1 year and up to 5 years	109,098	113,031
More than 5 years	0	51,228
Total	1,445,185	774,252
Of which margin accounts provided as security to credit institutions in relation to financial instruments	92,402	0
11 Loans and advances and other accounts receivable at amortised cost price		
Distributed by maturity		
On demand	8,677,025	8,696,052
Up to 3 months	1,815,833	2,961,732
More than 3 months and up to 1 year	2,881,395	2,853,200
More than 1 year and up to 5 years	5,563,042	4,976,707
More than 5 years	4,936,762	4,581,546
Total	23,874,057	24,069,237
12 Impairment of loans and advances and accounts receivable		
For 2008, the item comprises impairment performed in Bonusbanken from 1 October and in Ringkjøbing Bank from 3 December.		

Notes to the Annual Report

Note no.	2009 DKK t	2008 DKK t
12 Individual impairment		
Individual impairment of loans and advances and other accounts receivable at beginning of year	288,429	163,254
Change resulting from change in practice	631,999	0
Individual impairment of loans and advances and other accounts receivable at the beginning of the year, hereafter	920,428	163,254
Impairment during year	452,642	197,526
Reversal of impairment made during previous financial years	-85,339	-56,288
Transferred at the time of the merger	0	631,999
Other movements	9,379	4,875
Previous individual impairment finally lost	-126,698	-20,938
Individual impairment of loans and advances and other accounts receivable at end of year	1,170,412	920,428
No impairment has been made on accounts receivable at credit institutions or on other accounts receivable. However, provisions have been made to cover losses on guarantees cf. the liability item "Provisions for losses on guarantees". Furthermore, provisions have been made for losses on unused credit facilities, cf. the liability item "Other provisions for liabilities".		
Collective impairment		
Collective impairment of loans and advances and other accounts receivable at beginning of year	18,020	3,710
Impairment during year	87,886	13,801
Reversal of impairment performed in previous financial year	-2,147	-3,660
Transferred at the time of the merger	0	3,877
Other movements	63	292
Collective impairment of loans and advances and other accounts receivable at end of year	103,822	18,020
Accumulated impairment percentage for loans and advances and accounts receivable	5.0%	3.8%
Impairment pertaining to the transfer of assets		
Impairment relating to transfer of assets, Ringkjøbing Bank	212,445	273,345
Total impairment pertaining to the transfer of assets	212,445	273,345
Total impairment of loans and advances and accounts receivable	1,486,679	1,211,793
Accumulated impairment percentage incl. impairment relating to transfer of assets	5.8%	4.8%
13 Reclassification of financial assets		
Assets were reclassified in the Annual Report for 2008 with effect from 1 July 2008 and include selected corporate bonds: The item "Loans and advances and other accounts receivable at amortised cost price" was increased by	32,606	32,606

Note no.	2009 DKK t	2008 DKK t
13		
The item "Bonds at current value" was reduced by	32,606	32,606
Book value of reclassified assets at the end of the year	9,597	32,606
Current value of reclassified assets at the end of the year	8,066	13,355
During the financial year, the reclassified assets have affected the Financial Statements by	-23,009	0
If there had been no reclassification, the result for the period before tax would have been impacted by	-5,289	-19,251
Thus, reclassification has affected profit before tax by	-17,720	19,251
14		
Loans and advances and other accounts receivable with objective indication of impairment recognised in the balance with accounting value larger than zero		
Individual impairment		
Valuation before impairment	1,552,261	1,332,139
Valuation after impairment	778,207	608,877
Collective impairment		
Valuation before impairment	20,291,512	21,657,513
Valuation after impairment	20,187,690	21,639,499
Accounts receivable with suspended interest calculation amounts to at end of year	970,206	500,631
Accounts receivable with suspended interest calculation as a percentage of loans and advances before impairment	3.8%	2.0%
15		
Credit risks		
Loans and advances and guarantees in percent at end of year, distributed by sector and trade		
Public authorities	0%	0%
Corporate, of which		
Agriculture, hunting and forestry	14%	14%
Fishery	3%	2%
Manufacturing business, raw material extraction, public service utilities	11%	10%
Construction and civil engineering contractors	5%	6%
Trade, restaurant, and hotel business	10%	9%
Transportation, mail and telecommunication	1%	2%
Credit and finance companies and insurance companies	7%	6%
Property administration and real estate, business services	18%	18%
Other businesses	5%	4%
Total corporate	74%	71%
Retail	26%	29%
Total	100%	100%

Notes to the Annual Report

Note no.	2009 DKK t	2008 DKK t
16 Related parties		
Size of loans, securities, pledges or guarantees issued for members of the Bank's		
Executive Management	3,146	1,635
Board of Directors	55,434	43,475
All services are carried out based on market conditions. Rate of interest 2009: Executive Management 4.048% - 4.108%, Board of Directors 1.548%* - 4.000% <i>*Secured by equivalent deposits</i>		
Securities set up for members of the Bank's		
Executive Management	0	0
Board of Directors	16,011	6,596
17 Bonds carried at current value		
Mortgage credit bonds	4,018,327	4,138,771
Government bonds	80	76,712
Additional bonds	278,963	319,974
Total bonds at current value	4,297,370	4,535,457
Pledged as security for drawing right at Danmarks Nationalbank:		
Total nominal value	876,518	1,641,038
Total market value	874,666	1,618,269
Of which charged	0	636,710
18 Shares, etc.		
Shares / investment units listed at Nasdaq OMX Copenhagen A/S	90,689	80,614
Shares / investment units listed at other stock exchanges	55,375	22,605
Unlisted shares carried at current value	414,494	379,930
Unlisted shares, etc. carried at cost price	11,368	8,137
Additional shares	134,945	128,688
Total shares, etc.	706,871	619,974
19 Assets relating to pooled funds schemes		
Cash deposit / not invested	58,698	14,019
Bonds	248,699	287,143
Shares, etc.	523,699	344,610
Other assets	3,916	5,635
Total assets relating to pooled funds schemes	835,012	651,407
Profit of pooled funds:		
Interest income	12,763	1,294
Dividends	8,651	300
Market value adjustments	136,779	-12,017
Fees and commission expenses	9,367	1,214
Total profit of pooled funds	148,826	-11,637
20 Intangible assets		
Customer relations in connection with takeover of Bonusbanken	14,964	0
Goodwill in connection with takeover of Bonusbanken	96,590	0
Total Intangible assets	111,554	0

Note no.	2009 DKK t	2008 DKK t
20		
Additions in course of year		
Customer relations in connection with the takeover of Bonusbanken	0	14,964
Total cost price end of year	0	96,590
Depreciation and impairment, beginning of year	111,554	111,554
Depreciation and impairment for the year:	0	0
Customer relations in connection with the takeover of Bonusbanken		
Depreciation and impairment at the end of the year	1,496	0
Booked holdings at balance sheet date:	1,496	0
Customer relations in connection with the takeover of Bonusbanken	13,468	14,964
Goodwill in connection with the takeover of Bonusbanken	96,590	96,590
Total intangible assets	110,058	111,554
21 Investment properties		
Current value at end of previous financial year	9,251	0
Additions in course of year, including improvements	9,150	9,251
Adjustment for the year at current value	0	0
Current value at balance sheet date	18,401	9,251
22 Domicile properties		
Revalued value at end of previous financial year	316,272	213,189
Additions in course of year, including improvements	78,931	89,401
Outflow during course of year	23,659	0
Depreciation	8,362	3,948
Value adjustments recognised directly in the shareholders' equity during course of year	0	20,130
Value adjustments recognised in the income statement during course of year	-21,068	-2,500
Revalued value at time of balance sheet	342,114	316,272
23 Other tangible assets		
Cost price		
Cost price at end of previous financial year	28,409	15,492
Additions in course of year, including improvements	12,594	16,321
Outflow during course of year	9,926	3,404
Total cost price at balance sheet date	31,077	28,409
Depreciation and impairment		
Depreciation and impairment at end of previous financial year	11,931	7,692
Depreciation for the year	10,159	6,616
Depreciation and impairment for the year of sold and withdrawn shares	854	208

Notes to the Annual Report

Note no.	2009 DKK t	2008 DKK t
23		
This year's reversal of impairment recognised during previous years, as well as reversal of total depreciation and impairment of assets sold or withdrawn during course of year	9,242	2,585
Total depreciation and impairment at balance sheet date	13,702	11,931
Booked holdings at balance sheet date	17,375	16,478
24 Deferred tax assets/liabilities are specified as follows:		
Loans and advances and other accounts receivable	-58,354	-75,259
Tangible assets	8,178	4,567
Provisions for liabilities	-5,683	-5,172
Tax-related deficit	-131,120	-88,820
Other	22,186	19,932
Total deferred tax assets (-)/liabilities	-164,793	-144,752
25 Debt to credit institutions and central banks		
Debt to central banks	0	790,000
Debt to credit institutions	3,608,321	6,559,500
Total debt to credit institutions and central banks	3,608,321	7,349,500
Distributed by maturity		
On demand	946,772	1,297,352
Up to 3 months	561,122	1,421,233
More than 3 months and up to 1 year	211,623	1,772,576
More than 1 year and up to 5 years	1,382,868	2,370,180
More than 5 years	505,936	488,159
Total	3,608,321	7,349,500
26 Deposits and other amounts due		
On demand	9,779,596	8,646,553
At notice	79,202	424,305
Time deposits	5,623,003	4,785,713
Special deposits	2,318,008	2,135,092
Total deposits	17,799,809	15,991,663
Distributed by maturity		
On demand	10,776,230	8,470,513
Up to 3 months	3,409,046	2,636,312
More than 3 months and up to 1 year	2,265,390	1,162,715
More than 1 year and up to 5 years	470,087	2,029,331
More than 5 years	879,056	1,692,792
Total	17,799,809	15,991,663
27 Issued bonds carried at amortised cost price		
Distributed by maturity		
Up to 3 months	1,236,520	0
More than 3 months and up to 1 year	3,365,170	0
More than 1 year and up to 5 years	470,310	3,790,250
More than 5 years	7,836	8,073
Total	5,079,836	3,798,323

Note no.	2009 DKK t	2008 DKK t
28 Subordinated debt		
Supplementary capital of EUR 15m	111,623	111,759
Current interest rate	2.058%	5.944%
Date of maturity	31/10/2015	31/10/2015
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 31/10/2010.		
Supplementary capital of DKK 100m	100,000	100,000
Current interest rate	2.564%	7.433%
Date of maturity	01/11/2013	01/11/2013
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 1/11/2010.		
Supplementary capital of NOK 135m	120,717	102,222
Current interest rate	2.820%	6.990%
Date of maturity	16/05/2014	16.05.2014
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 16/05/2011.		
Supplementary capital of DKK 100m	100,000	100,000
Current interest rate	2.514%	7.383%
Date of maturity	01/05/2015	01/05/2015
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 01/05/2012.		
Supplementary capital of DKK 100m	100,000	100,000
Current interest rate	3.300%	6.673%
Date of maturity	18/02/2016	18/02/2016
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 18/02/2013.		
Supplementary capital of DKK 100m	100,000	100,000
Current interest rate	3.300%	6.673%
Date of maturity	22/02/2016	22/02/2016
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 22/02/2013.		
Supplementary capital of DKK 25m	25,000	25,000
Current interest rate	3.377%	7.273%
Date of maturity	03/03/2014	03/03/2014
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 03/03/2011.		
Supplementary capital of DKK 25m	25,000	25,000
Current interest rate	2.627%	6.523%
Date of maturity	03/03/2016	03/03/2016
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 03/03/2013.		
Supplementary capital of DKK 50m	50,000	50,000
Current interest rate	2.714%	6.532%
Date of maturity	01/11/2013	01/11/2013
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 01/11/2010.		

Notes to the Annual Report

Note no.	2009 DKK t	2008 DKK t
28 Supplementary capital of DKK 60m	0	60,000
Current interest rate		7.310%
Date of maturity		20/08/2012
The loan has, with the approval of the Danish Financial Supervisory Authority, been prepaid on 20/08/2009.		
Supplementary capital of DKK 100m	100,000	100,000
Current interest rate	2.564%	7.433%
Date of maturity	01/11/2013	01/11/2013
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 01/11/2010.		
Supplementary capital of NOK 200m	178,840	151,440
Current interest rate	2.810%	6.730%
Date of maturity	01/09/2014	01/09/2014
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 01/09/2011.		
Supplementary capital of DKK 50m	50,000	50,000
Current interest rate	2.477%	6.373%
Date of maturity	31/10/2015	31/10/2015
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 31/10/2012.		
Hybrid core capital of DKK 100m	99,397	97,041
Current interest rate	4.765%	4.765%
No date of maturity		
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid on 15/11/2015.		
Hybrid core capital of DKK 1,438m	1,435,976	
As far as DKK 322m are concerned, the Bank is subject to an obligation of conversion, if the Bank does not meet the solvency requirement or the Danish Financial Supervisory Authority deems that there is reasonable risk that the Bank cannot meet the solvency requirement.		
Applicable interest rate - fixed	9.943%	
No date of maturity		
The loan may, with the approval of the Danish Financial Supervisory Authority, be prepaid at the price of:		
In the period 25/08/2012 – 24/08/2014 at the price of 100		
In the period 25/08/2014 – 24/08/2015 at the price of 105		
In the period 25/08/2015 and thereafter at the price of 110		
The share premium has been included and amortised according to the expected maturity date		
Total subordinated debt	2,596,553	1,172,462
Subordinated debt to be stated as part of the capital base	2,496,553	1,172,462
Costs in connection with raising loans	5,988	0
Interest relating to subordinated debt included in the income statement	106,025	46,102

Note no.	2009 DKK t	2008 DKK t
29 Share capital		
Number of shares of DKK 10 (no. of units)	12,500,000	12,500,000
Total share capital	125,000	125,000
Own shares beginning of period		
Number of own shares in units of 1,000	294	335
Face value in DKK 1,000	2,946	3,353
Percentage of share capital	2.4%	3.9%
Additions		
Acquisition of own shares in units of 1,000	2,102	1,215
Face value in DKK 1,000	21,019	12,153
Percentage of share capital	16.8%	9.7%
Total acquisition price in DKK 1,000	155,851	188,502
Outflow		
Sale of own shares in units of 1,000	2,125	1,257
Face value in DKK 1,000	21,253	12,560
Percentage of share capital	17.0%	10.0%
Total sales price in DKK 1,000	151,643	195,460
Own shares end of period		
Number of own shares in units of 1,000	271	294
Face value in DKK 1,000	2,712	2,946
Percentage of share capital	2.2%	2.4%
Trading of own shares is part of the Bank's general share trading.		
As a result of its participation in Banking Package II, the Bank has pledged not to pay out any dividends in the period up to 01/10/2010.		
The terms and conditions for participation in Banking Package II are also outlined in the Management's Report on page 15.		
30 Contingent liabilities		
Financial guarantees	2,502,476	3,395,171
Loss guarantees for mortgage credit loans	958,528	808,770
Land registration and conversion guarantees	605,155	760,303
Other contingent liabilities	1,649,229	1,766,468
Total	5,715,388	6,730,712
Other contingent liabilities		
Other liabilities	7,781	10,544
Total	7,781	10,544
31 Capital requirement		
Shareholders' equity at end of year	2,129,853	2,200,221
Revaluation reserves	-30,848	-30,848
Intangible assets	-110,058	-111,554
Deferred capitalised tax assets	-164,793	-144,751
Other deductions in core capital	-105,947	-117,255

Notes to the Annual Report

Note no.		2009 DKK t	2008 DKK t
31	Hybrid core capital	1,476,090	97,041
	Core capital after deductions	3,194,297	1,892,854
	Subordinated loan capital	961,180	1,075,421
	Revaluation reserves	30,848	30,848
	Hybrid core capital	59,283	0
	Capital base before deductions	4,245,608	2,999,123
	Deductions in capital base	-105,947	-117,255
	Capital base after reductions	4,139,661	2,881,868
	Total weighted items	28,079,546	29,379,228
	Core capital after deductions in percent of total weighted items	11.4%	6.4%
	Solvency ratio according to Section 124, para. 2 of the Danish Financial Business Act	14.7%	9.8%
32	Hedge accounting		
	To cover interest rate risks, the following have been hedged:		
	Bonds	448,528	281,710
	Covered through interest rate swap		
	Synthetic principal	461,857	311,957
	Current value	-16,691	-11,362
	Loans and advances at amortised cost price	417,104	444,520
	Covered through interest rate swap / caps		
	Synthetic principal	335,989	353,842
	Current value	-10,759	-4,101
	Covered through foreign exchange swap		
	Synthetic principal	49,027	53,474
	Current value	-2,277	-739
	Covered through interest rate cap		
	Synthetic principal	32,088	37,204
	Current value	205	-215
	Deposits	300,000	300,000
	Covered through interest rate swap		
	Synthetic principal	300,000	300,000
	Current value	7,219	5,098
	Subordinated debt	99,397	97,041
	Covered through interest rate swap:		
	Principal	100,000	100,000
	Market value	-603	-3,315
	To cover foreign exchange risks, the following have been hedged:		
	Issued bonds	1,658,741	1,779,420
	Covered through foreign exchange swap		
	Principal	1,658,741	1,779,420
	Current value	-34,557	-338,326
	Subordinated debt	232,340	213,981
	Covered through foreign exchange swap		
	Principal	232,340	213,981
	Current value	-9,201	-27,728

Note no.	2009 DKK t		2008 DKK t	
	Nominal value	Net market value	Nominal value	Net market value
33 Financial instruments				
Foreign exchange contracts				
Forward contracts/futures, acquisition	4,328,907	214,600	5,832,389	220,218
Forward contracts/futures, sale	7,280,577	-60,843	10,132,280	-122,650
Swaps	358,793	-668	2,314,929	-366,978
Options, acquired	212,461	0	401,395	0
Options, issued	236,526	0	1,561,925	-382
Interest rate contracts				
Forward contracts/futures, acquisition	533,788	5,957	690,770	6,333
Forward contracts/futures, sale	295,904	-4,221	454,462	-5,347
Swaps	2,004,870	-145,053	2,763,881	-48,443
Options, issued	1	-176	81,957	-1,414
Caps, acquisition	32,088	205	65,108	-185
Caps, sale	15,879	39	27,904	-30
Share contracts				
Forward contracts/futures, acquisition	30	114	26	-40
Forward contracts/futures, sale	30	-114	26	40
Options, acquired	0	1	1	1
Options, issued	257	-432	230	-243
Commodities contracts				
Forward contracts/futures, acquisition	0	0	265	-47
Forward contracts/futures, sale	0	0	265	47
Total net market value		9,409		-319,120
All contracts for financial instruments are non-guaranteed				
Maturity distribution by term to maturity - up to 3 months				
Foreign exchange contracts				
Forward contracts/futures, acquisition	4,187,669	212,592	5,565,124	212,955
Forward contracts/futures, sale	7,138,791	-60,683	9,789,060	-123,916
Options, acquired	198,322	0	349,986	0
Options, issued	222,387	0	1,286,998	-382
Interest rate contracts				
Forward contracts/futures, acquisition	347,751	-12	681,382	5,874
Forward contracts/futures, sale	295,904	-4,221	443,460	-4,970
Swaps	614,458	-90,143	500,000	-16,363
Options, issued	1	-176	81,957	-1,414
Share contracts				
Forward contracts/futures, acquisition	29	114	26	-40
Forward contracts/futures, sale	29	-114	26	40
Options, acquired	0	1	1	1
Options, issued	254	-421	226	-205

Notes to the Annual Report

Note no.	2009 DKK t		2008 DKK t	
	Nominal value	Net market value	Nominal value	Net market value
33 Maturity distribution by term to maturity - from 3 months up to 1 year				
Foreign exchange contracts				
Forward contracts/futures, acquisition	131,377	2,084	267,265	7,263
Forward contracts/futures, sale	132,203	-258	343,220	1,266
Swaps	16,688	0	20,000	0
Options, acquired	14,139	0	51,409	0
Options, issued	14,139	0	274,927	0
Interest rate contracts				
Forward contracts/futures, acquisition	186,038	5,969	9,388	459
Forward contracts/futures, sale	0	0	11,002	-377
Swaps	701,028	-25,145	508,437	-13,020
Share contracts				
Forward contracts/futures, acquisition	1	0	0	0
Forward contracts/futures, sale	1	0	0	0
Options, issued	4	-11	0	0
Commodities contracts				
Forward contracts/futures, acquisition	0	0	265	-47
Forward contracts/futures, sale	0	0	265	47
Maturity distribution by term to maturity - from 1 to 5 years				
Foreign exchange contracts				
Forward contracts/futures, acquisition	9,861	-75	0	0
Forward contracts/futures, sale	9,582	98	0	0
Swaps, sale	269,129	1,766	2,217,505	-366,054
Interest rate contracts				
Swaps	1,204,906	-10,017	1,021,081	-560
Maturity distribution by term to maturity - from 5 years and beyond				
Foreign exchange contracts				
Swaps	72,977	-2,434	77,424	-924
Interest rate contracts				
Swaps	713,394	-19,748	734,363	-18,500
Caps, acquisition	32,088	205	65,108	-185
Caps, sale	15,879	40	27,904	-30
34 Unsettled spot transactions				
Foreign exchange transactions, bid	19,553	43	826,507	10,340
Foreign exchange transactions, call	241,320	-29	171,291	-9,743
Interest rate transactions, bid	26,821	-8	65,885	100
Interest rate transactions, call	28,619	28	77,278	-120
Share transactions, bid	46,521	54	26,199	334
Share transactions, call	46,622	-23	27,183	-294
Total	409,456	65	1,194,343	617

Note no.

35 Financial risks, policies and targets for managing financial risks

For a more in-depth description of the Bank's financial risks, policies and targets for managing financial risks, refer to pages 20 to 23 of the Management Report.

36 Current value of financial assets and liabilities

Financial instruments are measured in the balance sheet at the current value or amortised cost price.

Current value is the amount at which a financial asset can be traded or the amount for which a financial liability can be redeemed between willing, independent parties. In the case of financial assets and liabilities that are priced on active markets, the current value is calculated on the basis of observed market prices on the balance sheet date. In the case of financial instruments that are priced on active markets, the current value is calculated on the basis of standard recognised pricing methods.

Shares, etc., assets related to pooled fund schemes and derivative financial instruments are measured in the accounts at current value so that recognised values correspond to current values.

For loans and advances, impairments are assessed as corresponding to changes in credit quality. The difference to current values is assessed as being received fees and commissions, interest receivable which does not become payable until the end of the financial year and for fixed interest loans and advances, also the interest rate-dependent market value adjustment.

The current value of accounts receivable at credit institutions and central banks is determined according to the same method as for loans and advances since, at the present time, the Bank has not made any impairments on accounts receivable at credit institutions and central banks.

Issued bonds and subordinated debt are measured at amortised cost price. The difference between the accounting value and the current value is evaluated as being interest payable which first falls due for payment after the end of the accounting year as well as costs and the share premium fund amortised over the term of the loan.

For variable-interest financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost price, the difference to the current value is estimated as being interest payable which does not fall due for payment until after the end of the financial year.

For fixed-interest financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost price, the difference to the current value is assessed as being interest payable which does not fall due for payment until after the end of the financial year and the interest rate-dependent market value adjustment.

Notes to the Annual Report

Note no.	2009 DKK t		2008 DKK t	
	Accounting value	Current value	Accounting value	Current value
36 1. Financial assets				
Cash-in-hand and demand deposits at central banks	485,386	485,386	393,938	393,938
Accounts receivable at credit institutions and central banks	1,445,186	1,445,603	774,252	776,209
Loans and advances	23,874,057	23,915,060	24,069,237	24,124,524
Bonds carried at current value	4,297,370	4,297,370	4,535,457	4,535,457
Shares etc.	706,871	706,871	619,974	619,974
Assets related to pooled fund schemes	835,012	835,012	651,407	651,407
Derivative financial instruments	354,040	354,040	327,439	327,439
Total	31,997,922	32,039,342	31,371,704	31,428,948
2. Financial liabilities				
Debt to credit institutions and central banks	3,608,321	3,612,335	7,349,500	7,393,772
Deposits	17,799,809	17,809,302	15,991,663	16,039,540
Deposits in pooled fund schemes	835,012	835,417	651,407	652,456
Issued bonds	5,079,836	5,116,449	3,798,323	3,823,653
Subordinated debt	2,596,553	2,627,220	1,172,462	1,175,428
Derivative financial instruments	350,829	350,829	645,943	645,943
Total	30,270,360	30,351,552	29,609,298	29,730,792

Note no.	2009 DKK t	2009 DKK t	2009 DKK t	2009 DKK t
	Loans and advances	Guarantees	Credit agreements	Total
37 Maximum credit exposure				
Public authorities	10,510	0	8,108	18,618
Corporate, of which				
Agriculture, hunting, forestry and fishery	4,631,964	454,250	496,039	5,582,253
Manufacturing business, raw material extraction, public service utilities	2,894,203	282,027	351,154	3,527,384
Construction and civil engineering contractors	1,328,230	349,479	175,201	1,852,910
Trade, restaurant and hotel business	2,566,787	463,348	531,859	3,561,994
Transportation, mail and telecommunications	448,176	30,782	42,899	521,857
Credit and finance companies and insurance companies	1,595,139	594,700	89,119	2,278,958
Property administration and real estate, business services	4,978,208	548,631	824,225	6,351,064
Other businesses	1,926,752	128,492	203,076	2,258,320
Total corporate	20,369,459	2,851,709	2,713,572	25,934,740
Retail	6,054,706	1,900,694	1,322,382	9,277,782
Total	26,434,675	4,752,403	4,044,062	35,231,140
38 Credit quality of loans and advances that are neither in default nor impaired	Loan + guarantee debtors with significant weaknesses but with no impairment/provisions for losses	Loan + guarantee debtors of slightly impaired quality, certain signs of weakness	Loan + guarantee debtors of slightly impaired quality, certain signs of weakness	Total
Public authorities	0	0	10,510	10,510
Corporate, of which				
Agriculture, hunting, forestry and fishery	818,626	1,020,977	3,054,775	4,894,378
Manufacturing business, raw material extraction, public service utilities	397,326	496,633	2,195,769	3,089,728
Construction and civil engineering contractors	487,063	313,458	676,919	1,477,440
Trade, restaurant and hotel business	319,268	620,775	1,865,761	2,805,804
Transportation, mail and telecommunications	48,462	127,664	261,562	437,688
Credit and finance companies and insurance companies	428,130	351,768	1,050,559	1,830,457
Property administration and real estate, business services	1,131,612	1,388,461	2,453,288	4,973,361
Other businesses	318,412	401,600	908,365	1,628,377
Total corporate	3,948,899	4,721,336	12,466,998	21,137,233
Retail	1,644,934	1,176,313	4,733,827	7,555,074
Total	5,593,833	5,897,649	17,211,335	28,702,817

Notes to the Annual Report

Note no.	2009 DKK t
39 Accounting value of credit exposures that would have been impaired if they had not been renegotiated	
Total	0
When there is an objective indication of a decrease in value of a commitment this will not be dependent on the renegotiation of this commitment, so a renegotiation cannot hinder impairment. For the majority of corporate customers, the commitment is renegotiated annually.	
40 Default amount for loans and advances that have not been impaired in default by more than 90 days	
Public authorities	0
Corporate, of which	
Agriculture, hunting, forestry and fishery	3,206
Manufacturing business, raw material extraction, public service utilities	497
Construction and civil engineering contractors	290
Trade, restaurant and hotel business	10,549
Transportation, mail and telecommunications	798
Credit and finance companies, insurance companies	3
Property administration and real estate, business services	3,767
Other business	5,919
Total corporate	25,029
Retail	7,213
Total	32,242
41 Distribution of loans and advances that have been impaired	
Public authorities	0%
Corporate, of which	
Agriculture, hunting, forestry and fishery	10%
Manufacturing business, raw material extraction, public service utilities	3%
Construction and civil engineering contractors	6%
Trade, restaurant and hotel business	6%
Transportation, mail and telecommunications	2%
Credit and finance companies, insurance companies	27%
Property administration and real estate, business services	20%
Other businesses	14%
Total corporate	88%
Retail	12%
Total	100%
When calculating the need for impairment of individual commitments, factors such as the following are taken into account:	
- realisation value of securities provided	
- any dividends	
- the debtor's ability to repay	

Note no.

42 Description of securities

Corporate

For the majority of its corporate commitments, the Bank has security in the form of the asset it is financing, which is why the most common types of securities are mortgages on real property, ships, wind turbines, motor vehicles, movable assets and general floating charges. Also, owner bonds and key person insurance policies form a large proportion of securities.

Retail

The same applies in the case of retail customer commitments i.e. the Bank has security in the form of the asset it is financing, which is why the most common type of security is real property and motor vehicles.

Notes to the Annual Report

Note no.	2009 DKK t	2008 DKK t
<p>43 Sensitivity to each type of market risk</p> <p>In connection with the Bank's monitoring of market risks and calculation of the adequate capital base, a number of sensitivity calculations are made which include the following market risk variables:</p> <p>Interest rate risk</p> <p>The sensitivity calculation in relation to the Bank's interest rate risk is based on the interest rate risk key figure, reported by the Danish FSA. This key figure shows the effect on core capital after deductions of a change in the interest rate of 1 percentage point, corresponding to 100 base points. The calculation shows that if, at the end of the year, the average interest rate had been 100 base points higher, the result for the year before tax, all else else being equal, would be changed by</p>	Change in result	Change in result
	50,791	-53,966
<p>This change is primarily due to a current market value adjustment of the Bank's fixed-interest assets and liabilities. The change in the interest rate risk in 2009 compared with 2008 can be attributed to the taking up of fixed-interest hybrid core capital. In the stress tests conducted in connection with calculating the adequate capital base, the Bank has chosen to use a scenario, whereby the Bank is exposed to a 1 percentage point increase in the interest rate for items inside as well as outside of its trading portfolio. Furthermore, the interest rate risk is stress tested for changes of 0.7 percentage points in the interest structure.</p> <p>Foreign exchange risk</p> <p>The sensitivity calculation in relation to the Bank's foreign exchange rate risk is based on the Foreign Exchange Indicator 1-key figure, reported by the Danish FSA. Foreign Exchange Indicator 1 expresses a simplified target for the scope of the institute's positions in foreign currency and is calculated as the greatest of the sum of all the short foreign exchange positions and the sum of all the long foreign exchange positions. In the event of an increase in the exchange rate of 2.5% of Foreign Exchange Indicator 1 at the end of the year, the result for the year before tax, all else being equal, would be changed by</p>		
	-3,143	-12,041
<p>This change is primarily a result of an exchange rate adjustment of the Bank's total net debts, mainly in CHF and EUR. The lower exchange rate risk in 2009 compared with 2008 can be attributed to a significant reduction of the position in EUR. In the stress tests conducted in connection with calculating the adequate capital base, the Bank has</p>		

Note no.	2009 DKK t	2008 DKK t
43	Change in result	Change in result
<p>chosen to use a more stringent scenario whereby the Bank is exposed to 2.25% of the numerical net currency position in EUR and a 12% of the numerical net currency position of other currencies.</p> <p>Share risk</p> <p>Had the value of the Bank's shareholding been 10% lower on 31 December 2009, the result for the year, all else being equal, would be changed by</p>	-70,687	-61,997
<p>This change occurs as a result of a negative current value adjustment of the share portfolio. The higher share risk in 2009 in comparison with 2008 can be attributed to the fact that the share position has increased, primarily as a result of positive market value adjustments in 2009. In the stress tests conducted in connection with calculating the adequate capital base, the Bank has chosen to use a more stringent scenario whereby the Bank is exposed to a loss of 15% of the value of its shareholding in companies that support the operation of the Bank (sector companies) and a decline of 30% of the value of its shareholding in all other companies.</p>		
44		
<p>Financial highlights</p> <p>The five-year overview of financial highlights appears in the Management Report from pages 8 to 11, to which reference should be made.</p>		



In vestjyskBANK, we are oriented towards sound growth and solid financial latitude for our customers as well as ourselves. Our Head Office is situated in Lemvig, while our branches are located in 24 towns in Jutland and on the island of Funen. The Bank has 650 employees, who work with approximately 110,000 retail customers and approximately 10,000 corporate customers. At present, the Bank has a business volume of DKK 48.3bn. vestjyskBANK applies value-based management based on our three core values: PRESENCE, COMPETENCE and DYNAMISM.

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