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Vestjysk Bank A/S and Aarhus Lokalbank Aktieselskab enter into merger plan

The boards of directors of Vestjysk Bank A/S ("Vestjysk Bank") and Aarhus Lokalbank Aktieselskab ("Aarhus Lokalbank") have resolved to enter into a merger plan according to which the boards of directors propose a merger of the two banks with Vestjysk Bank as the continuing bank.

The merger plan is entered into as part of the two banks' merger and capital plan announced on 25 January 2012 and reflects the merger terms set out in such announcement.

On the merger, the shareholders of Aarhus Lokalbank will receive shares in Vestjysk Bank at the ratio of 1:4, to the effect that shareholders of Aarhus Lokalbank will receive one new share in Vestjysk Lokalbank for every four shares held in Aarhus Lokalbank.

This company announcement contains a description of the proposed merger, the merger consideration and the continuing company. As part of the announcement, the following is attached:

- Merger plan under part 15 of the Companies Act
- A merger memorandum for Vestjysk Bank
- A merger memorandum for Aarhus Lokalbank
- Draft articles of association of the continuing bank after the merger
- The valuation experts' statement on the merger plan pursuant to section 241 of the Companies Act
- The valuation experts' declaration on the creditors' position pursuant to section 242 of the Companies Act
- The financial statements for the years ended 31 December 2008, 2009, 2010 and 2011 of Vestjysk Bank and Aarhus Lokalbank

The expected timetable of the merger is set out in section 9 of this announcement. Any questions relating to the above should be directed to the executive boards of the two companies.

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No prospectus will be prepared in connection with the merger as this company announcement constitutes the document referred to in section 12(1)(iii) and section 13(1)(iv) of the prospectus order (Executive Order no 223 of 10 March 2010 on prospectuses for securities admitted to trading on a regulated market and for public offerings of securities of at least EUR 2,500,000).

This document contains forward-looking statements regarding the financial position, results of operations and business of Vestjysk Bank and Aarhus Lokalbanc. Other than statements of historical fact, all statements are forward-looking statements or may be deemed to be forward-looking statements. Forward-looking statements are statements regarding future expectations based on the managements' current expectations and assumptions, and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from the results, performance and events expressed or implied by such statements.

This document has been prepared in a Danish-language and an English-language version. In the event of discrepancies, the Danish version shall prevail.

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1 REASONS FOR AND PURPOSE OF THE MERGER

Vestjysk Bank was formed in 1874 under the name of A/S Lemvig Bank. In 1971, the bank changed its name to A/S Nordvestbank when it merged with Lemvig Folkebank A/S (formed 1925). On the merger in 2002 with the former Vestjysk Bank A/S, the bank changed its name to the present name.

In 2008, Vestjysk Bank acquired the activities of Bonusbanken A/S, and also in 2008 it merged with Aktieselskabet Ringkjøbing Bank.

Vestjysk Bank is currently one of Denmark's largest regional banks with 20 branches in Jutland and on Funen.

Aarhus Lokalbank was formed in December 1907 and started operating on 1 April 1908 under the name of Hadsten Bank Aktieselskab. In 2007, the bank changed its name to Aarhus Lokalbank Aktieselskab.

In 2008, when Aarhus Lokalbank celebrated its centenary, the bank moved its head office from Hadsten to Aarhus. Since its formation, Aarhus Lokalbank has operated a local bank in Hadsten, since 1995 with a branch in Langå, and since 2003 also with a branch in Aarhus.

The shares of both Vestjysk Bank and Aarhus Lokalbank are components of the NASDAQ OMX Copenhagen SmallCap index.

The purpose of the merger and capital plan

The contemplated merger and the associated capital plan stem from the wish of the boards of directors of both companies to expand their business platforms in eastern Jutland and to create a stronger Jutland regional bank through operational synergies.

Furthermore, the merger of the two banks will create the basis for a capital plan the implementation of which will result in a strengthening of the continuing bank's long-term liquidity and capital base.

The merger is also intended to counter the funding challenges of Vestjysk Bank and improve the basis for a future successive phase-out of the state guaranteed loans for the purpose of ensuring that the continuing bank will not require any state guarantees after 2016.

Overall, the boards of directors of both banks believe that the merger and the capital plan, for the shareholders, creditors and other stakeholders of both banks, will create an improved platform for carrying on banking operations in a difficult market than the present platforms of the two banks individually.

Capital plan

In connection with the merger resolution, Vestjysk Bank and Aarhus Lokalbank contemplate implementing a capital plan comprising the following elements, of which the first was implemented on 20 February 2012, and the remaining are planned to be implemented after the merger:

- *Conversion of state capital injection to share capital in Vestjysk Bank.* On 20 February 2012, Vestjysk Bank completed a voluntary conversion of part of Vestjysk Bank's state capital injection comprising a principal of DKK 287.6 million plus accrued interest of approximately DKK 8.7 million to new shares in Vestjysk Bank.

- *Completion of a capital increase in the continuing bank with proceeds of between DKK 250 and 300 million.* The capital increase will be completed as a share issue with pre-emptive rights for existing shareholders. According to the plan, the capital increase will be initiated following completion of the merger and finalised in May 2012.
- *Raising of DKK 200 million in new subordinated loan capital.* The loan capital will be raised after completion of the capital increase described above. The loan will be raised on market terms, and the loan capital will rank *pari passu* with other subordinated loan capital. Vestjysk Bank has obtained conditional underwriting commitments with respect to the loan amount from a number of banks comprising Arbejdernes Landsbank, Danske Bank, FIH Erhvervsbank, Jyske Bank, Nordea Bank Danmark, Nykredit Bank, Spar Nord Bank and Sydbank. At the same time, a number of local banks¹ have committed themselves to subscribe for part of the amount conditionally underwritten.
- *Sale of DKK 175 million sector shares.* Vestjysk Bank has obtained a conditional undertaking from Danmarks Nationalbank to acquire the sector shares from the continuing bank following completion of the merger and the other elements of the capital plan.

Furthermore, as part of the capital plan, Vestjysk Bank and Aarhus Lokalbank have obtained a conditional undertaking with respect to new individual state guarantees of up to DKK 8.6 billion with a term of up to three years for new bonds issued by Vestjysk Bank as the continuing bank. The conditions for the undertaking with respect to new individual state guarantees are set out in 5.11.2 "Agreements on individual state guarantee".

Implementation of the capital plan and its individual elements is subject to various matters as described in more detail in 5.9.3 "Implementation of the capital plan". If the merger is not completed, the capital plan, except for the conversion of the state capital injection in Vestjysk Bank made on 20 February 2012, will not be implemented.

The merger is completed prior to and independently of any implementation of the capital plan. The merger and its terms will not change if, contrary to expectation, all or any part of the capital plan should not be implemented as planned.

Based on the current situation and the progress so far in relation to satisfying the conditions and elements of the capital and liquidity plan, the managements of the two banks expect that the capital plan will be implemented if the merger is adopted.

See 4 "Risk factors" for a more detailed description of the above and other matters which existing and potential new investors should consider in connection with the contemplated merger.

2 THE CONTINUING BANK'S MISSION, VISION AND STRATEGY

Vestjysk Bank's vision is to be a recognised, regional bank whose full-service concept creates value for customers and shareholders.

¹ Sparekassen Vendsyssel, Sparekassen Hobro, Sparekassen Kronjylland, Den Jyske Sparekasse, Sparekassen Sjælland, Sparekassen Thy, Lån og Sparbank, Ringkjøbing Landbobank, Nørresundby Bank, Nordjyske Bank, Djurslands Bank and Sparekassen Himmerland.

Vestjysk Bank intends to maintain its sound core earnings, increasing earnings in the longer term through merger synergies and continuous efficiency enhancements, thereby reducing the bank's cost ratio.

Vestjysk Bank intends to focus strongly on credit management, thereby ensuring a high quality of its lending portfolio in terms of creditworthiness as well as profitability.

Vestjysk Bank intends to work actively with the composition of the bank's assets and liabilities in a controlled process of reducing lending and increasing deposits, thereby reducing the gap between lending and deposits.

Through such initiatives, Vestjysk Bank aims to ensure the expansion of a sound asset/liability and capital structure, whereby the bank achieves a high degree of independence and maximum influence on its own development.

The bank also aims to pursue responsible and competent banking operations, thereby creating the basis for a position among the three top-earning group II banks in Denmark in terms of return on equity.

Vestjysk Bank services its customers as "full human beings" with shared basic values. Customers and the bank alike will experience value creation, thereby enhancing mutual loyalty. The bank will be a workplace guided by its values, which attracts and retains dedicated employees with the required professional expertise and human qualities.

Based on Vestjysk Bank's corporate values – *Attentive, Competent, Dynamic and Steadfast* – the bank intends to be an attractive business partner for both retail and corporate customers, offering strong professional and personal skills that focus on existing and potential requirements of profitable customers. The bank intends to do this through its competent and committed employees with a high priority to personal contact and service.

Vestjysk Bank's core business is traditional banking operations, offering special expertise within lending to and financing of agriculture, fisheries and wind turbines.

Vestjysk Bank intends to offer a targeted range of products and services designed to meet the requirements of both retail and corporate customers in all important areas, aiming for such range of products and services to secure a good business platform for customers and bank alike.

Vestjysk Bank will continue to have the greatest part of its business platform in the corporate customer segment, with agriculture, fisheries and real property as the largest sectors. Based on the bank's geographical location and history, the bank's strategy is to maintain substantial business volumes in these areas.

Vestjysk Bank will actively consider the breakdown of exposures in the individual industries within the corporate customer segment. The bank also aims for a conforming industry breakdown of its corporate lending.

Vestjysk Bank intends to increase lending to the retail customer segment by adding new attractive retail customers and increasing lending to the bank's existing high-quality customers.

Vestjysk intends overall to reduce its risk-weighted assets from the current level.

3 TERMS OF THE MERGER AND CONSIDERATION FOR THE SHARES IN AARHUS LOKALBANK

Consideration for the shares in Aarhus Lokalbank

The merger will be completed with Vestjysk Bank as the continuing bank and with an exchange ratio of 1:4, to the effect that shareholders in Aarhus Lokalbank will receive a consideration of one new share with a nominal value of DKK 10 in Vestjysk Bank for every four shares with a nominal value of DKK 10 held in Aarhus Lokalbank.

The exchange ratio has been determined through negotiation between the boards of directors of the merging banks and on the basis of the two banks' latest annual reports, profit forecasts and other matters that are normally considered in such negotiations. The exchange ratio is final and accordingly the consideration cannot subsequently be adjusted.

The merger will take place as a taxable merger with effect for accounting, tax and corporate law purposes from the date on which the shareholders of both companies have adopted the merger in general meetings and the Danish FSA has approved the merger. As of the same date, the rights and obligations of Aarhus Lokalbank will be deemed to have passed to Vestjysk Bank in their entirety.

The share capital of Vestjysk Bank has a nominal value of DKK 266,779,950 divided into shares with a nominal value of DKK 10. The share capital of Aarhus Lokalbank amounts to DKK 162,036,550 divided into shares with a nominal value of DKK 10. All existing shares in Aarhus Lokalbank will be cancelled as a result of the merger.

The share capital of the continuing bank will have a nominal value of DKK 306,444,390, corresponding to 30,644,439 shares of DKK 10 each. No consideration will be paid for shares in Aarhus Lokalbank held by the merging banks.

Fractional shares

If a shareholder in the discontinuing bank holds a number of shares that is not divisible by four, such shareholder will, in addition to ordinary shares, also receive shares in the form of temporary fractional shares in Vestjysk Bank. During a period of five business days, such fractional shares will be tradable to the effect that individual shareholders may contact Vestjysk Bank to buy any additional fractional shares held by Vestjysk Bank or sell fractional shares to Vestjysk Bank. The price of a fractional share will be one fourth of the weighted average trading price of Vestjysk Bank shares on NASDAQ OMX Copenhagen during the five business days preceding the general meeting of Aarhus Lokalbank which adopts the merger.

After expiry of the trading period for fractional shares, shareholders holding fractional shares will receive one share in Vestjysk Bank with a nominal value of DKK 10 for every four fractional shares held.

Fractional shares not sold within the trading period for fractional shares or exchanged, see above, will be converted to a cash amount which will be paid out to the shareholder.

The cash amount will be based on the same price as that to which the fractional shares trade in the trading period for fractional shares, that is, one fourth of the weighted average trading price of Vestjysk Bank shares on NASDAQ OMX Copenhagen during the five business days preceding the general meeting of Aarhus Lokalbank which adopts the merger. New shares in Vestjysk Bank corresponding to the fractional shares thus traded will be included in the continuing bank's portfolio of treasury shares.

Fractional shares will not be admitted to trading on NASDAQ OMX Copenhagen.

Shareholders of Aarhus Lokalbank may obtain details of the procedure for trading in fractional shares through their respective banks.

The table below illustrates how shares are exchanged and fractional shares calculated:

Number of shares in Aarhus Lokalbank	Consideration in the form of shares in Vestjysk Bank	Residual (fractional shares)	Estimated value of fractional share (DKK)
1	0	0.25	5.25
2	0	0.50	10.50
3	0	0.75	15.75
4	1	0	-
5	1	0.25	5.25
6	1	0.50	10.50
7	1	0.75	15.75
8	2	0	-
9	2	0.25	5.25
10	2	0.50	10.50

Note: The estimated value of fractional shares is based on a price of Vestjysk Bank of DKK 21 per share with a nominal value of DKK 10.

The exchange of shares will be handled by the continuing bank's custody accounts administration. Aarhus Lokalbank's shares will be exchanged for shares in Vestjysk Bank through VP Securities A/S, which will take place after registration of the merger with the Danish Business Authority and admission to trading and official listing of new shares in Vestjysk Bank exchanged for shares in Aarhus Lokalbank. See 9 "Expected timetable for the merger" for the expected timetable for the exchange.

See 7 "The new shares" for a description of the rights attaching to the new shares.

See also the attached valuation expert's statement on the merger plan pursuant to section 241 of the Companies Act. No valuation report will be prepared in connection with the capital increase.

Terms of the merger

Completion of the merger is subject to:

- approval by the Danish FSA of the merger in accordance with section 204 of the Financial Business Act
- receipt of the relevant Danish anti-trust approvals and
- approval of the merger by the shareholders of each of the merging banks in general meetings

The merger cannot be completed if it has not been adopted and filed for registration with the Danish Business Authority on or before 28 February 2013.

Completion of the merger is not subject to implementation of the contemplated capital plan, which is described in more detail in 5.3.9 "Implementation of the capital plan", and it is thus the intention to complete the merger prior to and independently of the implementation of the capital plan. The merger and its terms will not change if, contrary to expectation, all or any part of the capital plan should not subsequently be implemented as planned.

Costs of the merger

The estimated costs for the continuing bank in connection with the merger relating to valuation expert, financial adviser, legal advisers, auditors and other advisers and costs of

printing, layout, translation and distribution are expected to total approximately DKK 18 million.

4 RISK FACTORS

Investing in shares, including as part of a merger, involves significant risk. Shares in Vestjysk Bank, including the shares to be issued as consideration to the shareholders in Aarhus Lokalbank in connection with the merger, are investment products risk-labelled "yellow" under the Danish FSA's Executive Order on risk-labelling of investment products (Executive Order no. 345 of 15 April 2011). Products labelled in the "yellow" risk category involve a risk of investors losing all or part of their investment, but such products are not difficult to understand according to the risk-labelling category.

The following risk factors are considered material, and existing and potential investors in the continuing bank should carefully consider them and the other information contained in this announcement. The risk factors described are material to an assessment of the continuing bank, but they are not exhaustive. Shareholders are recommended to consult advisers prior to adoption of the merger. Investing in shares is only appropriate for investors with substantial experience and knowledge of the financial conditions relevant to an adequate assessment and analysis of the shares, and with the ability to bear the financial risks involved in an investment in shares.

Should any of the risk factors described below materialise, it could have a material adverse effect on the continuing bank's operations, prospects and financial position. Ultimately, should one or more risk factors materialise, this could force the continuing bank to close with a loss, and investors would lose their investment. It is not possible to quantify the significance of the individual risk factors as each risk factor may materialise to a greater or lesser degree and have unforeseen consequences and result in losses. This announcement also contains forward-looking statements that involve risks and uncertainties. The continuing bank's actual results could differ materially from those anticipated in these forward-looking statements due to certain factors, including but not limited to the risks the continuing bank faces as described below and elsewhere in this announcement.

In order to comply with statutory requirements, including, in particular, the Financial Business Act and the disclosure requirements of the Capital Adequacy Order and other executive orders, Vestjysk Bank and Aarhus Lokalbank have disclosed detailed information about risks, capital adequacy structure, capital adequacy, risk management, etc. in the form of risk reports. A risk report has been prepared for Vestjysk Bank dated 22 February 2012 and for Aarhus Lokalbank dated 22 February 2012. The reports are available at www.vestjyskbank.dk (risk report) and www.aarhuslokalbank.dk (risk report). The banks believe that the risk reports contain a fair presentation of the banks' actual risk exposure.

The risk factors set out below are not listed in any order of priority with regard to significance or likelihood of occurrence.

4.1 Risks related to the current situation of the continuing bank

Vestjysk Bank reported losses after tax in 2009 and in 2011. The total loss incurred by the bank in the period 2009 to 2011 was DKK 458 million after tax.

Aarhus Lokalbank reported losses after tax in 2010 and 2011. The total loss incurred by the bank in the period 2009 to 2011 was DKK 356 million after tax.

Seen in isolation, Vestjysk Bank reported a loss after tax of DKK 423 million in 2011, and Aarhus Lokalbanc reported a loss after tax of DKK 156 million in 2011. Consequently, both banks saw their solvency drop substantially in 2011, and at 31 December 2011 the banks had a limited buffer relative to their respective solvency needs. As described in more detail in 4.6 "Risks related to liquidity and capital", there are very substantial risks involved in the banks' dependence on and ability to continue to maintain an adequate capital base to comply with solvency requirements and attract capital.

The annual report of Vestjysk Bank for 2011 is provided with an emphasis of matter paragraph relating to uncertainty in respect of credit risks and as to implementation of the capital plan, including management's assessment that the capital plan will be implemented.

The annual report of Aarhus Lokalbanc for 2011 is provided with an emphasis of matter paragraph to the effect that measurement of the bank's loans and guarantees remains subject to uncertainty. The emphasis of matter paragraph also makes reference to management's description of the bank's limited capacity to absorb new losses and that sustained losses may result in Aarhus Lokalbanc being dependent on fresh capital to ensure continued operations should the merger with Vestjysk Bank not be completed. The board of directors of Aarhus Lokalbanc therefore deems that, considering the bank's ability to absorb losses and taking into account the statutory capital requirements, losses in excess of DKK 50-60 million would cause the bank to require fresh capital, all other things being equal. The board of directors considers it very unlikely that, should the situation arise, fresh capital could be attracted to enable the bank to continue as a going concern.

Based on the present situation, Aarhus Lokalbanc must thus be deemed to be a bank that is expected to become distressed according to the definition contained in the modified Bank Package IV. A bank expected to become distressed is defined as a bank subject to a significant risk, in the opinion of the Danish FSA, that the bank will, within the next 12 to 18 months, conflict with key statutory requirements about capital and liquidity if the bank continues as an independent bank. See 5.11.2 "Agreements on individual state guarantee" for a description of the modified Bank Package IV scheme.

The banks have recognised substantial impairment losses on loans and guarantees in recent years, partly because the banks have been and still are exposed to sectors which have recorded significant losses and risks of loss. Going forward, the banks expect to recognise not insignificant impairment losses or provisions on loans and guarantees. As described in 4.4 "Credit risk" additional impairment losses could have a material adverse effect on the continuing bank's business, results of operations, financial position and prospects.

Both Vestjysk Bank and Aarhus Lokalbanc have substantial deposit deficits and expect that the continuing bank will, for a number of years, depend on external sources to procure fresh liquidity as and when existing funding, including in particular the state guaranteed loans, falls due for payment. At 31 December 2011 and based on the exchange rates prevailing at that date, Vestjysk Bank and Aarhus Lokalbanc had state guaranteed loans in an aggregate of DKK 9.5 billion maturing in 2013. As described in more detail in 4.6 "Risks related to liquidity and capital", there are very substantial risks involved in the banks' dependence on and ability to attract liquidity to refinance the banks' existing cash resources.

Assuming completion of both, the merger and the associated capital plan will, all other things being equal, strengthen the continuing bank's capital base and solvency and improve the basis for a future successive phase-out of the state guaranteed loans.

As described in more detail in 1 "Reasons for and purpose of the merger" and 5.3.9 "Implementation of the capital plan", implementation of the capital plan is subject to certain

conditions being met. Furthermore, market conditions and developments in the continuing bank's operations in general must support implementation of the capital plan in practice.

Thus, it is an indispensable condition for (i) obtaining new individual state guarantees, (ii) the underwriting commitment with respect to the new subordinated loan capital of DKK 200 million, and (iii) the undertaking to sell sector shares worth DKK 175 million to Danmarks Nationalbank that the merger and the other elements of the capital plan are completed, including that the continuing bank completes a capital increase with minimum proceeds of DKK 250 million after the merger. If any element of the plan cannot be implemented, the continuing bank will thus neither be able to meet the conditions for obtaining new individual state guarantees nor for implementing the other elements of the capital plan as assumed.

In such situation, the continuing bank would thus only be able to implement the capital plan in its entirety and obtain new individual state guarantees if changed terms could be negotiated with the relevant counterparties. The continuing bank has no assurance that, should the situation arise, it would be possible to negotiate such changed terms.

It should be noted in particular in relation to the contemplated capital increase that the capital increase is not underwritten, and that there is no assurance that it can be completed as assumed.

If the capital plan is not implemented as assumed, it would have a material adverse effect on the continuing bank's position, particularly in view of the continuing bank's capital, liquidity and funding situation. As described in 5.3.4 "Capital resources", the continuing bank's solvency and solvency buffer at 31 December 2011, after recognition of the effects of the merger and excluding the effects of the capital plan, would thus be reduced relative to Vestjysk Bank's own solvency and solvency buffer at 31 December 2011, and the core capital ratio at 31 December 2011 would be reduced from 9.1% for Vestjysk Bank to 8.1% for the continuing bank based on the pro forma calculation.

Depending upon the continuing bank's financial position, the continuing bank may not otherwise be able to obtain fresh capital and the necessary liquidity, and the continuing bank's ability to attract and retain customers and business partners may be significantly impaired if the capital plan cannot be implemented. Such factors together or individually could have a very material effect on the continuing bank's business, results of operations, financial position and prospects.

If the continuing bank is unable to meet present or future requirements with respect to capital, capital composition, liquidity or solvency, it could result in the continuing bank losing its licence to carry on banking operations or being forced into winding up with a resulting risk of an adverse effect on the continuing bank's results of operations and thus the value of the issued shares.

Even if the capital plan is implemented in its entirety, the continuing bank may need additional capital in the future. There can be no assurance that, even after implementation of the capital plan, the continuing bank will in future be able to attract the necessary capital from other sources to ensure continued operations after the continuing bank's present and anticipated future capital resources have been depleted. If the continuing bank is unable to attract fresh capital, it could have a material adverse effect on the continuing bank's business, results of operations, financial position and prospects.

Furthermore, the merger of Vestjysk Bank and Aarhus Lokalbank may imply unforeseen difficulties, and all or part of the anticipated synergies may fail to materialise.

4.2 Risks related to the current economic conditions in the financial markets and domestic economic trends

Since September 2008, Danish as well as global financial markets have been characterised by extreme volatility. The past year saw Danish economic prospects deteriorate, among other things due to uncertainty relating to sovereign finances in several European countries and partly in the USA. This triggered large fluctuations in equity prices, rising risk premiums in a number of financial markets and declining industry and consumer confidence. Consumer spending in Denmark has also been stagnant since early 2010, and private investment remains at a low level.

The financial market volatility and challenging macroeconomic conditions have affected Vestjysk Bank and Aarhus Lokalbanc in a number of areas, including through lower demand for loans, severely restricted access to and higher costs of funding and increased impairment losses and provisions in 2009, 2010 and 2011, which had an adverse effect on the financial results of the two banks.

The interest margin, reflecting the difference between the return on interest-bearing assets and the expense for interest-bearing liabilities, represents a major factor in the continuing bank's earnings. A number of banks, including Vestjysk Bank and Aarhus Lokalbanc, focused on reducing lending in 2011, partly due to difficult funding conditions. Despite generally lower demand for loans, this contributed to a general increase in the interest margin in 2011, which for the continuing bank implies expected higher core earnings in 2012 in spite of reduced lending. However, the future interest margin is subject to considerable uncertainty, and there can be no assurance that the present interest margin can be maintained.

Denmark expects slow growth also in 2012 and 2013, not least based on a worsening of international growth prospects globally. Large budget deficits and weak economies in a number of European countries, particularly in southern Europe, may result in further fiscal tightening that could increase financial market turmoil and restrict growth. If global and domestic economic conditions deteriorate, it may cause a number of the risks which the continuing bank faces to increase or materialise, including with greater impact than anticipated. This may affect, for example, the continuing bank's impairment losses and provisions, solvency, liquidity and access to funding, results of operations, financial position and prospects, and such effect may be material.

4.3 Regulatory framework and supervisory authority initiatives

The continuing bank is governed by the Financial Business Act and a number of regulations issued in pursuance thereof. This framework governs the continuing bank with respect to management, solvency, capital adequacy, financial statements, valuation, organisation, audit and other matters. The continuing bank is furthermore subject to supervision by the Danish FSA. The Danish FSA monitors compliance with the rules for carrying on banking operations. The continuing bank's licence to carry on banking operations is conditional upon compliance with financial legislation.

If the continuing bank is unable to meet present or future requirements with respect to capital, capital composition, liquidity or solvency, it could result in the continuing bank losing its licence to carry on banking operations or being forced into winding up with a resulting risk of an adverse effect on the continuing bank's results of operations and thus the value of the issued shares.

Financial sector regulation changes regularly and was considerably increased after the financial crisis set in, while supervision of the financial sector was intensified.

In July 2010, the Danish FSA introduced the "Supervisory Diamond" applicable to all banks in Denmark. The Supervisory Diamond defines benchmarks with limit values for a number of risks which according to the Danish FSA should generally be observed as from end-2012. The Danish FSA adjusted certain benchmarks on 14 December 2010 as a consequence of new international regulation.

In a letter to banks and others in connection with the financial reporting for 2011 (the so-called Danish FSA Christmas letter for 2011), the Danish FSA explained, among other things, that it had looked into the prices of land used by large banks for purposes of calculating impairment losses. This caused the Danish FSA to decide to base its future reviews of land prices on the lower range of the land price interval assessed by the Danish FSA. A part of Vestjysk Bank's additional impairment losses in connection with the Danish FSA's inspection in November 2011 was attributable to the tightening in this respect.

Should the Danish FSA make the requirements for recognising collateral with respect to agriculture or other sectors even tighter, this could affect both the recognition of impairment losses and the solvency need of the continuing bank. Vestjysk Bank and Aarhus Lokalbanc believe that their respective financial statements for 2011 take into account the Danish FSA's stricter practice in this respect, but there can be no assurance that the Danish FSA does not, in subsequent inspections, make additional orders based on present or future practice. If the banks' assessment cannot be maintained, it could result in additional impairment losses on loans and guarantees for the continuing bank, which could have a material adverse effect on the continuing bank's results of operations and financial and solvency position.

On 6 February 2012, the Danish FSA published a consultation paper regarding tougher rules for recognising impairment losses in banks; an important new feature being that loans to distressed property customers must in future be written down to the value of the property. According to the consultation paper, the Danish FSA has the impression that most banks already apply a practice for recognising impairment losses on most of their property lending which largely corresponds with the new proposal, and should that not be the case, they will often have full solvency reserves. Furthermore the rules, if adopted, will be tougher with respect to valuation of other distressed loans, and by specifying the criteria for objective indication of impairment they are expected to result in increased impairment losses for a number of banks. The banks therefore also expect that the new rules will trigger recognition of increased impairment losses in the continuing bank. The consultation process for the new rules expires on 5 March 2012. There is a risk that, if adopted, the proposed or adjusted impairment rules could have an adverse effect on the continuing bank.

The forthcoming international regulation caused, among other factors, by Basel III, is expected to introduce stricter requirements on the continuing bank's capital composition and liquidity. If the proposals for implementation of Basel III published at EU level are adopted in their present form, it will, among other things, imply that, beginning in 2018, the continuing bank will no longer be able to include the state capital injections totalling DKK 1,186 million for purposes of calculating solvency. The continuing banks will aim to generate sufficient earnings in the years until 2018 to satisfy the solvency requirements if the present proposals are adopted, but there can be no assurance that it will be able to do so.

Vestjysk Bank has deferred tax assets of DKK 303 million. If a consultation paper for a bill restricting the right to set off deficits against taxable income is adopted in the form submitted, the tax assets will have to be reduced.

Other future changes to regulation, tax legislation or other legislation as well as supervisory changes could materially affect the continuing bank's business. It is not possible to predict what changes could be made to financial regulation or other legislation in the future, nor the exact effect of such or already proposed changes on the continuing bank's business, and/or whether the continuing bank would be able to live up to such changes.

Moreover, it is not possible to predict the effect of any supervisory changes on the continuing bank's business.

There can be no assurance that regulators do not adopt additional legislation or define additional or changed requirements, or that regulators do not change their assessments or estimates, which may affect the continuing bank's ability to comply with regulatory capital and solvency requirements. Furthermore, the Danish FSA may define an individual solvency need that is higher than the solvency need calculated by the continuing bank, or order the continuing bank to recognise impairment losses on exposures. There is a risk that the continuing bank would not be able to meet the resulting solvency need.

The Danish FSA may in certain cases publish supervisory reactions, and in certain cases the continuing bank has a duty to publish supervisory reactions, which may result in negative publicity concerning the continuing bank. This could have a material adverse effect on the continuing bank's results of operations, financial position, prospects and reputation. If the continuing bank is unable to comply with present and future regulatory requirements, it could result in the continuing bank losing its licence to carry on banking operations or being forced into winding up with a resulting risk of an adverse effect on the continuing bank's results of operations and thus the value of the issued shares.

4.4 Credit risk

The continuing bank has considerable credit risk in connection with lending activities

Credit risk is the risk that borrowers are unable or unwilling to fulfil their obligations, and that any collateral provided does not adequately cover the obligations. Credit risk is by far the most important risk faced by the continuing bank.

As part of its lending activities, the continuing bank has credit risk, including when lending to retail and corporate customers, issuing guarantees and credit commitments.

Developments in credit risk generally reflect economic trends, and credit risk has increased due to the poorer credit quality of exposures and lower value of collateral, which have so far resulted in increased impairment losses and capital adequacy requirements, and thus increased requirements for the capital base.

Credit exposure to retail customers mainly relates to home and car finance and consumer loans. The primary factors that may trigger increased credit risk on this part of the portfolio are believed to be falling house prices, increasing interest rates, unemployment, divorce and death, but other factors may also impair credit quality and thus increase credit risk.

Credit exposure to corporate customers mainly relates to small and medium-sized businesses. Credit risk on the corporate customer portfolio accounts for by far the largest part of the continuing bank's credit risk, which cannot be countered solely by industry diversification. Corporate customers are very much affected by general economic trends, and sustained weak or deteriorating economic conditions thus account for the largest credit risk on this part of the lending portfolio, for example in the form of falling demand and operating profits, impaired asset and funding conditions, changes in interest rate levels,

equity prices and foreign exchange rates as well as other factors that could reduce customers' ability to pay.

The largest part of loans, advances and guarantees granted concerns customers with an industry code related to real property. Such customers have been particularly hard hit by the economic conditions, for example in the form of financial difficulties for existing tenants and /or changed terms and assumptions for (re)letting, falling property prices, poorer access to borrowing and refunding, and liquidity challenges. In addition to the loans and advances provided by the bank to customers in the property industry, the bank is indirectly exposed to real property, as customers of other industries may also hold investments in real property, either as part of their operations or for investment purposes. Sustained poor or deteriorating market conditions for real property may therefore have a material effect on the bank's credit risk.

The second-largest industry exposure relates to the agricultural segment, which has been particularly severely hit in recent years by impaired terms of trade for pig and dairy farmers, falling land prices and exchange rate losses on CHF.

A number of the continuing bank's customers have mortgage debt in the form of adjustable rate loans, currently at very low interest rates. If interest rates increase on future rate adjustments, it would therefore result in a higher interest burden and lower earnings, which, all other things being equal, would impair customers' ability to pay and represent an increased risk to the bank. This may apply in particular to those of the bank's customers, for example in the real property and agricultural sectors, who have high financial gearing and low or negative earnings.

Increased credit risk may cause the continuing bank to incur losses or imply higher impairment losses, a risk of final losses on already impaired exposures or an increased capital adequacy requirement, which could have a material adverse effect on the continuing bank's business, results of operations and financial position.

Illiquidity or impaired values of collateral provided may result in losses and increase impairment losses and provisions

The continuing bank generally requires collateral for exposures in order to reduce credit risk. The most common types of collateral are mortgages on real property, floating charges, charges on receivables, pledges of securities and deposits, and guarantees and sureties.

Securities provided as collateral may be unlisted and illiquid, and the value may be closely linked to changes in the value of the underlying asset.

Declining selling prices for real property, including commercial property, agricultural and private properties, general economic conditions and other matters causing the price of securities or other collateral to drop, could reduce the value of the collateral provided to the continuing bank, with the result that the collateral would no longer be sufficient to cover the customer's obligations. Illiquid collateral can possibly not be sold to cover the customer's obligations.

The continuing bank values real property collateral based on a specific assessment of the property's market value, either from a current valuation or a profitability analysis with an estimated factor taking into account the property's location, use and alternative uses, layout, tenant's financial strength, term of lease, etc. The value of the continuing bank's collateral is therefore subject to considerable risk as changes in market conditions may require revaluation of collateral provided. Even exposures for which the continuing bank currently deems that the collateral provided is sufficient may involve a material risk to the continuing bank's loans and guarantees to the property segment going forward, since

changing markets may cause the value of the collateral and the need for recognition of impairment losses to change.

The continuing bank also has material risk on the continuing bank's loans and guarantees in the agricultural sector, due to the sustained slump in that sector as well as other factors. The slump has depressed prices and made debtors unable to pay, causing the continuing bank to incur more losses and recognise larger write-downs, while also reducing the value of collateral provided, including agricultural land. Vestjysk Bank's total exposure to the agricultural sector increased in 2011. This happened, among other things, because some agricultural customers' total exposure increased due to losses on interest-rate swaps and currency positions that were subsequently closed, because the bank deemed that the best solution to a distressed exposure in certain cases was to let the existing owner continue to operate, even if this required injection of fresh capital, and because the bank granted new loans to profitable farms. A sustained slump in the agricultural sector and any increase of the continuing bank's exposure to the agricultural sector could have a material adverse effect on the continuing bank's business, results of operations and financial position.

If the continuing bank does not receive additional collateral or is unable to realise collateral as expected, this may cause the bank to incur losses or imply higher impairment losses, a risk of final losses on already impaired exposures or an increased capital adequacy requirement, which could have a material effect on the continuing bank's business, results of operations and financial position.

Both banks have recognised considerable impairment losses and provisions in recent years, and the bank expects to recognise impairment losses also in future

Impairment losses are recognised when there is objective indication of impairment, and such events affect the size of the expected cash flow that can be reliably measured. Impairment losses are recognised individually for individual exposures and collectively for groups of exposures.

Disregarding the two banks' considerable credit reservations and impairment losses on property and agricultural exposures, Vestjysk Bank and Aarhus Lokalbank believe that impairment losses and provisions generally have reflected economic trends. Impairment losses and provisions recognised since the late summer of 2008 have thus increased considerably based on the deterioration of the economic environment. As described in 5.3.2 "Impairment losses" and 5.3.4 "Capital resources", the Danish FSA inspected both banks in 2011, in both cases resulting in recognition of increased impairment losses in the banks.

Vestjysk Bank and Aarhus Lokalbank recognised total operational write-downs and provisions of DKK 578 million in 2009, DKK 663 million in 2010 and DKK 1,131 million in 2011. Accumulated impairment losses and provisions amounted to DKK 2,601 million at 31 December 2011. The continuing bank expects to continue to recognise impairment losses going forward.

The higher impairment losses measured in Danish kroner mostly relate to corporate exposures in the industry segments "Agriculture, hunting, forestry and fisheries" and "Real estate", for which changing macroeconomic conditions since 2008 have caused the financed assets to lose value and become illiquid and impaired assets and liquidity. Furthermore, impairment losses and provisions have been affected by guarantees issued to the Private Contingency Association under Bank Package I and to the Depositors' Guarantee Fund.

The requirement for recognising impairment losses and making capital reservations when calculating the individual solvency need is to a large extent based on available information, estimates, judgements and assumptions, and the valuation is therefore subject to

uncertainty. When the individual solvency is calculated, impairment losses, provisions and capital reservations recognised may prove insufficient to cover losses.

The continuing bank's need for recognising impairment losses going forward is subject to considerable uncertainty, and the final amount thereof could have a material effect on the bank's results of operations and financial position. If impairment losses in 2012 amount to approximately DKK 450 million, corresponding to 1.5% of loans and guarantees, the continuing bank's solvency is expected, based on the continuing bank's preliminary budget and assuming implementation of the capital plan, to be 14.5% at 31 December 2012, representing an increase of 2.3 percentage points relative to the company's pro forma solvency at 31 December 2011. Alternatively, if impairment losses amount to for example 3%, it would have an additional adverse impact on the pre-tax profit of approximately DKK 450 million compared with impairment losses of 1.5%, and, based on the continuing bank's preliminary budget and assuming implementation of the capital plan, its solvency would be 12.8% at 31 December 2012, representing an increase of 0.6 of a percentage point relative to the pro forma solvency at 31 December 2011.

The above could have a material adverse effect on the continuing bank's results of operations and financial position and could increase the need for capital in order to comply with the statutory solvency requirements, which is a condition for the continuing bank carrying on banking activities.

Customers' exposures with other banks or creditors could have an adverse effect on the continuing bank

The continuing bank's customers may have exposures with other banks or other creditors, which could have an adverse effect on the continuing bank which is outside the continuing bank's influence. For example, customers' exposures with other banks may be terminated or perform adversely, or customers' other creditors may demand payment of their receivables.

The continuing bank is also a party to agreements with other banks relating to certain large exposure for which the continuing bank is one of several lenders to the same customer. Such agreements may be breached or terminated by other banks.

This may affect customers' ability to pay and cause the continuing bank to incur a loss, or increase the continuing bank's recognition of impairment losses, risk of final losses on impaired exposures or capital adequacy requirement, which could have a material effect on the continuing bank's business, results of operations and financial position.

The continuing bank is exposed to financial counterparties in the form of settlement and credit risk

Non-payment, bank runs and other types of financial difficulties for a Danish or international bank or other companies offering financial services may trigger liquidity problems, losses and payment and other difficulties in other companies operating in the financial sector as Danish and global financial systems and capital markets are interlinked due to mutual credit granting and trading, clearing or the like. If a company offering financial services encounters difficulties, or there is an assumption to that effect, it could have a rub-off effect on other players in the financial sector, including in connection with non-payment of loans granted, non-payment or non-delivery of assets in connection with settlement of securities and currency transactions, breach of financial contracts or other relations between players offering financial services. Such risks are often termed systemic risks. Should systemic risks materialise, it could have a material adverse effect on the markets in which the continuing bank operates, and that could have a material adverse effect on the continuing bank's business, results of operations and financial position.

4.5 Market risk

The continuing bank is exposed to market risk. Market risk is the risk of losses resulting from variations in the fair value of the continuing bank's assets and liabilities due to changes in market conditions.

Market risk exposure arises, for example, through the continuing bank engaging in transactions with customers in the securities and currency markets and the continuing bank's proprietary portfolio of securities.

The continuing bank's securities portfolio mainly comprises bonds and equities. The fair value of the securities portfolio is sensitive to changes in various market variables, including interest rates, credit spread, equity prices and foreign exchange rates. The continuing bank's most important market risks are risks resulting from changes in interest rates, equity prices and foreign exchange rates.

Interest-rate risk accounts for the greater part of market risk and is primarily attributable to items in the trading portfolio (securities, etc.) and items outside the trading portfolio (deposits and loans and advances, etc.). Interest-rate risk is calculated according to the Danish FSA's Financial Reporting Order as the risk in case of a parallel shift in yields of 1 percentage point. The interest-rate risk was minus 4.6% relative to core capital after deductions in Vestjysk Bank at 31 December 2011. Aarhus Lokalbank had interest-rate risk at 31 December 2011 of minus 7.5% relative to core capital after deductions.

Equity risk is the risk of falling prices on the continuing bank's equity portfolio, mainly comprising unlisted shares in sector companies and listed shares and investment fund units. The equity risk on listed shares mostly reflects Danish shares. Equity risk calculated as a change in the equity trading portfolio of 10% amounted to DKK 57 million for Vestjysk Bank and DKK 0.8 million for Aarhus Lokalbank at 31 December 2011.

Currency risk relates to the continuing bank's net positions in foreign currency, securities portfolio in foreign currency, cash currency held and spot and forward currency transactions. The currency risk, calculated as exchange rate indicator 1 as a percentage of core capital after deductions, was 1.5% and 1.4% at 31 December 2011 for Vestjysk Bank and Aarhus Lokalbank, respectively.

The continuing bank aims to reasonably hedge all activities involving market risk.

If market conditions change, including changes in market rates, equity prices and foreign exchange rates, or if the continuing bank fails to hedge adequately, it could have a material adverse effect on the continuing bank's business, results of operations and financial position.

4.6 Risks related to liquidity and capital

The continuing bank relies on access to sufficient liquidity

Liquidity risk is the risk of a disproportionate increase in the continuing bank's cost of procuring liquidity, of lack of funding preventing the continuing bank from maintaining the business model adopted, or of the continuing bank ultimately being unable to meet its payment obligations due to lack of funding.

The financial markets have seen extreme volatility since September 2008, which has materially impaired credit and liquidity conditions, and access to liquidity has been limited unless deposits were subject to state guarantee schemes. Present conditions in the capital markets, the lapse of the general unlimited state guarantee for deposits under Bank Package I and recent difficulties in some Danish banks still restrict the continuing bank's

possibilities of attracting deposits, in particular net deposits of more than EUR 100,000 (approximately DKK 745,000) in accounts with limited cover by the Depositors' Guarantee Fund, long-term deposits, and other external borrowing. Moreover, an upcoming refinancing in 2012 and 2013 of bonds issued by Danish banks under the individual state guarantee scheme is expected to result in intensified competition for customer deposits and continued limitations in the credit market for the continuing bank.

At 31 December 2011, Vestjysk Bank and Aarhus Lokalbanc had excess liquidity coverage relative to the statutory requirement of 98.8% and 169.9%, respectively. The pro forma excess liquidity coverage of the continuing bank at 31 December 2011 was 109.4% including adjustments².

In connection with the Danish FSA's functional examination of Vestjysk Bank conducted in October and November 2011, the Danish FSA deemed that the bank's funding structure was unacceptable as the bank's deposit deficit is financed by state guarantees. Vestjysk Bank was therefore ordered to submit an updated explanation of its long-term liquidity plans, including in particular with respect to the plans for repayment of the state guarantees in 2013. One of the objectives of the contemplated merger and the capital plan is therefore to counter Vestjysk Bank's, and thus the continuing bank's, funding challenge.

As described in more detail in 1 "Reasons for and purpose of the merger" above and 5.3.9 "Implementation of the capital plan", completion of the merger and the capital plan in its entirety and receipt of new individual state guarantees are subject to satisfaction of a number of conditions.

Receipt of new individual state guarantees of up to DKK 8.6 billion which in the longer term could replace most of the bank's existing individual state guarantees expiring in 2013 and implementation of the capital plan in its entirety form a significant part of the continuing bank's liquidity and funding basis. If the continuing bank is unable to implement the capital plan in its entirety or unable to satisfy the conditions for obtaining new individual state guarantees, this must be expected to have a material adverse effect on the continuing bank's business, results of operations and financial position, and thus the value of the shares.

If, due to failure to implement the capital plan in its entirety or failure to satisfy the conditions for obtaining new individual state guarantees, the continuing bank is unable to meet present or future requirements with respect to capital, capital composition, liquidity or solvency, it could also result in the continuing bank losing its licence to carry on banking operations or being forced into winding up with a resulting risk of an adverse effect on the continuing bank's results of operations and thus the value of the issued shares.

The continuing bank's funding requirements will depend, among other factors, on its business volume, balance between deposits and lending and results of operations. Furthermore, upcoming international regulation may result in stricter requirements on the continuing bank's liquidity. The continuing bank's strategy is to match activities and business volume to enable the continuing bank, after expiry of the new individual state guarantees in 2016, to be funded mainly by deposits. If the continuing bank fails to implement this strategy, it could have a material adverse effect on the continuing bank's business, results of operations and financial position, and thus the value of the shares.

² Adjustments have been made to the pro forma statement of the continuing bank because Vestjysk Bank has guarantees vis-à-vis Aarhus Lokalbanc of DKK 90 million. Furthermore, adjustments have been made to the statement of the continuing bank because fair value adjustments of Aarhus Lokalbanc's loans and advances reduce lending by DKK 120 million. Before such adjustments, the pro forma excess liquidity coverage of the continuing bank was 108.1%.

Costs of retaining and attracting deposits and other external funding are expected to increase due to market conditions, and both depositors and lenders are expected to attach importance to the continuing bank having a robust capital base.

Sustained restricted access to liquidity in the market could affect the continuing bank's possibility of maintaining its present level of funding costs, including due to the higher cost of maintaining or attracting deposits, or force the continuing bank to divest activities at a price which is unfavourable at the given time, and this could have a material adverse effect on the continuing bank's business, results of operations and financial position.

If the continuing bank is unable to gain access to sufficient liquidity or to obtain liquidity on acceptable terms, it could result in non-compliance with the statutory requirements, which is a condition for its possibility of continuing to carry on banking operations, or ultimately result in the continuing bank being unable to pay its obligations as and when they fall due, with the risk of an adverse effect on the continuing bank's results of operations and thus the value of the issued shares.

The continuing bank relies on an adequate capital base to meet solvency requirements and attract capital

The continuing bank is subject to the general solvency and capital adequacy requirements set out in the Financial Business Act. This means that the continuing bank's capital base must at least correspond to 8% of the risk-weighted assets or any higher individual solvency need calculated by the continuing bank. If the Danish FSA disagrees with the continuing bank's calculated individual solvency need, it may determine a higher solvency need.

Against the backdrop of recent years' developments in the financial sector with a number of banks being forced to be transferred to Finansiel Stabilitet A/S as well as general developments in the financial markets, the managements of the two banks believe that a robust capital base is crucial to the continuing bank's competitiveness, ability to attract and retain deposits from customers and other external funding, and ability to attract or retain financial business partners and shareholders.

Furthermore, upcoming international regulation under Basel III is expected to introduce stricter requirements on capital composition, including that core capital should mainly consist of equity (share capital and retained earnings).

As a result of the merger and until the potential implementation of the capital plan, see 5.3.4 "Capital resources", the continuing bank's solvency buffer will be 0.3 of a percentage point lower than Vestjysk Bank's buffer prior to the merger. The boards of directors of the two banks expect that, following implementation of the capital plan, the continuing bank's solvency will be strengthened. If impairment losses in 2012 amount to 1.5% of loans, advances and guarantees, management expects the solvency of the continuing bank, based on the preliminary budget, to be around 14.5% at 31 December 2012.

As described in 5.3.5 "The borrowing requirements and financing structure of the continuing bank", the continuing bank had, at 31 December 2011, raised subordinated loan capital totalling DKK 794 million, which falls due for payment in 2013, 2014, 2015 and 2016. Under the applicable rules for inclusion of subordinated loan capital, the maturity structure will result in a gradual lower weighting of the portion of the subordinated loans that can be included in the calculation of the capital base. If the continuing bank is unable to refinance the subordinated loans or procure other forms of capital that may be included in the capital base, it would have an adverse effect on solvency.

Developments in the continuing bank's capital base and solvency buffer will also depend on developments in credit risk, including customer credit quality and impairment or illiquidity of collateral provided, market risks, operational risks and other factors that could result in losses or increased impairment write-downs and provisions or capital adequacy requirement, possibility of implementing the strategy, earnings performance, access to capital and other factors.

The continuing bank will pursue a strategy of strengthening the capital base through positive consolidation, but there can be no assurance that it will be able to do so.

If any of the factors stated above should see an adverse development, it could have a material adverse effect on the continuing bank's business, results of operations and financial position.

Risk related to Danmarks Nationalbank's lending facility

Utilising Danmarks Nationalbank's lending facility is part of the continuing bank's liquidity planning. The facility will so far in 2012 be offered twice to Danish banks and mortgage credit institutions, on 30 March 2012 and 28 September 2012, respectively. The continuing bank has no assurance that the lending facility will be offered again at a later date. Accordingly, there is a risk that the continuing bank will not be able to raise loans for a three-year term under Danmarks Nationalbank's lending facility after 28 September 2012. This may result in the continuing bank being unable to gain access to sufficient liquidity, which could have a material adverse effect on the continuing bank's business, results of operations and financial position.

Loans under Danmarks Nationalbank's lending facility would be raised against security in the part of the continuing bank's lending portfolio that meets the requirements of the collateral basis determined by Danmarks Nationalbank. The value of the continuing bank's assets for purposes of the collateral basis of Danmarks Nationalbank may change, including due to impairment of the value of the assets or the rules of the lending facility. The continuing bank may therefore be required to provide additional assets as collateral to Danmarks Nationalbank or to reduce its borrowing with Danmarks Nationalbank, should the value of collateral provided decline. Any requirement for the continuing bank to provide supplementary collateral would reduce the continuing bank's possibilities of raising loans with other lenders against security in its lending portfolio. If a significant part of the continuing bank's lending portfolio that meets the requirements of Danmarks Nationalbank's collateral basis would have to be provided as collateral in order to maintain loans raised with Danmarks Nationalbank, it could also impair unsecured senior creditors' possibilities of having their claims honoured in case of breach by the continuing bank as Danmarks Nationalbank would in such case have the rights of a secured creditor in relation to the assets provided as collateral. If the bank is forced to reduce its lending with Danmarks Nationalbank and is unable to obtain sufficient liquidity from other sources, it could have a material adverse effect on the continuing bank's business, results of operations and financial position.

4.7 Other risks related to the continuing bank's business

Operational risk is the risk of incurring losses due to inadequate or faulty internal procedures, human or system errors, criminal acts inside or outside the organisation.

The continuing bank is exposed to operational risk that may cause losses and harm the reputation of the continuing bank.

The continuing bank intends to manage operational risk through business procedures and controls. Furthermore, the compliance function of the continuing bank will continuously monitor compliance with legislation.

Even if the continuing bank has implemented business processes to minimise risks related to the continuing bank's business, these measures may prove inadequate to manage such risks, which could have a material adverse effect on the continuing bank's reputation, business, results of operations and financial position.

The continuing bank is exposed to risks relating to IT platform and proprietary systems and depends on well-functioning IT systems to perform own and customers' banking transactions and offer services to customers

Vestjysk Bank's IT operations are handled by Bankernes EDB Central ("BEC") as external data provider, and Aarhus Lokalbank's IT operations are handled by Bankdata. The continuing bank relies on BEC and Bankdata handling operations appropriately and on the continuing bank together with BEC and Bankdata performing a conversion at some point in time.

Errors or failures of IT systems, virus, hacking and other events could affect the continuing bank's business and could have a material adverse effect on the continuing bank's business, results of operations, financial position and reputation.

The continuing bank also relies on developing and implementing new systems or adapting existing systems in order to adapt to a changed business volume, market new products and meet customer requirements and needs. If the continuing bank is unable to obtain or does not have a sufficient capital base to develop and implement new systems or adapt existing IT systems, it could have a material adverse effect on the continuing bank's business, results of operations, financial position, competitiveness and reputation.

The continuing bank is exposed to business risks that could harm its reputation and earnings

Business risk is the risk of incurring losses due to changes in external conditions or events that harm the continuing bank's reputation or earnings.

This type of risk often materialises in the form of unexpected reductions in income or unforeseen increases in costs. This may be in the form of a reduced loan margin due to intensified competition, a reduced lending volume due to competitors introducing new products, strikes, new legislation or adverse media coverage.

If the continuing bank is unable to adjust expenses in such cases, the impact of the fluctuation on results will increase, which could have a material adverse effect on the continuing bank's business, results of operations and financial position.

The continuing bank's risk management systems may prove inadequate

The continuing bank has implemented controls and risk management functions in order to reduce risks related to the continuing bank's business.

Risk management includes, for example, defined limits for the risks the continuing bank may assume, written instructions, business procedures and processes, a hierarchical credit approval structure, segregation of functions between executing and controlling units, control systems and monitoring. The risk management tools may prove not to be effective or adequate in all situations, and the continuing bank may be unable to anticipate or identify all risks and correctly assess the importance of identified risks.

The continuing bank intends to apply various models and methods to calculate and quantify risk. Some of the methods are based on historical data, publicly available material and information from customers, etc. that may be inaccurate/incomplete, and certain risks are subject to estimates of expected future developments.

If the continuing bank is unable to maintain effective risk management, it could have a material adverse effect on the bank's business, results of operations and financial position.

The continuing bank relies on its ability to attract and retain qualified employees

The continuing bank's performance and ability to pursue its strategy depends in large part on its ability to retain, attract and train qualified employees. The continuing bank's executive board will consist of two members who have acquired substantial expertise, experience and qualifications in their careers, which is crucial to the continuing bank.

If the continuing bank is unable to retain, attract and train qualified employees, including to retain the executive board or replace it by executive board members with similar qualifications, it could result in a change of expertise, experience and qualifications or the loss thereof, which could have a material adverse effect on the bank's competitiveness, ability to retain and attract customers and ability to implement its strategy. This could have a material adverse effect on the continuing bank's business, results of operations, financial position and prospects.

The continuing bank is exposed to the risk of being unable to implement its strategy

The continuing bank intends to work with a number of strategic changes and focus areas with a view to enhancing the bank's financial strength and future business platform. Implementation of the strategy depends on a number of factors, including that the continuing bank is able to take the required measures to implement the strategy, and that the necessary capital base is available. There can be no assurance that the continuing bank will be able to take such measures to the required extent or within the assumed time horizon.

Implementation of the strategy is furthermore dependent on a number of external factors, including markets conditions, the ability to attract new customers and retain and develop relations with existing customers.

If the continuing bank is unable to implement the strategy to a sufficient extent, it could have a material adverse impact on the continuing bank's business, results of operations and financial position and also impose stricter requirements with respect to its capital base.

The continuing bank may be ordered to pay additional costs to the Depositors' Guarantee Fund

Being a bank, the continuing bank has a duty to be a member of the Depositors' Guarantee Fund, which, among other things, covers net deposits of up to EUR 100,000 (approximately DKK 745,000) and losses in connection with the winding up of distressed banks under the Bank Packages.

The continuing bank may in future be obliged to cover losses if other banks go bankrupt or are unable to meet their obligations or are wound up under the Bank Packages or other arrangements within the framework of the Depositors' Guarantee Fund, which could have a material adverse effect on the continuing bank's results of operations and financial position.

The continuing bank has received an individual state guarantee that imposes costs and restrictions

The continuing bank must pay interest and guarantee commission because it has received an individual state guarantee. In addition to increased costs, Bank Package II and the agreements on individual state guarantees impose a number of conditions and restrictions on the continuing bank, including restrictions on the distribution of dividends to shareholders and restrictions on the risks the continuing bank is allowed to assume. Any non-compliance with the conditions or restrictions could cause the continuing bank to incur a loss and increase its funding requirement, which could have a material adverse effect on the continuing bank's results of operations, financial position and ability to continue its operations.

Under the agreement on an individual state guarantee the continuing bank must, if it is unable to comply with statutory solvency requirements, transfer its business to a buyer designated by Finansiel Stabilitet A/S unless the continuing bank identifies a buyer itself. The timing and price of such divestment could be unfavourable, which could have a material adverse effect on the continuing bank's business, results of operations, financial position and prospects.

Risks related to the state capital injection

Both Vestjysk Bank and Aarhus Lokalbank have signed agreements with the Danish state about the raising of loans by way of state hybrid core capital by issuing capital certificates pursuant to the Act on State Capital Injections. The continuing bank will thus have raised state hybrid core capital in a principal amount of approximately DKK 1,186 billion. See 5.11 "Material contracts—Agreements on a state capital injection" for a description of the state capital injection.

As regards capital certificates with mandatory conversion, the Danish state may demand conversion of such certificates if the continuing bank fails to meet the solvency requirement or if the Danish FSA assesses that there is a clear risk of the continuing bank failing to meet the solvency requirement.

Moreover, to the extent the continuing bank's hybrid core capital ratio exceeds 35%, the continuing bank may, in tranches of 20% of the principal of the state capital injection, exercise a voluntary conversion option until the hybrid core capital ratio has been restored to less than 35%.

Both Vestjysk Bank and Aarhus Lokalbank have exercised the voluntary conversion option with the consequence that the Danish state will have controlling influence on the continuing bank. If the mandatory or voluntary conversion option is exercised in relation to the remaining part of the state capital injection, it could result in further dilution of existing shares.

The continuing bank is exposed to constant competition

The Danish financial market is characterised by a large number of banks. The continuing bank makes continuous efforts to differentiate itself from and strengthen its profile relative to its competitors and adapt to its customers' needs and demands as and when they change.

However, if the continuing bank fails to differentiate itself from other banks and adapt to changing customer needs and demands, it could impair the continuing bank's competitiveness, which could have an adverse effect on the continuing bank's business, results of operations and financial position.

The continuing bank is regularly involved in litigation and complaints that may cause losses and harm the reputation of the continuing bank

As part of the ordinary course of its banking business, the continuing bank is involved in legal and arbitration proceedings on an ongoing basis in addition to complaints brought before the Danish Complaint Board of Banking Services. Such proceedings primarily concern disputes about advice provided to customers, including advice relating to the sale of investment products and execution of other customer transactions, enforcement of collateral security from customer commitments received or provided by the continuing bank and avoidance of payments in the event of customers' bankruptcy, etc.

Legal proceedings have been instituted against Vestjysk Bank by EBH-Fonden in bankruptcy for DKK 100 million in consequence of Vestjysk Bank's setting off of debt to EBH-Fonden in bankruptcy against Vestjysk Bank's receivable from EBH-Fonden in bankruptcy. Vestjysk Bank's debt consisted of subordinated loan capital, which Vestjysk Bank was granted permission to settle by the Danish FSA in 2009. Vestjysk Bank's receivable consisted of a regular receivable. The High Court of Western Denmark found for Vestjysk Bank in the case on 22 August 2011. The case was subsequently appealed to the Danish Supreme Court and trial proceedings are expected to be on 22 April 2013 in the Supreme Court. Since Vestjysk Bank does not expect to lose the case, no provision has been made for the amount at issue.

An unfavourable outcome of this or other such legal and complaints proceedings could have a material adverse effect on the continuing bank's results of operations, financial position and reputation.

4.8 Risks related to securities in the continuing bank

The following describes a number of risk factors related to an investment in shares in the continuing bank, including, assuming adoption of the merger, shares in the existing Vestjysk Bank and Aarhus Lokalbank.

Shareholders buying shares in Vestjysk Bank or Aarhus Lokalbank with a view to becoming shareholders in the continuing bank may suffer a loss if the merger proposal is withdrawn or is not adopted

The merger can only be completed when the shareholders of the two banks have adopted it and the necessary permits for its completion have been obtained. If the merger is not completed, investors who have acquired shares in Vestjysk Bank or Aarhus Lokalbank with a view to becoming shareholders in the continuing bank may suffer a loss if the cancellation of the merger has an adverse effect of the price of the shares of one or both banks.

The market price of the continuing bank's shares may be highly volatile

The market price of the shares in both Vestjysk Bank and Aarhus Lokalbank has historically been highly volatile, and there can be no assurance that the share price of the continuing bank will not also be subject to considerable fluctuations due to a variety of factors. Some or many of these factors may be outside the continuing bank's control and not necessarily related to the continuing bank's business, operations or prospects.

Such factors could include changes in market conditions generally or specifically for companies in the financial sector or expectations of such changes, fluctuations in the continuing bank's quarterly results of operations, fluctuations in equity prices and turnover, changed ownership structure, sustained adverse media coverage, changes in financial analysts' financial estimates or recommendations with respect to the continuing bank and its shares, investors' view of the bank, future issues of shares or other securities, announcements from the continuing bank or its competitors about new services or technology, acquisitions or joint ventures, short selling activities and changed government restrictions on such activities.

In addition, the equity market has historically been exposed to significant fluctuations in prices which may be unrelated to or disproportionately high in relation to the results of operations of the companies in question. Such general market factors may have an adverse effect on the market price of the shares, irrespective of the continuing bank's results of operations.

There can be no assurance that a liquid market for the shares in the continuing bank will develop, and, if such market develops, the price of the shares in the continuing bank may be subject to higher volatility than the prices of Vestjysk Bank and Aarhus Lokalbanc.

The continuing bank's capital plan involves subscription for new shares, which could entail risks for the shareholders in the continuing bank

In connection with the merger, the boards of directors of the two companies have resolved to implement a capital plan containing a number of interdependent elements. See 5.3.9 "Implementation of the capital plan" for a description of the capital plan. As part of the capital plan, the continuing bank will carry out a share issue of at least DKK 250 million with pre-emptive rights for the shareholders.

The contemplated merger is not underwritten, and there is a risk that the issue cannot be completed with the assumed proceeds of at least DKK 250 million. This could have an adverse effect on the completion of the capital plan in its entirety and thus on the continuing bank's financial position and the price of the shares.

The issue of new shares with pre-emptive rights for the shareholders means that shareholders who do not exercise their pre-emptive rights will experience a dilution of their ownership interest and voting rights, and such dilution may be significant. If shareholders sell their allotted subscription rights instead of subscribing for shares, the payment they receive will not necessarily be sufficient to offset such dilution.

Irrespective of the proceeds from the issue, there can be no assurance that the continuing bank will not in future issue new shares or securities convertible into shares. Any additional issue or offer of shares or a public perception that an offer may occur, could have an adverse effect on the price of the shares. Additional shares could, for example, be issued in connection with conversion of a state capital injection. See 5.11.1 "Agreements on a state capital injection".

The controlling shareholder's interests may not correspond to the non-controlling shareholders' interests

As a result of both Aarhus Lokalbanc and Vestjysk Bank having exercised part of the conversion options associated with the state capital injections, including Financial Stabilitet's ownership interest, the Danish state will hold a controlling interest in the continuing bank. This will enable the Danish state to exercise a controlling influence on the continuing bank, among other things by electing board members at general meetings, thereby causing the continuing bank to implement certain resolutions. Furthermore, depending on the number of shareholders represented at the continuing bank's general meetings, the Danish state could possibly in practice amend the articles of association and merge the continuing bank with another company without the non-controlling shareholders' approval.

Based on its holding of shares, the Danish state could block a number of corporate resolutions in the continuing bank, including amendments to the articles of association and share capital increases. At the same time, the continuing bank has a duty to assist the Danish state if the Danish state wishes to sell all or part of its shares in the continuing bank. The interests of the Danish state may conflict with those of the non-controlling shareholders.

The above factors could have a material adverse effect on the investment in the shares of the continuing bank.

Shareholders outside Denmark are exposed to currency risk

The shares are priced in Danish kroner. Accordingly, the value of the shares is likely to fluctuate in line with any fluctuation of the exchange rate between the local currency of the country in which an investor outside Denmark is based and Danish kroner. If the value of Danish kroner depreciates against the local currency of the country in which an investor outside Denmark is based, the value of the shares in the continuing bank will decrease.

The continuing bank is a public limited company registered under Danish law, which could make it difficult for shareholders residing outside Denmark to exercise or enforce certain rights

The continuing bank will be a public limited company registered under the laws of Denmark, which could make it difficult for shareholders of the continuing bank residing outside Denmark to exercise or enforce certain rights. The rights of holders of shares and preemptive rights are governed by Danish law and by the articles of association. These rights may differ from the typical rights of shareholders in the United States and other jurisdictions. As a result, it may not be possible for investors to effect service of process upon the continuing bank outside Denmark or to enforce against the continuing bank judgments obtained in courts outside Denmark based upon applicable laws in jurisdictions outside Denmark. Furthermore, shareholders outside Denmark may not be entitled to exercise their voting rights.

5 THE CONTINUING BANK

The continuing bank after the merger will be Vestjysk Bank A/S. Aarhus Lokalbank will be dissolved in the merger, as all assets and liabilities of Aarhus Lokalbank will be transferred to Vestjysk Bank in connection with the merger.

5.1 Legal names and secondary names

After the merger, the continuing bank will continue under the name of "Vestjysk Bank A/S".

In connection with the approval of the merger by the continuing bank, it is proposed that the following secondary names are incorporated into the articles of association and registered with the Danish Business Authority: Aarhus Lokalbank Aktieselskab, Aarhus Lokalbank A/S, Aros Bank Aktieselskab, Byens Bank Aktieselskab, Hadsten Bank Aktieselskab, Jyllands Bank Aktieselskab and Langå Bank A/S.

Today, Vestjysk Bank has the following secondary names, which will also be secondary names of the continuing bank: Aktieselskabet Ringkjøbing Bank, A/S Nordvestbank, Bonusbanken A/S, Holstebro Landmandsbank A/S, Lemvig Bank A/S, Lemvig Folkebank A/S, Lokalbank Lemvig A/S, Lokalbank Vestjylland A/S, NV Finans A/S, VB-Finans A/S, Vestbank A/S, Vestjysk Bolig A/S, Vestjysk Finans A/S, Vestjysk Leasing A/S and Vestjysk Lokalbank A/S.

The board of directors of Vestjysk Bank has proposed that the shareholders at the annual general meeting to be held on 29 March 2012 approve the deletion of the following secondary names as secondary names of the continuing bank: NV Finans A/S, VB-Finans A/S, Vestjysk Bolig A/S, Vestjysk Finans A/S and Vestjysk Leasing A/S

5.2 Business activities

The merger strengthens the position of Vestjysk Bank as a regional bank of central and western Jutland. The bank's main activities will be banking operations, distributed on the corporate and retail customer segments, and activities related thereto. The bank's customers will be offered a broad range of deposit, lending, forex, pension, investment, insurance and mortgage credit products.

At 31 December 2011, the continuing bank had total loans and guarantees of DKK 29.7 billion, corporate customers accounting for 77.1%, private customers 22.7% and public authorities 0.1%.

In terms of industry segments, lending provided to real estate represented the largest industry exposure, accounting for 18.7% of loans and guarantees. The industry exposure is made up of customers from the bank's main geographical market as well as by customers from outside the bank's main geographical market. The exposure is primarily made up of properties in Denmark and, to a certain extent, of investments made by Danish customers in properties in Germany. In addition to the loans and guarantees provided by the bank to customers in the property industry, the bank is indirectly exposed to real estate, as customers of other industry segments may also hold investments in real estate, either as part of their operations or for investment purposes.

Loans for agriculture, hunting, forestry and fisheries represent 17.4% of total loans and guarantees and are primarily related to customers in the bank's main geographical area.

As can be seen below, other loans are distributed on a range of industries, with no industry accounting for more than 10%.

Total credit exposure (loans and guarantees) distributed on industry segments at 31 December 2011 (DKKm)						
Industry segment no. / text	Vestjysk Bank		Aarhus Lokalbanc		Consolidated	
	DKKm	Share	DKKm	Share	DKKm	Share
1. Public authorities	25	0.1%	17	0.5%	42	0.1%
2.1 Agriculture, hunting, forestry and fisheries	4,682	18.0%	494	13.5%	5,176	17.4%
2.2 Industry and raw materials extraction	1,124	4.3%	98	2.7%	1,222	4.1%
2.3 Energy supply	2,718	10.4%	1	0.0%	2,719	9.2%
2.4.1 <i>Completion of construction projects</i>	110	0.4%	4	0.1%	115	0.4%
2.4.2 <i>Construction of buildings</i>	263	1.0%	11	0.3%	274	0.9%
2.4.3 <i>Other building and construction</i>	576	2.2%	67	1.8%	642	2.2%
2.4. Building and construction, total	949	3.6%	82	2.3%	1,031	3.5%
2.5 Trade	2,012	7.7%	107	2.9%	2,120	7.1%
2.6.1 <i>Transport, mail and courier services</i>	378	1.5%	23	0.6%	401	1.3%
2.6.2 <i>Hotels and restaurants</i>	691	2.7%	12	0.3%	703	2.4%
2.6. Transport, hotels and restaurants, total	1,069	4.1%	35	1.0%	1,104	3.7%
2.7 Information and communications	96	0.4%	19	0.5%	116	0.4%
2.8 Financing and insurance	1,745	6.7%	325	8.9%	2,070	7.0%
2.9.1 <i>Purchase and sale of real estate</i>	333	1.3%	41	1.1%	374	1.3%
2.9.2 <i>Letting etc. of real estate</i>	3,332	12.8%	341	9.4%	3,674	12.4%
2.9.3 <i>Estate agents and property management</i>	613	2.4%	902	24.8%	1,515	5.1%
2.9 Real estate, total	4,278	16.4%	1,284	35.2%	5,563	18.7%
2.10 Other business	1,460	5.6%	334	9.2%	1,794	6.0%
2. Business, total	20,133	77.2%	2,781	76.3%	22,914	77.1%
3. Retail	5,911	22.7%	846	23.2%	6,757	22.7%
Total	26,069	100.0%	3,644	100.0%	29,713	100.0%

Note: Existing loans are recognised at the carrying amount (amortised cost). Loans in foreign currency are translated into Danish kroner applying the exchange rate prevailing at 31 December 2011.

5.3 Financial position

Selected financial matters relating to Vestjysk Bank and Aarhus Lokalbanc are reviewed below with the aim of providing an introduction to the financial position of the continuing bank. See also 5.16 "Historical financial information", which contains certain selected financial information concerning Vestjysk Bank and Aarhus Lokalbanc and cross references to the banks' official annual reports, and to 5.17 "Pro forma financial information for the continuing bank", which contains pro forma financial information for 2011. See also 4.1 "Risks related to the current situation of the continuing bank" for a description of the emphasis of matter paragraph contained in the auditors' reports of the 2011 annual reports of Vestjysk Bank and Aarhus Lokalbanc, respectively.

As described in more detail in 5.3.9 "Implementation of the capital plan", Vestjysk Bank and Aarhus Lokalbanc contemplate after the merger to implement a capital plan, including to obtain new individual state guarantees with a term of up to three years with a view to strengthening the liquidity and capital base of the continuing bank. See the above-mentioned section for a more detailed review of the individual elements of the capital plan

and the terms for completion thereof and to 4 "Risk factors", which contains a description of certain risk factors which may impact the company's financial position.

5.3.1 Income and core earnings

In 2011, net interest and fee income amounted to DKK 1,085 million for Vestjysk Bank and DKK 96 million for Aarhus Lokalbanc. For Vestjysk Bank, this was in line with 2010, among other things due to a decline in lending and an increased interest margin. For Aarhus Lokalbanc, the performance marked a setback relative to 2010 due to a significant decline in lending, which was not offset by a higher interest margin. In addition, the item was affected by extraordinary expenses for repayment of loans of DKK 23.4 million and by other costs related to the measures implemented by Aarhus Lokalbanc in the first half of 2011.

In 2010, Vestjysk Bank's net interest and fee income rose to DKK 1,053 million from DKK 1,021 million in 2009 in spite of a decline in lending of DKK 0.4 billion from DKK 23.9 billion to DKK 23.5 billion and a reduction in guarantees of DKK 1.2 billion from DKK 5.7 billion to DKK 4.5 billion. This increase was due to an increased interest margin and higher earnings from securities trading and commission from the intermediation of mortgage loans.

In 2010, Aarhus Lokalbanc's net interest and fee income fell to DKK 139 million from DKK 154 million in 2009. This decline was mainly due to a reduction in the bank's guarantee commission as a result of a change in the composition of assets and liabilities. Loans and other receivables fell by DKK 0.4 billion from DKK 4.1 billion to DKK 3.7 billion in 2010, and total guarantees were reduced by DKK 0.4 billion from DKK 1.2 billion to DKK 0.8 billion in 2010.

Vestjysk Bank reported core earnings of DKK 505 million in 2011, against DKK 491 million in 2010 and DKK 442 million in 2009. Aarhus Lokalbanc reported core earnings of DKK 1 million in 2011, including extraordinary expenses for the implementation of the capital plan as described above. Core earnings amounted to DKK 34 million in 2010 and DKK 60 million in 2009.

5.3.2 Impairment losses

The overall impairment losses recognised by the two banks in 2009, 2010 and 2011 are described below. References to industry segments are based on the division set forth in 5.2 "Business activities". As mentioned in that section, in addition to the loans and advances provided to customers in the property industry, both banks are indirectly exposed to real estate, as customers of other industry segments may also hold investments in real estate, either as part of their operations or for investment purposes. This implies that references to impairment losses on exposures relating to real estate do not include the part of the bank's impairment losses indirectly related to real estate.

The Danish FSA conducted a functional examination of Vestjysk Bank by inspections in October and November 2011 in which relevant exposures representing in aggregate approximately 35% of total loans and credits were reviewed. In its review, the Danish FSA adopted a more critical approach, primarily to agricultural exposures, which were assessed to get an objective indication of impairment, than the approach previously adopted by the bank. In addition, the value of collateral and land was valued more prudently. On this basis, the Danish FSA concluded that additional impairment losses in a total amount of DKK 481 million were required, DKK 309 million of which was related to agricultural exposures. The Danish FSA ordered the bank to review the other agricultural exposures with the aim of establishing whether it would be required to recognise impairment losses or increase its solvency need. An amount of DKK 75 million was reserved in the solvency need to cover the risk of increased impairment losses identified in connection with this review. Based on the

examination, the Danish FSA assessed that additional impairment losses of DKK 128 million were required on the largest property exposures.

On the basis of the Danish FSA's order, Vestjysk Bank released a company announcement on 20 December 2011 in which the forecast for the overall level of impairment losses for the full year were increased from DKK 400 million to DKK 950 million. Of the DKK 550 million increase, DKK 384 million was attributable to impairment losses relating to agricultural exposures.

Vestjysk Bank's total impairment losses amounted to DKK 984 million in 2011. Of this amount, impairment losses relating to the "Agriculture, hunting, forestry and fisheries" industry accounted for DKK 502 million, or more than half of the overall impairment losses. Impairment losses relating to the "Real estate, total" segment amounted to DKK 148 million.

In 2009 and 2010, Vestjysk Bank recognised impairment losses of DKK 537 million and DKK 408 million, respectively. Impairment losses recognised in 2010 comprised impairment losses of DKK 63 million regarding the Private Contingency Association and impairment losses related to a broad range of corporate customers with an overweight in the industry segments real estate, financing and insurance, industry and raw material extraction and agriculture. In 2009, impairment losses of DKK 73 million were recognised in connection with sector-wide solutions, and impairment losses of DKK 109 million in aggregate were recognised in relation to weak corporate exposures taken over from Bonusbanken. In 2009, impairment losses on corporate exposures were mainly related to the industry segments property management, credit and financing businesses and other business.

The Danish FSA's most recent inspection of Aarhus Lokalkbank was completed in August 2011. In that connection, the Danish FSA assessed that the credit quality of the selected exposures, in aggregate representing approximately 47% of the bank's total exposures, was below the average for group 3 banks.

In connection with the examination, Aarhus Lokalkbank was ordered to recognise impairment losses on four more exposures. Based on the bank's impairment calculations, the Danish FSA assessed that the bank would have to recognise additional impairment losses of DKK 20 million on these four exposures at 30 June 2011.

Representing an impairment loss of DKK 58 million of Aarhus Lokalkbank's total impairment losses of DKK 146 million, the "Real estate" industry segment accounted for the largest impairment losses by industry. Impairment losses related to the "Financing and insurance" industry amounted to DKK 32.6 million, and impairment losses on exposures in the "Agriculture, hunting, forestry and fisheries" industry totalled DKK 47.6 million.

In 2009 and 2010, Aarhus Lokalkbank recognised impairment losses of DKK 41 million and DKK 255 million, respectively. In 2010, significant impairment losses were recognised on corporate exposures, mainly in the property and agricultural sectors. In 2009, total impairment losses comprised an amount of DKK 11.9 million attributable to distressed banks.

See also 4.4 "Credit risk", including "Both banks have recognised considerable impairment losses and provisions in recent years, and the bank expects to recognise impairment losses also in future" thereof.

5.3.3 Profit/loss for the year

Primarily due to substantial impairment losses, Vestjysk Bank posted a loss of DKK 559 million before tax and a loss of DKK 423 million after tax in 2011. In 2009 and 2010, the

bank posted a loss of DKK 41.3 million after tax and a profit of DKK 6.0 million after tax, respectively, also due to substantial impairment losses.

In 2011, Aarhus Lokalbank also recognised substantial impairment losses and posted a loss of DKK 155 million before tax and a loss of DKK 156 million after tax. In 2009 and 2010, the bank posted a profit of DKK 1.8 million after tax and a loss of DKK 233.5 million after tax, respectively, also primarily due to substantial impairment losses.

5.3.4 Capital

The company's capital resources are reviewed below. See also 4.6. "Risks related to liquidity and capital".

Capital resources

As a result of the Danish FSA's inspection of Vestjysk Bank in 2011, the solvency need was adjusted from 10.5% to 10.6%. After recognition of the impairment losses ordered, the bank's actual solvency ratio was calculated at 12.7% at 30 September 2011. As a result, the bank had a relatively limited solvency buffer and a relatively low percentage of equity in its capital base.

At 31 December 2011, Vestjysk Bank had a solvency ratio of 12.4% and an individual solvency need of 10.7%. Vestjysk Bank's solvency buffer thus amounted to DKK 445 million.

In connection with the inspection of Aarhus Lokalbank in 2011, the Danish FSA assessed that the solvency need calculated by Aarhus Lokalbank's at 31 March 2011 of 10.8% was not sufficient to cover the bank's risks. Aarhus Lokalbank subsequently reported a new solvency need at 30 June 2011 of 12.9% and an actual solvency of 15.1%. As Aarhus Lokalbank's solvency buffer was limited, the Danish FSA in August 2011 asked the bank to take steps to increase its solvency buffer, for example by reducing its risks.

At 31 December 2011, Aarhus Lokalbank had a solvency ratio of 15.4% and an individual solvency need of 11.4%. Aarhus Lokalbank's solvency buffer thus amounted to DKK 134 million.

At 31 December 2011, the combined continuing bank would have had a pro forma solvency ratio of 12.2% and a pro forma individual solvency need of around 10.8%, calculated on the basis of the continuing bank's calculated pro forma positions and pro forma risks. The calculated pro forma solvency buffer of the continuing bank would thus have amounted to DKK 406.7 million at 31 December 2011, equivalent to a solvency buffer of 1.4 percentage point. The actual solvency buffer of the continuing bank may prove to be lower, as for example a loss in the continuing bank, depending on the amount of the loss, may result in a reduction of the percentage of hybrid core capital or subordinated loan capital that may be included in the continuing bank's solvency statement.

The continuing bank's solvency buffer pursuant to the pro forma calculation is DKK 172 million lower than the sum of the two banks' solvency buffers before the merger. The reason for this is that certain adjustments of provisions and goodwill were made in connection with the preparation of the pro forma statement of income and statement of financial position which reduce the continuing bank's shareholders' equity and hence its solvency. See 5.17.5 "Pro forma financial information".

The capital bases of the two banks and the continuing bank's capital base (pro forma) are shown below:

Capital base at 31 December 2011(DKKm)	Vestjysk Bank	Aarhus Lokalbanc	Adjustments	Pro forma
Equity according to FSA guidelines	1,693.5	218.2	-125.1	1,786.6
- Revaluation reserves	30.8	0.0	0.0	30.8
- Intangible assets	107.1	0.0	95.0	202.1
- Deferred capitalised tax assets	303.3	40.1	-40.1	303.3
- Other deductions from core capital	85.7	0.4	9.4	95.4
+ Hybrid core capital	1,175.3	95.9	-96.9	1,174.3
Core capital after deductions	2,341.9	273.6		2,329.3
+ Subordinated loan capital	515.9	177.7	0.0	693.6
+ Revaluation reserves	30.8	0.0		30.8
+ Hybrid core capital	391.4	64.4	96.9	552.7
Capital base before deductions	3,280.1	515.7		3,606.5
- Deductions from capital base	85.7	0.4	9.4	95.4
Capital base after deductions	3,194.5	515.3		3,511.1
Weighted items, total	25,661.6	3,352.5	-138.0	28,876.2
Core capital after deductions	9.1%	8.2%		8.1%
Solvency ratio	12.4%	15.4%		12.2%

Note: In connection with the preparation of the pro forma capital base statement, certain adjustments are made, among other things as a result of the goodwill that arises. Accordingly, the pro forma column above is not simply a summation of the individual columns of the two banks. Part of the continuing bank's capital resources consists of limited-term subordinated capital. See 5.3.5 "Borrowing requirements and financing structure of the continuing bank" for a detailed description of subordinated capital maturities.

On 20 February 2012, Vestjysk Bank completed a voluntary conversion into share capital of part of Vestjysk Bank's state capital injection comprising a principal of DKK 287.6 million plus accrued interest of approximately DKK 8.7 million. Except for the converted interest of approximately DKK 8.7 million, this conversion had no effect on the solvency ratio of Vestjysk Bank, but the conversion of the principal increased the percentage of core capital made up of equity compared with the figures above.

The other elements of the capital plan will, if implemented, and all other things being equal, strengthen the continuing bank's capital resources and solvency. The proceeds from the planned capital increase will thus make a positive contribution to shareholders' equity and hence to both the core capital ratio and the solvency. The raising of the subordinated loan will contribute positively to the capital base and solvency of the continuing bank. The divestment of sector shares will reduce the continuing bank's deductions in both core and base capital and hence strengthen the capital base which may be included in the statement of the solvency ratio, thereby, all other things being equal, strengthening the solvency ratio of the continuing bank. Seen in isolation, the implementation of the capital plan will increase the solvency ratio of the continuing bank by 1.8 percentage point relative to the pro forma calculation of the solvency ratio of the continuing bank at 31 December 2011. See 1 "Reasons for and purpose of the merger" and 5.3.9 "Implementation of the capital plan" and 4.1 "Risks related to the current situation of the continuing bank" for a detailed description of the capital plan.

5.3.5 Borrowing requirements and financing structure of the continuing bank

The continuing bank's activities are financed by way of deposits, loans raised with other banks and credit institutions, bond issues, subordinated loans and hybrid core capital as well as shareholders' equity.

Vestjysk Bank's and Aarhus Lokalbanc's capitalisation and indebtedness at 31 December 2011 are shown in the table below. The table also shows the capitalisation and indebtedness of the continuing bank calculated on a pro forma basis at 31 December 2011.

Capitalisation and indebtedness 31 December 2011 (DKKm)	Vestjysk Bank	Aarhus Lokalbanc	Pro forma
Amounts owed to credit institutions and central banks	1,930	33	1,963
Total deposits and other debt	13,925	2,445	16,370
Deposits with pooled fund schemes	1,104	0	1,104
Issued debt securities at amortised cost	7,928	1,327	9,255
Subordinated debt	596	196	793
Hybrid core capital	1,567	160	1,727
Equity	1,733	218	1,952
Total capital	28,783	4,380	33,163
Provisions	36	0	36
Temporary liabilities	0	1	1
Other liabilities and equity	461	89	550
Prepayments	0	1	1
TOTAL EQUITY AND LIABILITIES	29,280	4,471	33,751

The bank's total funding excluding shareholders' equity amounts to DKK 31.2 billion. This funding covers the borrowing requirements of the continuing bank at 31 December 2011, taking into consideration that the bank aims to have a certain excess liquidity coverage. The internal funding in the form of "deposits and other debt" and "deposits with pooled fund schemes" amounts to DKK 17.5 billion. The external funding of the continuing bank made up on a pro forma basis and repayment profile of the principal are shown in the table below.

Table of maturities of the continuing bank's external funding at 31 December 2011 (DKKm)							
	2012	2013	2014	2015	2016	After 2016	Total
Interbank funding	1,963						1,963
State guaranteed senior debt		9,485					9,485
Subordinated loans		48	396	225	125		794
State hybrid core capital						1,495	1,495
Other hybrid core capital						232	232
Total	1,963	9,533	396	225	125	1,727	13,969

In addition to the above, Vestjysk Bank and Aarhus Lokalbanc at 28 February had issued employee bonds in the amount of DKK 22 million and DKK 3 million, respectively, maturing in 2013, 2014 and 2015.

As part of the implementation of the capital plan and as a condition for obtaining new individual state guarantees, the continuing bank must reduce its total state guaranteed debt by DKK 1 billion to a maximum of DKK 8.6 billion in 2012. The reduction must take place concurrently with the payment of proceeds from the planned capital increase at the latest. The new state guarantee of up to DKK 8.6 billion will thus cover the issuance of bonds to refinance the continuing bank's remaining state guaranteed debt maturing in 2013. See 5.11.2 "Agreements on individual state guarantee" for a description of the terms of the new state guarantees.

The external funding may be broken down into short-term and long-term funding.

Short-term funding

Short-term funding is funding with a term of less than 12 months. Short-term funding consists of debt to credit institutions and central banks (interbank funding) and issued bonds, if any, falling due for repayment on or before 31 December 2012. At 31 December 2011, the pro forma short-term funding for the continuing bank amounted to DKK 2.0 billion by way of interbank funding. The continuing bank has no bonds with a remaining term of less than 12 months. If the continuing bank enters into new agreements for the issuance of individual state guarantees, the bank will have to redeem state guaranteed bonds with a principal of DKK 1.0 billion in 2012.

Long-term funding

Long-term funding is funding with a term of more than 12 months. The long-term funding comprises funding by way of issued bonds, Danmarks Nationalbank's lending facility, hybrid core capital and supplementary capital. Based on the pro forma calculation at 31 December 2011, the main part of the continuing bank's capitalisation at 31 December 2011 consisted of loans of approximately DKK 10.3 billion with a remaining term of between one and five years, of which DKK 9.9 billion will fall due for repayment in the first half of the period. The remaining part of the long-term funding is made up of hybrid capital which has no term. If the continuing bank enters into an agreement for the issuance of new individual state guarantees, the long-term funding with a remaining term of between one and five years will total DKK 9.3 billion.

Excess liquidity coverage

For the continuing bank, the excess coverage relative to the statutory liquidity requirements has been calculated at 109.4% at 31 December 2011 (pro forma).

5.3.6 Liquidity policy and future refinancing

Vestjysk Bank has adopted a liquidity policy which aims to ensure that the bank's short-term and long-term liquidity is adequate as per the Financial Business Act and the bank's internal risk assessments. This liquidity policy will be continued by the continuing bank.

The issues of senior debt with a state guarantee made by Vestjysk Bank and Aarhus Lokalbank for a total amount of DKK 9.5 billion, calculated at the exchange rates prevailing at 31 December 2011, will fall due for repayment in 2013. It is thus a material element of the capital plan that Vestjysk Bank, as the continuing bank, obtains an undertaking with respect to new individual state guarantees with terms of up to three years to replace the banks' existing state guarantees when they expire. As described in more detail in 5.11.2 "Agreements on individual state guarantee", Vestjysk Bank and Aarhus Lokalbank currently expect that the new individual state guarantees will have to be issued on or before 30 June 2012, regardless of the fact that the individual state guarantees already issued will not expire until the end of 2013. This would result in the new individual state guarantees having a term of more than three years. However, it would not mean that the total state guaranteed debt of the continuing bank after the reduction of the existing state guaranteed debt by DKK 1 billion would exceed an amount of DKK 8.6 billion.

Since it is an element of the capital plan and a condition for obtaining new individual state guarantees that the continuing bank reduces its total state guaranteed debt by DKK 1 billion to a maximum of DKK 8.6 billion, the remaining individual state guarantees to be refinanced will amount to a maximum of DKK 8.6 billion. USD-denominated debt accounted for 33% of the carrying amount of the debt at 31 December 2011, SEK-denominated debt accounted for 22% and EUR-denominated debt accounted for 16%. The remaining debts had DKK-denominated principals. Because a significant part of the debt is denominated in currencies other than Danish kroner, the exact amount to be refinanced is not known in advance.

It is of material importance to the continuing bank that the bank obtains new individual state guarantees with a term of up to three years for a total nominal amount of up to DKK 8.6 billion, as the continuing bank's current liquidity reserves are insufficient to cover state guaranteed loans raised, and as the market conditions concerning the raising of senior loans or other alternative funding in 2013 are unknown.

On 8 December 2011, Danmarks Nationalbank announced the establishment of a new lending facility. This lending facility will provide access for Danish banks and mortgage credit institutions to raise loans with a three-year term at a variable rate of interest that tracks Danmarks Nationalbank's seven-day monetary-policy lending rate plus an interest premium. This lending facility will be offered to banks and mortgage credit institutions on two dates, i.e. on 30 March 2012 and 28 September 2012. The loans are secured against the collateral basis determined by Danmarks Nationalbank. The lending facility allows Danish banks to use, for example, unsecured loans in the form of loans or overdraft facilities in Danish kroner or euro which satisfy a number of criteria defined by Danmarks Nationalbank.

Vestjysk Bank expects to use the lending facility on 30 March 2012 secured against a part of Vestjysk Bank's lending portfolio which satisfies the requirements of Danmarks Nationalbank's collateral basis and has so far indicated that it will apply for a loan of DKK 865 million. Overall, the bank expects to make additional drawings on the lending facility. The proceeds will, *inter alia*, be used to repay state guaranteed senior debt as part of a DKK 1 billion reduction of the continuing bank's aggregate state guarantee.

The utilisation of Danmarks Nationalbank's lending facilities will form part of the continuing bank's liquidity planning in the future as well. The opportunities of the continuing bank to refinance loans in the future will generally be significantly impacted by the bank's capital structure and solvency need.

5.3.7 Restrictions concerning the use of capital resources

The continuing bank's state capital injections involve certain restrictions concerning the bank's use of capital resources. The restrictions are set forth in the Act on State Capital Injections and the agreements on state capital injections entered into between the Danish state and Vestjysk Bank and Aarhus Lokalbanc. The agreements are included in the appendices to the continuing bank's articles of association, which are enclosed with this announcement. The continuing bank is furthermore subject to a number of obligations resulting from the bank's issues of senior debt backed by an individual state guarantee. See 5.11 "Material contracts" for a detailed description of the obligations to which the continuing bank is subject as a result of its utilisation of the above-mentioned schemes.

5.3.8 Supervisory Diamond

The continuing bank aims to comply with the limit values of the five benchmarks defined in the Danish FSA's "Supervisory Diamond" and which all banks are generally required to observe with effect from 31 December 2012.

The performance of the continuing bank relative to these limit values is shown in the table below.

Benchmarks at 31 December 2011	Vestjysk Bank	Aarhus Lokalbanc	Pro forma	Note
Total amount of large exposures <125%	30.7%	171.3%	27.6%	1
Growth in lending <20%	-7.5%	-18.2%	5.1%	2
Property exposure <25%	16.8%	34.4%	19.1%	3, 4
Funding ratio <1	0.81	0.70	0.80	
Excess liquidity coverage >50%	98.8%	169.9%	109.4%	3, 5

Note: (1) The figure for the continuing bank has been adjusted, as the exposures classified as "large exposures" by Aarhus Lokalbanc will not represent more than 10% of the capital base of the continuing bank; (2) For the continuing bank, loans and advances at 31 December 2010 only comprise Vestjysk Bank's loans and advances; (3) The figure for the continuing bank has been adjusted, as Vestjysk Bank has guarantees towards Aarhus Lokalbanc of DKK 90 million; (4) The Danish FSA's property exposure ratio is defined as loans and guarantees to the industry segments "Purchase and sale of real estate", "Letting etc. of real estate", "Real estate agents and property management" and "Completion of construction projects" as a percentage of total loans and guarantee debtors. In addition to what is mentioned in the property exposure ratio, the bank has exposure to real estate, as customers of other industry segments may also hold investments in real estate, either as part of their operations or for investment purposes; (5) The figure for the continuing bank has been adjusted, as value adjustments of Aarhus Lokalbanc's loans and advances result in a DKK 120 million decline in lending.

Vestjysk Bank complied with all five benchmarks of the Supervisory Diamond at 31 December 2011, whereas Aarhus Lokalbanc exceeded the limit values partly with respect to the sum of large exposures, which totalled 171.3% for Aarhus Lokalbanc, and partly with respect to the property exposure, which totalled 34.4% for Aarhus Lokalbanc. Based on the pro forma financial information for the continuing bank, the continuing bank complied with all benchmarks at 31 December 2011.

Pro forma growth in lending represents 5.1% in the above table. The sole reason for this is that the pro forma financial information illustrates the effect of the merger if it had taken place with effect from 1 January 2011. Growth in lending is calculated on the basis of loans and advances at 31 December 2010, which only comprise Vestjysk Bank's loans and advances. If the merger had taken place with effect from 31 December 2010, growth in lending would have been negative at 8.9% at 21 December 2011.

5.3.9 Implementation of the capital plan

In connection with the merger, the boards of directors of the two banks have agreed to implement the capital plan described in 1 "Reasons for and purpose of the merger". The first step of the capital plan, i.e. conversion of a state capital injection into share capital, was completed on 20 February 2012. This leaves the following remaining steps of the plan:

- *completion of a capital increase in the continuing bank with proceeds of between DKK 250 and 300 million*
- *raising of new subordinated loan capital with a principal of DKK 200 million*
- *sale of DKK 175 million sector shares*
- *undertaking with respect to individual state guarantees with a term of up to three years for new bonds issued by Vestjysk Bank, as the continuing bank, for up to DKK 8.6 billion*

Completion of each of the other elements of the capital plan is subject to a number of factors, which are described below. The conditional undertakings received by Vestjysk Bank in relation to the raising of subordinated loan capital, sale of sector shares and new individual state guarantees are thus mutually dependent, as they are each subject to the completion of the other elements of the capital plan. See also 4 "Risk factors" for a description of additional factors, including uncertainties, which are related to the completion of the capital plan, and which existing and prospective new investors should consider in connection with the contemplated merger.

If one or more of the conditions for the individual elements of the capital plan are not satisfied, the continuing bank will only be able to implement the capital plan as contemplated, if the bank is able to negotiate changed terms with the relevant counterparties. The continuing bank has no assurance that it would be possible to negotiate such changed terms if the situation should arise.

Material conditions related to the contemplated capital increase

The completion of the capital increase depends on a number of circumstances, some of which are beyond the control of the continuing bank. Accordingly, the capital increase is conditional *inter alia* on

- 1) the merger of Vestjysk Bank and Aarhus Lokalbanc being completed and
- 2) the shareholders of Vestjysk Bank adopting the necessary authorisation to complete the capital increase

The capital increase is not underwritten, and at the time of this announcement there is thus no assurance that the bank will be able to obtain the proceeds of at least DKK 250 million as required under the capital plan. The market conditions or developments in the continuing bank's business may thus have the effect of making it practically impossible to complete the capital increase at the amount assumed.

Material conditions related to the raising of new subordinated loan capital

Vestjysk Bank has obtained conditional underwriting commitments with respect to the loan amount from a consortium of banks comprising Arbejdernes Landsbank, Danske Bank, FIH Erhvervsbank, Jyske Bank, Nordea Bank Danmark, Nykredit Bank, Spar Nord Bank and Sydbank. At the same time, a number of local banks³ have made commitments towards the above banks to subscribe for part of the amount conditionally underwritten.

The underwriting commitments are subject to completion of the merger and the other elements of the capital plan, and the issue of the new subordinated loan capital is thus subject to completion of the merger and to

- 1) that the capital increase is completed with proceeds of at least DKK 250 million
- 2) the sale of sector shares worth DKK 175 million being completed and
- 3) that the bank obtains an undertaking with respect to new individual state guarantees as described in more detail below

The conditions and uncertainties related to the above-mentioned elements of the capital plan will hence also apply to the raising of new subordinated loan capital.

Moreover, the undertaking with respect to subordinated loan capital contains terms to the effect that loan will be raised on market terms and rank *pari passu* with other subordinated loan capital, and that no subordinated capital will fall due for repayment in connection with the merger. It is also a condition of the undertaking that the risk-weighted items of the continuing bank are reduced.

Conditions related to the sale of sector shares

Vestjysk Bank has obtained a conditional undertaking from Danmarks Nationalbank to acquire sector shares in the form of a shareholding in DLR Kredit A/S after completion of the merger and the other elements of the capital plan.

Danmarks Nationalbank's purchase of sector shares is subject to completion of both the merger and the other elements of the capital plan, including

- 1) that the capital increase is completed with proceeds of at least DKK 250 million
- 2) that new subordinated loan capital with a principal of DKK 200 million can be raised

³ Sparekassen Vendsyssel, Sparekassen Hobro, Sparekassen Kronjylland, Den Jyske Sparekasse, Sparekassen Sjælland, Sparekassen Thy, Lån og Sparbank, Ringkjøbing Landbobank, Nørresundby Bank, Nordjyske Bank, Djurslands Bank and Sparekassen Himmerland.

- 3) that the bank obtains an undertaking with respect to new individual state guarantees as described in more detail below

The conditions and uncertainties related to the above-mentioned elements of the capital plan will hence also apply to the sale of sector shares.

The completion of the sale will require approval of the transfer by the board of directors of DLR Kredit A/S, as any transfer of shares in DLR Kredit A/S is subject to the prior consent of the board of directors. The board of directors of DLR gave its consent to Vestjysk Bank on 23 February 2012.

Conditions related to obtaining new individual state guarantees

Vestjysk Bank and Aarhus Lokalbanc have obtained a conditional undertaking from Finansiell Stabilitet A/S with respect to new individual state guarantees. New individual state guarantees can only be obtained subject to compliance with a number of conditions, which are described in more detail below and in 5.11.2 "Agreements on individual state guarantee". If the continuing bank fails to comply with all of these conditions, it will not be able to obtain new individual state guarantees.

The conditional undertaking from Finansiell Stabilitet A/S is, among other things, subject to procurement of the required basis of authority for issuing new individual state guarantees. On 14 February 2012, the Danish Ministry of Business and Growth published draft Document no. 51 regarding a modified Bank Package IV scheme with individual state guarantee in connection with bank mergers. At the time of publication of this announcement, Document no. 51 has not yet been adopted by the Finance Committee of the Danish parliament. However, it is expected that this will take place in March 2012, as, according to information from the Danish Ministry of Business and Growth, the document is supported by all parties supporting Bank Package IV. Provided that Document no. 51 or similar regulation is adopted in its current form, the formal authority for issuing new individual state guarantees will be procured. This modified Bank Package IV scheme is described in more detail in 5.11.2 "Agreements on individual state guarantee" below.

On 17 February 2012, the European Commission announced a general approval of the modified Bank Package IV scheme. As the continuing bank has total assets in excess of EUR 3 billion, the granting of new individual state guarantees under the modified Bank Package IV scheme will, however, require individual notification to and approval by the European Commission.

Among other things, there are two material conditions for the continuing bank obtaining new individual state guarantees, viz. (i) that the Finance Committee of the Danish parliament approves Document no. 51 or similar regulation, thereby ensuring the formal authority for issuing new individual state guarantees, and (ii) that the European Commission approves the granting thereof to the continuing bank. Provided that Document no. 51 or similar regulation is adopted by the Finance Committee of the Danish parliament in early March 2012, Vestjysk Bank and Aarhus Lokalbanc expect to submit an application for new individual state guarantees to Finansiell Stabilitet A/S in March 2012. In addition to approval by the Finance Committee of the modified Bank Package IV scheme, the formal application is pending the publication of a new executive order on the requirements for application for new individual state guarantees, among other things. Vestjysk Bank and Aarhus Lokalbanc expect that notification will be made to the European Commission with a view to approval of the granting of new individual state guarantees immediately after submission of the application to Finansiell Stabilitet A/S. In the event that Document no. 51 or similar regulation is not adopted by the Finance Committee of the Danish parliament, or approval from the European Commission is not obtained, the continuing bank will not be able to obtain new individual state guarantees.

Another material condition for obtaining new individual state guarantees is that the merger as well as the other elements of the capital plan are completed, including

- 1) that the capital increase is completed with proceeds of at least DKK 250 million
- 2) that new subordinated loan capital with a principal of DKK 200 million can be raised
- 3) that the sale of sector shares worth DKK 175 million is completed

The conditions and uncertainties related to the above-mentioned elements of the capital plan will hence also apply to the new individual state guarantees.

5.4 Management structure

5.4.1 Board of directors

Pursuant to the current articles of association of Vestjysk Bank, its board of directors must consist of not fewer than four and not more than eight members to be elected by the general meeting. Moreover, the employees are entitled to elect employee representatives in accordance with the provisions of the Companies Act. The board of directors currently consists of eight members, five of whom were elected by the general meeting and three of whom were elected the employees.

In accordance with the articles of association, the board of directors elects its own chairman and deputy chairman.

The boards of directors of Vestjysk Bank and Aarhus Lokalbanc have agreed to recommend Carsten Andersen for election as a new member of the board of directors of the continuing bank, with a view to the board of directors subsequently electing Carsten Andersen as the chairman of the board. Carsten Andersen is currently chairman of the board of directors of Aarhus Lokalbanc. Furthermore, the boards have agreed that Anders Bech, the current chairman of the board of directors of Vestjysk Bank, will be recommended for re-election at the annual general meeting of Vestjysk Bank to be held on 29 March 2012 with a view to the board of directors subsequently electing him as deputy chairman of the continuing bank.

The members of the board of directors are elected for terms of two years. They are eligible for re-election. At the annual general meeting of Vestjysk Bank to be held on 29 March 2012, three board members are up for election as a result of the two-year limit. In addition to Anders Bech, Kirsten Lundgaard-Karlshøj and Bjørn Albinus are up for election. The boards of directors of Vestjysk Bank and Aarhus Lokalbanc have agreed to recommend Kirsten Lundgaard-Karlshøj and Bjørn Albinus for re-election to the board of directors at the annual general meeting of Vestjysk Bank.

The remaining board members of Vestjysk Bank who were elected by the general meeting and the members elected by the employees will continue on the board after the merger. After the merger, the board of directors will thus be made up of six members elected by the general meeting and three members elected by the employees.

Board members must retire from office at the first annual general meeting following their 67th birthday. A proposal has been submitted to extend the age limit to 70 years to be approved at the annual general meeting of Vestjysk Bank to be held on 29 March 2012.

Any person meeting the relevant requirements under the Financial Business Act and the articles of association of Vestjysk Bank is eligible for election to the board of directors.

If, as a result of vacancies, the number of board members is reduced to less than four, the articles of association provide that the board of directors must convene an extraordinary general meeting for the purpose of increasing the number of board members to at least four.

The office as a board member cannot be combined with a position as an executive officer of the company or its subsidiaries, or with any membership of the management, or committees of representatives of other financial businesses deemed by the board of directors to be directly or indirectly carrying on business competing with that of the company.

In accordance with the terms of the conditional undertakings made by Finansiel Stabilitet A/S to Vestjysk Bank to issue new individual state guarantees, the board of directors of Vestjysk Bank has proposed that, at the annual general meeting of Vestjysk Bank A/S to be held on 29 March 2012, the shareholders approve a resolution to incorporate provisions in the articles of association of the continuing bank to the effect that Finansiel Stabilitet A/S will be entitled to appoint up to two board members and to approve the chairman of the board of directors to the extent the continuing bank has any outstanding senior debt which is covered under an individual state guarantee and to the extent that the Danish state does not have controlling influence in the bank. See sections 5a and 5b of the Financial Business Act.

5.4.2 Executive board

The company's board of directors appoints an executive board. According to the articles of association, the executive board must consist of not fewer than one and not more than three members to be in charge of the day-to-day management of Vestjysk Bank. The board of directors lays down the rules for the powers of the members of the executive board. The executive board attends the meetings of the board of directors but has no voting rights.

In the merger plan, it has been agreed that the executive board of the continuing bank will consist of Frank Kristensen as chief executive officer and Vagn Thorsager as managing director.

5.4.3 Organisation

The organisation of Vestjysk Bank will be based on a flat structure, which will allow all employees to take on responsibility and hence fully exploit their skills. The purpose of a flat structure is to provide the bank with better opportunities for adapting according to new demands from customers, employees and business partners.

5.5 Group enterprises and associates

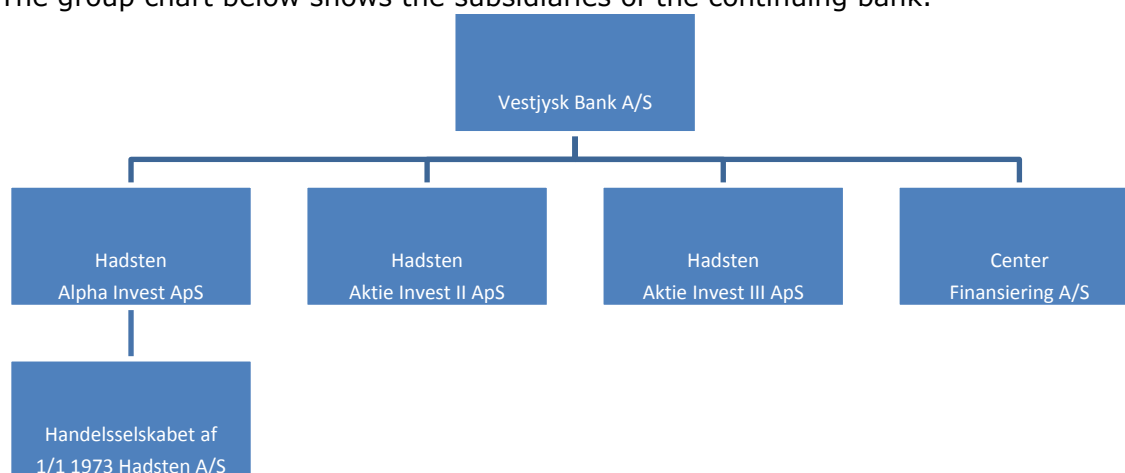
The continuing bank will have the following directly or indirectly wholly owned subsidiaries:

- Center Finansiering A/S, company reg. (CVR) no. 76 95 97 14
- Hadsten Aktie Invest ApS, company reg. (CVR) no. 29 42 32 02
- Hadsten Aktie Invest II ApS, company reg. (CVR) no. 30 23 99 38
- Hadsten Aktie Invest III ApS, company reg. (CVR) no. 30 51 95 23

Hadsten Aktie Invest II ApS owns 12.5% of the share capital of Hadsten Aktie Invest ApS. The remaining share capital, 87.5%, will be owned by the continuing bank.

Furthermore, the continuing bank will indirectly own Handelsselskabet af 1/1 1973 Hadsten A/S, company reg. (CVR) no. 49 87 14 14, which is wholly owned by Hadsten Aktie Invest ApS.

The group chart below shows the subsidiaries of the continuing bank.



The continuing bank has no associates.

5.6 Properties

5.6.1 Properties owned by Vestjysk Bank

Vestjysk Bank owns properties with a total carrying amount of DKK 368.9 million, of which investment properties account for DKK 1.5 million. The floor area totals 32,530 sqm, of which investment properties account for 247 sqm.

There are no plans for substantial investments with respect to the properties, and the properties are not subject to any significant burdens.

Address	Postal code and city	Use
Vestergade 1	DK-7500 Holstebro	Bank operations + letting
St. Sct. Peder Stræde 4	DK-8800 Viborg	Bank operations
Vestergade 5	DK-7600 Struer	Bank operations
Kongensgade 70	DK-6700 Esbjerg	Bank operations + letting
Torvet 4-5	DK-7620 Lemvig	Bank operations + head office
Ågade 3	DK-7620 Lemvig	Garage
Torvet 3	DK-7620 Lemvig	Bank operations + head office + letting
Østergade 5	DK-7620 Lemvig	Bank operations + head office + letting
Østergade 7	DK-7620 Lemvig	Bank operations + head office + letting
Østergade 9	DK-7620 Lemvig	Bank operations + head office + letting
Bredgade 2	DK-7680 Thyborøn	Bank operations - building on rented land
Jernbanegade 17	DK-7700 Thisted	Vacant, pending sale
Jernbanegade 19	DK-7700 Thisted	Bank operations
St. Voldgade 4-6	DK-8900 Randers	Bank operations + letting
Åboulevarden 67	DK-8000 Aarhus	Bank operations
Vinkelhagevej 8, ground floor 163	DK-7620 Lemvig	Holiday apartment
Weibelsgade 6	DK-7620 Lemvig	Parking space
Dalgasgade 29	DK-7400 Herning	Bank operations + letting
Dalgasgade 31-33	DK-7400 Herning	Parking space + garage
Esbjergvej 20	DK-6000 Kolding	Bank operations + letting
Siefert's Plads 1	DK-7430 Ikast	Bank operations + letting
Torvet 2	DK-6950 Ringkøbing	Bank operations
Bredgade 38	DK-6900 Skjern	Bank operations
Bredgade 38	DK-6920 Videbæk	Bank operations
Bredgade 4	DK-6960 Hvide Sande	Bank operations
Bredgade 2	DK-6960 Hvide Sande	Parking space
Bredgade 62	DK-6940 Lem	Bank operations + letting
Østergade 9	DK-6950 Ringkøbing	Investment property - vacant, pending sale
Mellemgade 1B	DK-6950 Ringkøbing	Investment property - vacant, pending sale
Tangsøgade 23	DK-7650 Bøvlingbjerg	Investment property - vacant, pending sale

5.6.2 Properties owned by Aarhus Lokalbank

Aarhus Lokalbank owns properties with a total carrying amount of DKK 42.8 million. This includes the ownership of the right of use of a holiday apartment located in Skagen up to and including 2084, valued at DKK 1.6 million. The bank owns no investment properties. The floor area totals 2,540 sqm. There are no plans for substantial investments with respect to the properties, and the properties are not subject to any significant burdens.

Address	Postal code and city	Use
Havnegade 2A	DK-8000 Aarhus C	Bank operations + head office + letting
Østergade 11+15	DK-8370 Hadsten	Bank operations + letting
Bredgade 18	DK-8870 Langå	Bank operations

5.7 Shareholder information

As at 20 February 2012, Vestjysk Bank had approximately 39,600 registered shareholders. The following shareholders are included in the company's register of major shareholders holding 5% or more of the voting rights or of the nominal share capital pursuant to section 29 of the Securities Trading Act:

The Danish state 53.1%

In addition, Finansiell Stabilitet A/S, which is wholly owned by the Danish state, holds 600,000 shares in Vestjysk Bank corresponding to an ownership interest of 2.3%. Including this ownership interest, the Danish state holds a combined 55.4% stake of the share capital and voting rights in Vestjysk Bank.

As at 20 February 2012, Aarhus Lokalbank had 7,019 registered shareholders. The following shareholders are included in the company's register of major shareholders holding 5% or more of the voting rights or of the nominal share capital pursuant to section 29 of the Securities Trading Act:

The Danish state 45.2%
Jørn Sørensen 5.2%

In addition, Finansiell Stabilitet A/S, which is wholly owned by the Danish state, holds 182,447 shares in Aarhus Lokalbank corresponding to an ownership interest of 1.1%. Including this ownership interest, the Danish state holds a combined 46.3% stake of the share capital and voting rights in Aarhus Lokalbank.

The shares of the major shareholders carry the same voting rights as those of the other shareholders of the bank.

The managements of the two banks are not aware of the banks being directly or indirectly owned or controlled by other parties, except for the Danish state as described above. No measures have been taken to prevent misuse of such control. As appears from 5.11.1 "Agreements on a state capital injection", any conversion of state capital injections may cause an increase in the ownership interest of the Danish state. The managements of the two banks are not aware of any agreements whereby others may take control of the company at a later stage.

At 20 February 2012, the future members of the board of directors and executive board and their related parties held the following number of shares in the two banks.

Title	Name	No. of shares held	
		Vestjysk Bank	Aarhus Lokalbank
Chairman of the board	Carsten Andersen	0	100
- Shares held by related parties		0	0
Board member, deputy chairman	Anders Bech	8,730	0
- Shares held by related parties		15,280	0
Member of the Board of Directors	Bjørn Albinus	8,000	0
- Shares held by related parties		0	0
Member of the Board of Directors	Poul Hjulmand	6,952	0
- Shares held by related parties		25	0
Member of the Board of Directors	Carl Olav Birk Jensen	7,874	0
- Shares held by related parties		500	0
Member of the Board of Directors	Kirsten Lundgaard-Karlshøj	61,035	0
- Shares held by related parties		0	0
Employee representative	Malene Rønø	326	0
- Shares held by related parties		10	0
Employee representative	Palle Hoffmann	295	0
- Shares held by related parties		160	0
Employee representative	Peter Bækkelund Rasmussen	1,029	0
- Shares held by related parties		870	0
Executive Board	Frank Kristensen	1,244	0
- Shares held by related parties		50	0
Executive Board	Vagn Thorsager	0	0
- Shares held by related parties		0	0

5.7.1 Shareholdings after the merger

Provided that the merger is completed as proposed, the following shareholders will own 5% or more of the voting rights or of the nominal share capital under section 29 of the Securities Trading Act:

The Danish state 52.2%

In addition, Finansiel Stabilitet A/S, which is wholly owned by the Danish state, will hold 645,612 shares in the continuing bank corresponding to an ownership interest of 2.1%. Including this ownership interest, the Danish state holds a combined 54.3% stake of the share capital and voting rights in the continuing bank.

5.7.2 Retiring board members

In connection with the merger, all members of the board of directors of Aarhus Lokalbank will retire. Carsten Andersen has been recommended for election to the board of directors of the continuing bank. The shareholdings of the other retiring board members of Aarhus Lokalbank were as follows as at 20 February 2012 (including any shares held by related parties): Flemming Johannsen holds 3,132 shares, Jørn Sørensen holds 854,574 shares, Jan Rasmussen holds 759,280 shares, Per Enevoldsen holds 3,032 shares, Hans Peder Hansen holds 469 shares, and Camilla Hartmann Lund holds 483 shares.

Flemming Johannsen and related parties hold 2,371 shares in Vestjysk Bank. None of the other retiring board members hold shares in Vestjysk Bank.

5.8 Dividend policy

Vestjysk Bank and Aarhus Lokalbank have both received a state capital injection under the Act on State Capital Injections and have utilised the individual state guarantee scheme under the Financial Stability Act. Accordingly, the continuing bank will be subject to restrictions on its right to distribute dividends until such time as the continuing bank has no outstanding state capital injection and no guarantees under the individual state guarantee scheme. Furthermore, as part of the conditional undertakings on new individual state

guarantees, Finansiel Stabilitet A/S has required that the restrictions on the right to distribute dividends must also apply to the period during which the new individual state guarantees will be outstanding. Accordingly, the continuing bank may only declare dividends to the extent such dividends can be financed out of the bank's net profit after tax, which constitutes distributable reserves and has been accumulated during the period after 1 October 2010.

Pursuant to the terms of state capital injections, the continuing bank is under an obligation to pay a variable dividend supplement to the Danish state if dividend is declared during the period in which the state capital injections are in force.

There are no plans to distribute dividends for 2012 on the basis of the continuing bank's capital plan, in accordance with which an increase in the solvency level of the continuing bank is necessary. The dividend policy will be reviewed in the long term. Dividends will be distributed taking into account any necessary consolidation of the shareholders' equity as a basis for the continuing bank's ability to secure an adequate capital base.

5.9 Taxation

Taxation relating to the companies

The merger between Aarhus Lokalbank and Vestjysk Bank will be completed as a taxable merger with Vestjysk Bank as the continuing entity pursuant to the provisions of the Danish Corporation Tax Act.

Aarhus Lokalbank will be discontinued in connection with the merger, and as a result the assets and liabilities of the discontinued Aarhus Lokalbank will be subject to taxation.

Vestjysk Bank is considered to have acquired the assets and liabilities of Aarhus Lokalbank at market value.

Tax losses carried forward in Aarhus Lokalbank for the period up to the adoption of the merger will be forfeited and cannot be carried forward and offset against income in Vestjysk Bank after the merger, but they can be offset against taxable income recognised by Aarhus Lokalbank as a result of taxation of discontinued operations in connection with the merger. The tax losses in Vestjysk Bank may be carried forward after the merger.

Tax consequences for the shareholders of Aarhus Lokalbank

As the merger will be completed as a taxable merger, the shareholders of Aarhus Lokalbank will generally be deemed to have disposed of their shares in the bank at the time of adoption of the merger.

In consideration of the disposal of the shares, the shareholders will receive shares in Vestjysk Bank and possibly a cash consideration. The shares in Vestjysk Bank will also be deemed to have been acquired at the time of adoption of the merger. The selling price to the shareholders for shares in Aarhus Lokalbank and the purchase price of the shares in Vestjysk Bank acquired in connection with the merger are deemed to be their proportionate shares of the market value of Aarhus Lokalbank at such time plus any cash consideration.

How the individual shareholders of Aarhus Lokalbank are taxed depends on the individual shareholder's tax position, including whether the shareholder is a private individual.

A general description of certain Danish tax issues in relation to the disposal by the shareholders of Aarhus Lokalbank of their shares in Aarhus Lokalbank and their future ownership of Vestjysk Bank is provided below. The description is for general information only and does not purport to constitute exhaustive tax or legal advice. It is specifically

noted that the description does not address all possible tax consequences relating to an investment in the shares. The description is based solely upon the tax laws of Denmark in effect at 1 February 2012. Danish tax laws may be subject to change, possibly with retroactive effect.

The description only covers private individuals and ordinary companies which are subject to full tax liability in Denmark and does not comprise a review of foreign tax rules. The description does not cover investors to whom special tax rules apply, including professional investors, and may therefore not be relevant for example to certain institutional investors, investment companies, insurance companies, pension companies, banks, stockbrokers and investors subject to taxation of pension returns, or other individuals and companies who carry on business purchasing and selling shares (in Danish: "næring").

Capital gains tax

Individuals with available funds

Realised gains and losses are taxed as share income at the rate of 27% up to an amount of DKK 48,300 (amount applicable for 2012 and 2013 – twice that amount applies to spouses), and at the rate of 42% of additional amounts exceeding DKK 48,300 amount applicable for 2012 and 2013 – twice that amount applies to spouses). Special transition rules apply to certain shares held at 31 December 2005.

Losses may be set off against taxable gains and dividends on listed shares. Gains and losses are calculated using the average method, under which the purchase price of each share is made up as a proportionate share of the total purchase price of all shares in the relevant company held by the investor. Losses may be carried forward without time limit to be offset against taxable gains and dividends on listed shares.

Individuals with pension savings

Subject to certain limits, investors may invest pension savings in shares, and net returns will fall under the scope of the Danish Pension Investment Return Tax Act. The net return is defined as the sum of any gains and dividends less any losses and certain costs in the relevant year. The net return is taxed at the rate of 15.3% from 2012 on a mark-to-market basis, and the tax is generally settled by the pension institution.

The mark-to-market principle implies that taxable gains or losses for the year are calculated as the difference between the market value of the shares at the beginning and end of the income year, i.e. on an unrealised basis. Shares disposed of during the income year are taxed as the difference between the value of the shares at the beginning of the year and the time of sale. Shares purchased and sold during the income year are taxed as the difference between the value at the time of purchase and the time of sale.

Companies

With respect to taxation of gains or losses of corporate shareholders, a distinction must be made between subsidiary shares (ownership interest of 10% or more), group shares (controlling influence) and portfolio shares (all other shares).

Gains on the sale of portfolio shares are taxed at the rate of 25%, and losses are tax deductible in corporate taxable income. Gains or losses are taxed on a mark-to-market basis.

Gains on the sale of subsidiary shares and group shares are tax exempt for the company, and losses are not tax deductible.

Special rules apply if the shares are held by a so-called intermediate holding company.

Dividends

Individuals with available funds

Dividends paid to individuals are taxed as share income at the rate of 27% up to an amount of DKK 48,300 (amount applicable for 2012 and 2013 – twice that amount applies to spouses), and at the rate of 42% of additional amounts exceeding DKK 48,300 amount applicable for 2012 and 2013 – twice that amount applies to spouses).

Tax at the rate of 27% is withheld when paying dividends, and the new bank is responsible for withholding tax on behalf of the shareholder.

Individuals with pension savings

Subject to certain limits, investors may invest pension savings in shares, and net returns will fall under the scope of the Danish Pension Investment Return Tax Act. The net return is defined as the sum of any gains and dividends less any losses and certain costs in the relevant year. The net return is taxed at the rate of 15.3% from 2012 on a mark-to-market basis, and the tax is generally settled by the pension institution.

Companies

With respect to taxation of dividends paid to corporate shareholders, a distinction must be made between subsidiary shares (ownership interest of 10% or more), group shares (controlling influence) and portfolio shares (all other shares).

Dividends paid on portfolio shares are taxed at the rate of 25%. Dividends paid on subsidiary shares and group shares are tax-exempt for the company. Special rules apply if the shares are held by a so-called intermediate holding company.

Tax at the rate of 25% is generally withheld on dividends paid to Danish corporate shareholders. The withholding tax is included in the tax calculation for the year as tax paid on account.

Tax consequences for the shareholders of Vestjysk Bank

The shareholders of Vestjysk Bank are generally not affected by the merger with respect to taxation, as they retain their shares. However, existing corporate shareholders of Vestjysk Bank who hold 10% or more of the bank's share capital should be aware that they may be comprised by a change of status if their ownership interest drops below 10% as a result of the merger. A change of status for tax purposes to portfolio shares entails that the shares will not be tax-exempt subsidiary shares in the future. Existing corporate shareholders with an ownership interest of less than 10% whose ownership interest increases to 10% or more will also be comprised by a change of status and will be deemed to have sold their portfolio shares for tax purposes at the value at the balance sheet date. Subsequently, such shares comprising an ownership interest of 10% or more will be tax-exempt for the investor.

5.10 Legal and arbitration proceedings

As part of the ordinary course of their banking operations, Vestjysk Bank as well as Aarhus Lokalbanc are involved in legal and arbitration proceedings on an ongoing basis in addition to complaints brought before the Danish Complaint Board of Banking Services. Such proceedings primarily concern disputes about advice provided to customers, including advice relating to the sale of investment products and execution of other customer transactions, enforcement of collateral security from customer commitments received or provided by the two banks and avoidance of payments in the event of customers' bankruptcy, etc.

Other than non-material legal or arbitration proceedings in connection with the ordinary course of the banking business and cases described below, neither Vestjysk Bank nor Aarhus Lokalbanc is aware of any pending governmental, legal or arbitration proceedings within the past 12 months, which have had or may have a material impact on the financial position or results of the continuing bank, nor are they aware of any such threatened proceedings.

Legal proceedings have been instituted against Vestjysk Bank by EBH-Fonden in bankruptcy for DKK 100 million in consequence of the bank's setting off liabilities to EBH-Fonden in bankruptcy in the bank's amount receivable from EBH-Fonden in bankruptcy. Vestjysk Bank's liabilities consisted of subordinated loan capital, which the bank was granted permission by the Danish FSA to settle in 2009. Vestjysk Bank's amount receivable consists of a regular receivable. The High Court of Western Denmark found for Vestjysk Bank in the case on 22 August 2011. The case was subsequently appealed to the Danish Supreme Court and trial proceedings are expected to be heard on 22 April 2013 in the Supreme Court. Since Vestjysk Bank does not expect to lose the case, no provisions have been made for the amount at issue.

On 17 December 2010, Aarhus Lokalbanc received confirmation from the Danish FSA that the Danish FSA had requested that the Public Prosecutor for Serious Economic Crime consider a matter of price manipulation in connection with the purchase of shares to be held in treasury by Aarhus Lokalbanc during a six-month period from 2009 to 2010. The Danish FSA stated that the background to the matter was that, between September 2009 and February 2010, Aarhus Lokalbanc had been particularly active in purchasing shares in the market to be held in treasury. The Danish FSA assessed that during this period, such imbalance had existed between the purchase and sale performed by Aarhus Lokalbanc in the market that the trade could not be attributed to normal market-making to ensure the liquidity of the share. The Danish FSA found that, by virtue of its dominant trading position and the placing of large daily purchase orders at the highest bid price, Aarhus Lokalbanc had secured an artificially high price which did not actually reflect the trading value of the share. Aarhus Lokalbanc does not believe that it was price manipulation, but exclusively ordinary banking business and thus disagrees with the assessment made by the Danish FSA. To the best of Aarhus Lokalbanc's knowledge, the Public Prosecutor for Serious Economic Crime has not laid any charge against it in the matter. Aarhus Lokalbanc is not aware of whether any charge will be made.

5.11 Material contracts

5.11.1 Agreements on a state capital injection

Both Vestjysk Bank and Aarhus Lokalbanc have signed agreements with the Danish state about the raising of loans by way of state hybrid core capital including issuance of capital certificates pursuant to the Act on State Capital Injections.

Vestjysk Bank has raised state hybrid core capital with an original principal of DKK 1.438 million, of which DKK 287.6 million plus accrued interest of approximately DKK 8.7 million was converted into shares in Vestjysk Bank on 20 February 2012. Thus, the outstanding principal is DKK 1,150 million.

Aarhus Lokalbank has raised state hybrid core capital with an original principal of DKK 177.8 million, of which DKK 142.2 million plus accrued interest totalling DKK 147.3 million was subsequently converted into shares in Aarhus Lokalbank. As part of the merger, the remaining outstanding principal of DKK 35.6 million will be taken over by the continuing bank.

Consequently, the continuing bank will have raised state hybrid core capital with a principal of DKK 1,186 million of which the outstanding principal of DKK 34.7 million has been granted subject to terms on voluntary as well as compulsory conversion, whereas the outstanding principal of DKK 1,151 million has been granted subject to conditions regarding voluntary conversion only.

One of the implications of raising the state capital injection pursuant to the Act on State Capital Injections is that payments of dividends may only be made to the extent that such dividends can be financed out of the continuing bank's net profit after tax constituting distributable reserves and accumulated during the period after 1 October 2010. See 5.8 "Dividend policy" for a description of the continuing bank's dividend policy.

The continuing bank shall notify the Danish state if the continuing bank becomes aware of impending breach or anticipatory breach of the agreement on state capital injection or that a payment under the agreement cannot or will not be made. The continuing bank shall furthermore immediately notify the Danish state in writing if the continuing bank is ordered to convert under the provisions on mandatory conversion into shares of such part of the state capital injection which is subject to provisions on mandatory conversion.

The continuing bank shall present a statement on its lending activities to the Danish state twice a year. Such statement shall be published. Since conversion of part of the state capital injection has been effected, the continuing bank shall assist the Danish state if the state wishes to dispose of the shares acquired.

The state capital injection only becomes repayable in case of (i) the continuing bank entering into liquidation, (ii) a bankruptcy order being made against the continuing bank, or (iii) the withdrawal by the Danish FSA of the continuing bank's licence to operate as a bank and approval of the winding up of the bank, with the exception of winding up through merger under section 227 of the Financial Business Act.

5.11.2 Agreements on individual state guarantee

Vestjysk Bank and Aarhus Lokalbank have signed an agreement on an individual state guarantee of unsubordinated, unsecured debt with Finansiel Stabilitet A/S on behalf of the Danish state. The two banks have issued bonds and raised senior loans backed by state guarantee. Based on the exchange rate as of 31 December 2011, the principal of the state-guaranteed loans was DKK 9.5 billion with Vestjysk Bank accounting for DKK 7.9 billion and Aarhus Lokalbank accounting for DKK 1.6 billion. Both banks pay guarantee commission of 0.95% of the guarantee issued.

In the event of breach or potential breach by the continuing bank of the agreements on individual state guarantee, the Danish state has certain remedies for breach.

As part of the merger plans, Vestjysk Bank and Aarhus Lokalbank have obtained a conditional undertaking from Finansiel Stabilitet A/S with respect to new individual state

guarantees of up to DKK 8.6 billion with a term of up to three years for new bonds issued by Vestjysk Bank as the continuing bank. The conditional undertaking defines a number of conditions to be satisfied by the continuing bank for it to obtain the new individual state guarantees. Pursuant to the conditional undertaking, these conditions will have to be satisfied by 30 June 2012 at the latest. This is also the date of expiry of the general deadline fixed by the European Commission for issuance of new individual state guarantees. In particular, such conditions include the following:

- The required basis of authority shall be procured for the issue of new individual state guarantees. The formal authority for issuing new individual state guarantees will be procured provided that draft document no. 51 published on 14 February 2012 by the Danish Ministry of Business and Growth regarding a modified Bank Package IV scheme with individual state guarantee in connection with bank mergers and similar regulation is approved in its current form by the Finance Committee of the Danish parliament. The modified Bank Package IV scheme is described in detail below.
- Vestjysk Bank and Aarhus Lokalbank shall implement a merger with Vestjysk Bank as the continuing bank.
- The merger is subject to approval by the Danish FSA.
- The capital plan contemplated by Vestjysk Bank and Aarhus Lokalbank as part of the merger shall be implemented in its entirety. See further details in "Capital plan" in 1 "Reasons for and purpose of the merger".
- The continuing bank shall present a credible liquidity plan to be approved by the Danish FSA as part of the merger.
- The continuing bank shall have a viable business model to be approved by the Danish FSA as part of the merger.
- The continuing bank shall use the lending facility set up by Danmarks Nationalbank.
- In 2012, as part of the implementation of the capital plan, the continuing bank shall reduce its total state guaranteed debt by DKK 1 billion to a maximum of DKK 8.6 billion. The reduction must take place concurrently with the payment of proceeds from the planned capital increase at the latest.
- An agreement shall be made between the continuing bank and Finansiell Stabilitet A/S on the issue of new individual state guarantees on such terms as may be approved by the board of directors of Finansiell Stabilitet A/S.
- The European Commission shall approve the granting of new individual state guarantees.

Furthermore, Finansiell Stabilitet A/S has defined the following terms to be satisfied by the continuing bank for as long as the individual state guarantees are outstanding:

- The continuing bank may only pay dividends provided that they can be paid out of the profit for the year.
- No capital reductions whereby the amount is disbursed to shareholders may be implemented by the continuing bank, no new programmes to buy back treasury shares may be initiated, bonus shares may not be issued at a discount and no other similar, favourable programmes may be applied. However, this shall not apply, in whole or in part, to any buy-back of shares held by the Danish state as part of a phase-out of the state capital injections.
- New share option programmes or similar programmes for the executive board may not be launched, and existing programmes and other similar programmes may not be extended or renewed.

Furthermore, draft document no. 51 published on 14 February 2012 by the Danish Ministry of Business and Growth regarding a modified Bank Package IV scheme including individual state guarantee in connection with bank mergers contains a detailed description of general conditions to be satisfied for new individual state guarantees to be granted. Thus, the

application of the modified Bank Package IV scheme requires that the following conditions be satisfied:

- It must be a merger pursuant to section 12a of Act no. 972 of 13 August 2010 to consolidate the Competition Act. The implementation of the merger of Vestjysk Bank and Aarhus Lokalbanc with Vestjysk Bank as the continuing bank will satisfy this condition.
- A credible liquidity plan must be available to be approved by the Danish FSA. This condition is identical to the condition imposed by Finansiel Stabilitet A/S on a credible liquidity plan.
- The Danish FSA shall assess whether the continuing bank has a viable business model. This condition is identical to the condition imposed by Finansiel Stabilitet A/S on a viable business model.
- The Danish FSA must be able to approve the merger.
- At least one of the two merging banks must be distressed or expected to become distressed. A bank expected to become distressed is defined as a bank subject to a significant risk, in the opinion of the Danish FSA, that the bank will, within the near future of 12 to 18 months, conflict with key statutory requirements about capital and liquidity if the bank continues as an independent bank.
- In the event of issuance of a new individual state guarantee to replace an existing individual state guarantee, application of the new scheme is subject to the Danish state's risk of loss on the guarantees and any state capital injections being reduced significantly as compared with a situation in which the two banks continue as individual entities.

It is stated in the draft document that in the assessment of whether the continuing bank has a credible liquidity plan and a viable business model and is viable, the Danish FSA should focus, *inter alia*, on whether the continuing bank has adequate capital to absorb realistic future stress scenarios for the years to come, and whether the bank has realistic and realisable plans in place for handling foreseeable challenges such as future funding and upcoming stricter capital requirements. The Danish FSA shall inform Finansiel Stabilitet A/S of its assessment of the viability of the continuing bank's business model, and Finansiel Stabilitet A/S shall base its assessment of any application for new individual state guarantees on such assessment.

As a condition for obtaining the new individual state guarantees, the continuing bank will thus be required to satisfy the specific conditions defined by Finansiel Stabilitet A/S in the conditional undertaking as well as the general conditions provided in the draft document on the modified Bank Package IV scheme. Since the draft document has not yet been finally approved by the Finance Committee of the Danish parliament, it cannot be ruled out that changes will be made to the general conditions for obtaining new individual state guarantees under the modified Bank Package IV scheme. However, Vestjysk Bank and Aarhus Lokalbanc are not aware of any such proposed changes to the conditions.

Pursuant to the draft document, the following general terms will apply to the new individual state guarantees issued under the modified Bank Package IV scheme:

- A new individual state guarantee issued in connection with a merger may have a term of up to five years, however, not longer than until 31 December 2016, and only one third of the guarantee may have a term of more than three years.
- The bank shall pay risk-based guarantee commission for the state guarantee. The basis for determining the guarantee commission is the minimum level for unrated banks of 1.35% currently defined by the European Commission. To this should be added an incremental additional charge during the term of the guarantee to the effect that 0.65% will be added in the first year, 0.75% in the second and 0.90% will

be added in the third year and onwards. If the European Commission raises the minimum level, the guarantee commission for new guarantees will generally be raised. If the European Commission's minimum level were to provide a higher guarantee commission in a specific case, the payment must be effected according to the calculation resulting in the highest commission payment.

- Bonds issued with a new individual state guarantee must be pledged with Danmarks Nationalbank and may not be sold to any third party.

In March 2012, the Danish Ministry of Business and Growth is expected to publish a new executive order on the requirements for application for new individual state guarantees, among other things. Vestjysk Bank and Aarhus Lokalbank will submit a formal application for issuance of new individual state guarantees as soon as possible after the publication of the executive order on the requirements for application.

Under the draft document, banks may provisionally apply for and obtain individual state guarantees until 30 June 2012 at the latest, however, only for a period until the end of 2013 at the latest. Since only the European Commission may approve such state subsidies for up to six months at a time, the time for application and issues has only been set for the period until 30 June 2012.

Consequently, Vestjysk Bank and Aarhus Lokalbank cannot be certain that a possibility of applying and obtaining new individual state guarantees will exist after 30 June 2012. The conditional undertaking provided by Finansiel Stabilitet A/S allows the banks to obtain new individual state guarantees of up to DKK 8.6 billion with a term of up to three years for new bonds issued by Vestjysk Bank as the continuing bank. However, Vestjysk Bank and Aarhus Lokalbank currently expect that the new individual state guarantees will have to be issued on or before 30 June 2012, regardless of the fact that the individual state guarantees already issued will not expire until in 2013. This will result in the new individual state guarantees having a term of more than three years. However, it would not mean that the total state guaranteed debt of the continuing bank would at any time exceed an amount of DKK 8.6 billion.

The continuing bank has been informed that, on the basis of the preliminary information available, guarantee commission will have to be paid as from the date of issuance of the new state guarantees, which is expected to take place on 30 June 2012 at the latest. This will apply regardless of the fact that the new state guarantees cannot be used for borrowing until from the date of expiry of individual state guarantees already issued, and regardless of whether the recipient bank also pays guarantee commission on existing guarantees that have not expired. Pursuant to the draft document, the guarantee commission for new individual state guarantees of up to DKK 8.6 billion will, during the first year of the term of the new individual state guarantees, amount to 1.35% plus 0.65% or a total of 2.0% p.a. of the guarantee amount. The individual state guarantees already issued will expire successively during the period from February 2013 to July 2013, whereby the payment of guarantee commission for all state guarantees issued will be reduced successively as the guarantees expire. The management of the continuing bank will actively seek to reduce the payment of the bank's overall funding costs, including guarantee commission, by optimising the funding structure of the continuing bank.

5.11.3 IT centres

The IT operations of Vestjysk Bank and Aarhus Lokalbank have been outsourced to Bankernes EDB Central, Havsteensvej 4, 4000 Roskilde, Denmark and Bankdata, Erritsø Bygade 102, 7000 Fredericia, Denmark, respectively, which perform data processing and related tasks, including development, acquisition and operation of the IT systems of the banks

As a member of Bankdata, Aarhus Lokalbank has signed a membership agreement. In connection with the merger, the continuing bank will become a service customer and will thus be required to pay a termination compensation to Bankdata in the order of DKK 60 million.

5.11.4 DLR Kredit A/S

DLR Kredit A/S is owned by 88 local and regional banks, including Vestjysk Bank and Aarhus Lokalbank. Both banks have entered into a collaborative agreement with DLR Kredit A/S for the delivery of mortgage credit loans for agricultural properties. The agreement with DLR Kredit A/S provides the banks with the opportunity to distribute mortgage credit loans on behalf of DLR Kredit A/S on competitive terms. Both banks receive fees for these intermediary services. Furthermore, both banks participate as guarantors of part of the loans and guarantees granted by DLR Kredit A/S and receive guarantee commission for such provision of guarantee. DLR Kredit A/S may terminate the agreements giving three months' notice to expire at the end of a calendar year. The agreement cannot be terminated by the continuing bank for as long as the continuing bank is a shareholder of DLR Kredit A/S.

5.11.5 Totalkredit A/S

Vestjysk Bank and Aarhus Lokalbank have signed collaborative agreements with Totalkredit A/S about intermediation of Totalkredit loans to owner-occupied housing and holiday homes within the framework of mortgage credit legislation applicable from time to time. The agreements do not prevent the banks from intermediating mortgage credit loans from other mortgage credit institutions, if a customer expresses such wish. Totalkredit has developed an IT system (Xportalen) used by both banks in connection with home finance advisory services to retail customers. The banks receive loan processing fees and brokerage fees when granting the loans, and the banks also receive a fixed percentage of the management fee relating to the portfolio written as commission during the terms of the loans. Totalkredit has a right of setoff against commission income if losses are recorded on loans intermediated by the banks. Both banks also provide a loss guarantee (i) in cases with special types of risk, (ii) where the bank has chosen not to provide the loan case with a special credit risk classification, (iii) until Totalkredit has approved the loan case and (iv) in the event that the mortgaged property has not been completed.

5.11.6 Other contracts

In accordance with usual banking practice, both Vestjysk Bank and Aarhus Lokalbank have signed agreements for collaboration with a range of enterprises about insurance intermediation to customers and investment services, etc.

5.12 Material investments

In the period 1 January 2009 to 28 February 2012, Vestjysk Bank has made the following material investments:

- 2009: Acquisition of property situated next to the bank's branch in Randers. The properties were combined and renovated in 2010, the conversion being completed in 2011. Total investment DKK 20 million.
- 2009-2010: Extension to the bank's head office in Lemvig. Total investment DKK 57 million.
- 2011: Refurbishment of the bank's branch in Ringkøbing. Total investment DKK 5 million.

In the period 1 January 2009 to 28 February 2012, Aarhus Lokalbanc has made the following material investments:

- 2009: Completion of construction of branch property at Bredgade 18 in Langå. The total cost of the project was DKK 10.2 million distributed on two years. In addition, DKK 1.15 million was spent on maintenance and conversion of the branch situated at Østergade 15 in Hadsten.
- No material investments were made in 2010 and 2011.

Neither of the two bank managements has adopted any resolutions concerning material future investments.

5.13 The management of the continuing bank

The following section contains a description of the continuing bank's management, consisting of the board of directors and the executive board, respectively.

5.13.1 Board of directors

On completion of the merger, Carsten Andersen, member of the board of directors of Aarhus Lokalbanc, will be recommended for election to the board of directors of the continuing bank with a view to being elected chairman of the board of directors of the continuing bank.

Furthermore, the boards of directors have agreed that Anders Bech, the current chairman of the board of directors of Vestjysk Bank, will be recommended for re-election with a view to the board of directors electing him as deputy chairman of the continuing bank. Following the above, and provided that the boards of directors' recommendations to the general meeting for elections to the board of directors are followed, the board of directors of the continuing bank will be composed as follows:

Expected composition of the board of directors of the continuing bank			
Name	Member of the board of directors of Vestjysk Bank since	Position	Current term expires
Carsten Andersen	2012	Chairman	2014
Anders Bech	2002	Deputy chairman	2014
Poul Hjulmand	2008	Board member	2013
Bjørn Albinus	2009	Board member	2014
Carl Olav Birk Jensen	2008	Board member	2013
Kirsten Lundgaard-Karlshøj	2002	Board member	2014
Malene Rønø	2011	Employee representative	2013
Palle Hoffmann	2011	Employee representative	2015
Peter Bækkelund Rasmussen	2007	Employee representative	2013

Carsten Andersen (born 1945)

Farverhus 172, DK-6200 Aabenraa, Denmark

Carsten Andersen holds an MSc (Economics). Carsten Andersen began his career at the Department of Finance at Aarhus University (now Aarhus Business School) during the period 1971-1973. He was subsequently employed with Pedershåb Maskinfabrik as management assistant during the period 1973-1976. On 1 April 1976, Carsten Andersen was employed as CFO of Sydbank. In 1978, Carsten Andersen was appointed executive officer, and he held the position of CEO of Sydbank from 1981 until he retired in June 2010.

Other executive offices or directorships held within the past five years:

Executive offices	Title	Commencement	Expiry
Sydbank A/S	CEO	1981	2010
Directorships:	Title	Commencement	Expiry
Aarhus Lokalbanc Aktieselskab	Chairman	2011	
Fonden for BankTrelleborg	Chairman	2008	
Sydbanks Fond	Board member	1982	2012
Sydbank Sønderjyllands Fond	Board member	1990	2012
Foreningen Bankdata	Chairman	1992	2010
The Danish Bankers Association (Finansrådet)	Board member	1990	2010
Nets Denmark A/S	Board member	1997	2010
Multidata A/S	Deputy chairman	2005	2010
Nets Holding A/S	Board member	2003	2010
Fondsmæglerselskabet Sirius Kapitalforvaltning A/S	Chairman	2008	2008
STB II A/S	Chairman	2008	2008
STB III A/S	Chairman	2008	2008
STB IV A/S	Chairman	2008	2008
PRAS A/S	Board member	2003	2010
Ejendomsselskabet af 1. juni 1986 A/S	Chairman	1986	2010
DMK-Holding A/S	Board member	1989	2007
Ejendomsselskabet Lautrupbjerg A/S	Deputy chairman	2005	2008
BankTrelleborg A/S	Board member	2008	2008
Multidata Holding A/S	Deputy chairman	2005	2010

Carsten Andersen is also a member of Dansk Merchant Capital A/S' advisory board.

Anders Bech (born 1947)

Poppel Allé 14, DK-7500 Holstebro, Denmark

Anders Bech carries on business in the contracting industry. Anders Bech was elected to the board of the former Vestjysk Bank A/S in 1997 and continued on the board of the new Vestjysk Bank A/S after the merger with Nordvestbank in 2002, at which time he was also elected chairman of the board. Anders Bech is currently chairman of the bank's nomination committee and remuneration committee and a member of the bank's audit committee.

Other executive offices or directorships held within the past five years:

Executive offices	Title	Commencement	Expiry
Kaj Bech Holding A/S	CEO	1986	
Kaj Bech A/S	CEO	1987	
Directorships:	Title	Commencement	Expiry
Kaj Bech Holding A/S	Board member	1986	
Kaj Bech A/S	Board member	1987	
Ejendomsselskabet Doktorvænget A/S	Chairman	1987	
Fonden Nørre Vosborg	Board member	2008	

Poul Hjulmand (born 1945)

Kildebakken 60, DK-6940 Lem St., Denmark

Poul Hjulmand carries on business activities in the machinery industry. Poul Hjulmand was elected to the board of Ringkjøbing Bank in 2003 and continued on the board of Vestjysk Bank after the merger in 2008, at which time he was also elected deputy chairman of the board. In addition to his current office of deputy chairman of the board of directors of the

bank, Poul Hjulmand is a member of the bank's nomination committee, remuneration committee and audit committee.

Other executive offices or directorships held within the past five years:

Executive offices	Title	Commencement	Expiry
Landia Holding ApS	CEO	2003	
Landia A/S	CEO	1994	
Landia Inc.	CEO	2001	
Landia UK Ltd	CEO	1995	
Landia GmbH	CEO	2010	
Directorships:	Title	Commencement	Expiry
Landia Holding ApS	Board member	2003	
Landia A/S	Board member	1991	
Landia Inc.	Chairman	2001	
Landia UK Ltd	Chairman	1995	
Landia GmbH	Chairman	2010	
Vestas aircoil A/S	Board member	2008	
Pipecon A/S	Board member	2008	
Hydromann Holding A/S	Board member	1997	
Conset A/S	Board member	2002	
RAH Net A/S	Chairman	2000	
RAH Service A/S	Chairman	2000	
RAH Adm. A/S	Chairman	2000	
RAH Holding A/S	Chairman	2000	
RAH A.m.b.a.	Chairman	2000	
Vestjyske Net A/S	Board member	2004	
RGT Holding A/S	Board member	2011	
Iron Pump A/S	Chairman	2004	
Iron Pump Holding A/S	Board member	2006	
Iron Pump Ejendomme A/S	Chairman	2010	
Conset Norge A/S	Board member	2006	
Vestas aircoil UK Ltd.	Board member	2008	
Vestas aircoil cooling Tech. Co.	Board member	2008	
Global Inter Production Frl.	Board member	2009	
Ølgaard Jensens Fond	Board member	1998	
Hvide Sande Havn Fond	Board member	2001	
Lem Varmeværk	Deputy chairman	1988	
K.P. Komponenter A/S	Chairman	2004	2007
Hydromann A/S	Board member	1997	2008
Samson Pumps A/S	Board member	2005	2008
Skjern Vinduer A/S	Board member	2001	2007
AP Ejendomme ApS	Board member	2007	2010

Bjørn Albinus (born 1949)

Raketvejen 1, Husby, DK-6990 Ulfborg, Denmark

Bjørn Albinus has many years' experience from management positions in the chemical industry. Bjørn Albinus was elected to the board of Vestjysk Bank in 2009, at which time he was also appointed chairman of the bank's audit committee.

Other executive offices or directorships held within the past five years:

Executive offices	Title	Commencement	Expiry
Cheminova A/S	Member of the executive board	1990	2008
Auriga Industries A/S	Member of the executive board	1999	2009
Bovbjerg Fyr ApS	Executive officer	2008	
Directorships:			
Directorships:	Title	Commencement	Expiry
Damolin A/S	Board member	2007	2010
Skamol A/S	Chairman	1999	2007
Hardi International A/S	Chairman	1997	2007
Fonden Bovbjerg Fyr	Chairman	2008	
Museum of Religious Art	Board member	2011	

Carl Olav Birk Jensen (born 1955)

Bogfinkevej 7, DK-6950 Ringkøbing, Denmark

Carl Olav Birk Jensen has for many years carried on industrial business activities. Carl Olav Birk Jensen was elected to the board of Ringkjøbing Bank in 2001 and continued on the board of Vestjysk Bank after the merger in 2008. Carl Olav Birk Jensen is currently a member of the bank's audit committee.

Other executive offices or directorships held within the past five years:

Directorships:	Title	Commencement	Expiry
Ringkøbing Håndbold ApS	Board member	2008	

Kirsten Lundgaard-Karlshøj (born 1951)

Strandbjerggårdvej 8, DK-7600 Struer, Denmark

Kirsten Lundgaard-Karlshøj operates a large farm. Kirsten Lundgaard-Karlshøj was elected to the board of the former Vestjysk Bank in 1998 and continued on the board of the new Vestjysk Bank after the merger with Nordvestbank in 2002. Kirsten Lundgaard-Karlshøj is currently a member of the bank's audit committee.

Other executive offices or directorships held within the past five years:

Executive offices	Title	Commencement	Expiry
Owner of a large farm	-	1983	

Malene Rønø (born 1971) – employee representative

Ahornvej 9, DK-8680 Ry, Denmark

Malene Rønø has several years' experience from positions in the financial sector. Malene Rønø was elected to the board of Vestjysk Bank in 2011, and she is currently also a member of the bank's audit committee.

Malene Rønø has not held any other executive offices or directorships within the past five years.

Palle Hoffmann (born 1972) – employee representative
Gøgeurten 34, DK-7500 Holstebro, Denmark

Palle Hoffmann has several years' experience from positions in the financial sector. Palle Hoffmann was elected to the board of Vestjysk Bank in 2011. He is a member of the bank's audit committee.

Palle Hoffmann has not held any other executive offices or directorships within the past five years.

Peter Bækkelund Rasmussen (born 1967) – employee representative
Liden Kirstens Alle 2, DK-7500 Holstebro, Denmark

Peter Bækkelund Rasmussen has several years' experience from positions in the financial sector. Peter Bækkelund Rasmussen was elected to the board of Vestjysk Bank in 2011, and he is currently also a member of the bank's audit committee.

Peter Bækkelund Rasmussen has not held any other executive offices or directorships within the past five years.

5.13.2 Executive board

The executive board of the continuing bank will consist of Frank Kristensen as chief executive officer and Vagn Thorsager as managing director.

Frank Kristensen (born 1952)
Niels Bjerres Vej 14, DK-7620 Lemvig, Denmark

Frank Kristensen holds an MA (Political Science) from the University of Copenhagen. Prior to his employment with Nordvestbank, now Vestjysk Bank, he was employed with Privatbanken, first as a student assistant during his studies, and later as an employee for six years. Following six years' employment with BEC, he worked as deputy director of the Bank of Greenland for a period of five years, followed by seven years as managing director of the same bank.

Other executive offices or directorships held within the past five years:

Executive offices	Title	Commencement	Expiry
Vestjysk Bank (from 1999-2003 Nordvestbank)	CEO	1999	
Directorships:			
Directorships:	Title	Commencement	Expiry
Atrium Fondsmæglerselskab A/S	Board member	2004	2011
The Association of Local Banks in Denmark	Board member	2005	
Totalkredit A/S	Board member	2006	
PRAS A/S	Board member	2006	2012
VP Securities A/S	Board member	2006	
e-nettet holding a/s	Board member	2006	
e-nettet a/s	Board member	2006	
The Danish Bankers Association (Finansrådet)	Board member	2007	2012
PBS Holding A/S	Board member	2007	2010
PBS A/S	Board member	2007	2010
MultiData Holding A/S	Board member	2007	2010
MultiData A/S	Board member	2007	2010
BEC	Board member	2009	
Sparinvest Holding A/S	Board member	2011	

Vagn Thorsager (born 1948)

Nørresøvej 9A, DK-8800 Viborg, Denmark

Vagn Thorsager was appointed CEO of Aarhus Lokalbank as of 1 March 2011. Vagn Thorsager has a financial services background and further holds an HD Diploma in business finance. Vagn Thorsager has been employed in the financial sector since 1966 and has extensive management experience and credit experience, including from positions as deputy director of Andelsbanken and regional executive of Nordea. In 2004, Vagn Thorsager was employed as an executive officer of Midt Factoring A/S and as CEO during the period from 2005 until 1 March 2011. Midt Factoring A/S was taken over by Coface Germany AG in 2008. The company's principal activities consist of credit insurance, invoice discounting, invoice management and debt collection.

Vagn Thorsager holds no current executive offices or directorships in other Danish limited liability companies.

Other executive offices or directorships held within the past five years:

Executive offices	Title	Commencement	Expiry
Coface Finans A/S	CEO	2006	2011
Coface Kreditforsikring (branch of Coface Kreditversicherung AG, Mainz)	General agent	2008	2011
Directorships:	Title	Commencement	Expiry
BKG-Finans ApS	Board member	2007	2011
Coface Ejendomme A/S	Chairman	2010	2011
CPU af 11/11 1986 A/S	Board member	2010	2011
Coface Nordic Services A/S	Chairman	2008	2010

5.13.3 Remuneration and benefits

The remuneration and benefits paid to the board of directors and the executive board are as follows:

Board of directors

The total remuneration paid to the board of directors of Vestjysk Bank, which consists of eight members, amounted to DKK 1.5 million in 2011.

The total remuneration paid to the board of directors of Aarhus Lokalbank, which consists of seven members, amounted to DKK 701,000 in 2011.⁴

No member of the boards of Vestjysk Bank or Aarhus Lokalbank is entitled to any kind of remuneration upon retiring from their positions as board members.

Executive board

The total remuneration paid to the executive board of Vestjysk Bank amounted to DKK 4.293 million in 2011. In 2011, the executive board consisted of two members until 1 May 2011, when Preben Knudsgaard resigned. In that connection, a severance payment of DKK 4.86 million was recognised as an expense. Furthermore, the members of the executive board had cars, newspapers, broadband connections and pension schemes, which

⁴ The board fee, recognised as an expense of DKK 701,000 in 2011, was higher than the amount of DKK 690,000 which may be calculated on the basis of note 35 to the 2011 financial statements of Aarhus Lokalbank. The reason for this is that the board of directors previously consisted of more members.

were paid by Vestjysk Bank. The total value of the said benefits was DKK 2.436 million, of which pension contributions represented DKK 2.192 million.

No agreements on bonus schemes, incentive programmes or similar remuneration schemes exist at Vestjysk Bank. The bank has no pension obligations with respect to resigning members of the executive board whether due to age, illness, incapacity or for any other reason.

The total remuneration paid to the executive board of Aarhus Lokalbank amounted to DKK 2.156 million in 2011. Up to and including February 2011, the executive board consisted of Carsten Stenulm in the capacity of acting CEO, and of Vagn Thorsager from the beginning of March 2011. In addition to their remuneration, the members of the executive board had company-paid cars, newspapers, home workstations and telephony, and in the case of Carsten Stenulm, also life, accident and health insurance and a pension plan.

The total value of the said benefits to the executive board of Aarhus Lokalbank was approximately DKK 113 thousand, of which pension contributions represented approximately DKK 13 thousand. In addition, provisions of DKK 1.3 million were made in 2011 for a severance obligation with respect to Carsten Stenulm amounting to DKK 2.3 million at 31 December 2011, exclusive of a current holiday pay obligation of DKK 0.5 million.

No agreements on bonus schemes, incentive programmes or similar remuneration schemes exist at Aarhus Lokalbank. The bank has no pension obligations with respect to resigning members of the executive board whether due to age, illness, incapacity or for any other reason.

Other than the above, no provisions or savings have been made for pensions, severance payments or similar benefits, and no agreements have been made concerning payments in connection with severance.

5.13.4 Loans and security

At 31 December 2011, the amounts of the continuing bank's loans, pledges, sureties or guarantees with respect to its management, including undrawn credit limits, were as follows:

The amount of loans, pledges, sureties or guarantees made with respect to:

The executive board	DKK'000	350
The board of directors	DKK'000	64,499

Security provided with respect to exposures provided to members of:

The executive board	DKK'000	0
The board of directors	DKK'000	16,035

5.13.5 Past records

During the past five years, no member of the board of directors or the executive board have (i) been convicted of fraudulent offences, (ii) participated in the management of companies which have commenced bankruptcy, receivership or liquidation proceedings, or (iii) been the object of public prosecution and/or sanctions by public authorities or supervisory authorities (including appointed professional bodies), or (iv) been declared unfit by a court of law to act as a member of an issuer's management, board of directors or executive board or supervisory bodies or to be in charge of an issuer's management.

5.13.6 Conflicts of interest

No actual or potential conflict of interests exists between any of the duties of the members of the board of directors and the executive board or key employees towards Vestjysk Bank, including personal interests and/or other obligations.

No agreements exist with major shareholders, customers, suppliers or other parties pursuant to which the members of the board of directors, executive board or key employees have become members of the board of directors or the executive board.

No kinship exists between any members of the board of directors, the executive board or key employees.

The continuing bank has provided loans to and received security from members of the board of directors and the executive board. Furthermore, the bank has exposures to enterprises in which some of the board members are also members of the board of the continuing bank.

5.13.7 Restrictions on securities trading

No restrictions have been imposed on trading by the members of the board of directors or the executive board in the bank's shares except as provided by law and the guidelines set out in the bank's internal rules.

5.13.8 Incentive programme

No bonus schemes or incentive programmes exist for the board of directors, executive board or employees of the continuing bank.

5.14 Corporate governance

In recent years, both Vestjysk Bank and Aarhus Lokalbanc have generally viewed corporate governance as a significant factor in the relationship with their stakeholders, including customers, shareholders, local communities and employees. Accordingly, both banks have to a wide extent complied with the recommendations of the Committee on Corporate Governance and have reported on the recommendations with which, for various reasons, they do not comply.

Vestjysk Bank and Aarhus Lokalbanc are both listed on NASDAQ OMX Nordic Copenhagen, and both banks have thus reported on whether they comply with the recommendations.

Vestjysk Bank's report on corporate governance is available at www.vestjyskbank.dk and Aarhus Lokalbanc's report on corporate governance is available at www.aarhuslokalbank.dk.

Vestjysk Bank's corporate governance policy will apply to the continuing bank. In the following, an account is given of the recommendations with which Vestjysk Bank does not comply.

Vestjysk Bank does not comply with the following recommendations in the following respects:

*5.5.1 The Committee **recommends** that the individual company explain, in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on employee representation.*

Employee representatives are elected pursuant to applicable law. Accordingly, the board of directors does not find it necessary to disclose any further information about the system of employee representatives.

*5.9.1. The Committee **recommends** that members of the supreme governing body elected by the general meeting be up for re-election every year at the annual general meeting.*

The board of directors gives high priority to continuity in the board work and would find it inexpedient if all members were up for election every year. The board members are elected for terms of two years. The board members serve staggered terms.

*8.2.1. The Committee **recommends** that the supreme governing body decide whether to establish a whistleblowing scheme for expedient and confidential notification of possible or suspected wrongdoing.*

Since Vestjysk Bank has a flat organisational structure, and the bank's operational areas cover a relatively limited geographical area in Denmark, the board of directors does not find it relevant to introduce a whistleblowing scheme.

5.15 Internal financial management systems and procedures

The continuing bank will for the time being use the financial management systems provided by BEC and Bankdata on an ongoing basis. These IT systems form the basis of internal and external financial reporting as well as budgeting.

Budgets for the coming year are prepared annually. These budgets are submitted for approval by the bank's board of directors.

Monthly financial reporting is submitted to the executive board and the board of directors and compared with last year's budget for the corresponding period. In addition, reports on the developments in deposits, lending, liquidity, capital adequacy and currency, share and interest rate risks are prepared and submitted to the board of directors.

5.16 Historical financial information

5.16.1 Selected financial information

The following is a reproduction of selected financial information for Vestjysk Bank and Aarhus Lokalbanc. See also financial highlights and key figures in the official financial statements, incorporated by reference in 5.16.2 "Table of cross references".

Selected financial information for Vestjysk Bank

The financial statements of Vestjysk Bank for the financial years ended 31 December 2009, 2010 and 2011 have been audited and each have been supplied with an auditors' report, incorporated by reference in 5.16.2 "Table of cross references". The auditors' reports for the financial years ended 31 December 2009, 2010 and 2011 are unqualified, and those for 2009 and 2010 without emphasis of matter. For the financial year ended 31 December 2011, the auditors' report included an emphasis of matter paragraph, which is reproduced in the report by the auditors in 5.17.3 "Report by the independent auditors on the pro forma financial information for 2011".

Statement of income (DKK'000)	2011	2010	2009
Interest income	1.527.430	1.530.349	1.733.853
Interest expenses	681.031	713.590	944.733
Net interest income	846.399	816.759	789.120
Dividends on equity securities, etc.	3.355	3.456	7.058
Income from fees and commissions	263.074	259.772	247.973
Fees and commissions paid	27.488	26.849	22.854
Net income from fees and commissions	235.586	232.923	225.119
Net interest and fee income	1.085.340	1.053.138	1.021.297
Total market value adjustments	-25.053	48.707	140.803
Other operating income	6.345	8.716	65.684
Personnel and administrative expenses	590.548	590.023	622.901
Depreciation, amortisation and impairment of property, plant and equipment	15.210	16.330	17.657
Other operating expenses	34.781	86.458	109.562
Impairment of loans and other receivables, etc.	984.869	408.219	536.690
Profit/(loss) before tax	-558.776	9.531	-59.026
Tax	-136.140	3.553	-17.734
Net profit/(loss) for the year	-422.636	5.978	-41.292

STATEMENT OF FINANCIAL POSITION (DKK'000)	2011	2010	2009
ASSETS:			
Cash in hand and demand deposits with central banks	666.076	629.179	485.386
Amounts receivable from credit institutions and central banks	730.792	1.171.731	1.445.186
Loans and other receivables at amortised cost	21.715.932	23.467.609	23.874.057
Debt securities at fair value	2.909.038	4.842.029	4.297.370
Equity securities, etc.	570.109	601.389	591.396
Assets linked to pooled fund schemes	1.104.270	1.145.057	835.012
Intangible assets	107.065	108.562	110.058
Total land and buildings	368.894	366.395	384.798
Investment property	1.492	3.926	18.401
Owner-occupied property	367.402	362.469	366.397
Other property, plant and equipment	12.083	13.532	17.375
Current tax assets	588	645	1.036
Deferred tax assets	303.346	166.550	166.366
Other assets	792.006	1.070.133	630.338
Prepayments	0	0	0
TOTAL ASSETS	29.280.199	33.582.811	32.838.378
EQUITY AND LIABILITIES:			
LIABILITIES			
Amounts owed to credit institutions and central banks	1.929.734	3.871.136	3.608.321
Total deposits and other debt	13.925.039	14.418.662	17.799.809
Deposits with pooled fund schemes	1.104.270	1.145.057	835.012
Issued debt instruments at amortised cost	7.927.786	8.689.823	5.079.836
Provisions	36.043	10.710	101.082
Other liabilities	461.004	1.017.314	668.349
Subordinated debt	2.162.986	2.269.360	2.596.553
Deferred income	0	0	0
TOTAL LIABILITIES	27.546.862	31.422.062	30.688.962
EQUITY			
Share capital	125.000	125.000	125.000
Revaluation reserves	30.848	30.848	30.848
Reserve for cash flow hedging	-11.814	-10.277	
Retained earnings	1.589.303	2.015.178	1.993.568
TOTAL EQUITY	1.733.337	2.160.749	2.149.416
TOTAL LIABILITIES AND EQUITY	29.280.199	33.582.811	32.838.378
FINANCIAL RATIOS			
Total weighted items	25.661.641	27.985.461	28.079.546
Solvency ratio	12,4%	13,6%	14,7%
Core capital ratio	9,1%	11,4%	11,4%

Note: In connection with the presentation of the interim financial statements for the first half of 2011, changes were made to the valuation of financial instruments used to hedge cash flows. In the above table, comparative figures for 2010 have been restated accordingly.

Selected financial information for Aarhus Lokalbanc

For the purposes of this company announcement, the managements of Aarhus Lokalbanc and Vestjysk Bank have restated Aarhus Lokalbanc's statement of income for the financial year ended 31 December 2011 and statement of financial position at 31 December 2011 in accordance with the recognition and measurement provisions of IFRS as adopted by the EU.

The objective of explaining the effects of the restatement of Aarhus Lokalbanc's financial statements for 2011 is to give readers of this extended company announcement an understanding of the effects on the statement of income and the statement of financial position of applying IFRS as adopted by the EU.

In the restatement, with respect to recognition and measurement the only necessary adjustment of accounting policies identified is in relation to properties and subsidiaries, which are subsequently recognised at cost.

With respect to the accounting policies on recognition and measurement in the restated statements of income and financial position, reference is made to the accounting policies on pp. 20 - 23 of the company's official audited annual report for 2011 restated in respect of properties and subsidiaries as described above.

In managements' assessment, this restatement does not affect the amounts recognised in the statement of income for the financial year ended 31 December 2011 or the statement of financial position at 31 December 2011. The statement of income for the financial year ended 31 December 2011 and the statement of financial position at 31 December 2011 below thus reflect the same results, equity and total assets as the company's audited financial statements for 2011 presented in accordance with the Danish FSA's Executive Order on the presentation of financial reports by credit institutions, etc., to which reference is made in 5.16.2 "Table of cross references".

The financial statements of Aarhus Lokalbanc A/S for the financial years ended 31 December 2009, 2010 and 2011 have been audited and each have been provided with an auditors' report, incorporated by reference in 5.16.2 "Table of cross references". The auditors' reports for the financial years ended 31 December 2009, 2010 and 2011 are unqualified, and that for 2009 without emphasis of matter. For the financial year ended 31 December 2010, the auditors' report includes an emphasis of matter paragraph. For the financial 2011, the auditors' report included an emphasis of matter paragraph, which is reproduced in the report by the auditors in 5.17.4 "Report by the auditors on the restated statements of income and financial position of Aarhus Lokalbanc A/S for 2011 based on the recognition and measurement provisions in accordance with IFRS".

Statement of income (DKK'000)	2011	2010	2009
Interest income	239.059	275.783	278.379
Interest expenses	168.354	166.221	164.988
Net interest income	70.705	109.562	113.391
Dividends on equity securities, etc.	1.946	1.690	1.962
Income from fees and commissions	26.821	32.257	41.087
Fees and commissions paid	3.192	4.218	2.559
Net interest and fee income	96.280	139.291	153.881
Market value adjustment	-4.839	2.008	6.618
Other operating income	60	30	0
Personnel and administrative expenses	87.803	98.869	91.120
Depreciation and impairment of property, plant and equipment	4.198	3.427	7.792
Other operating expenses	9.062	17.023	18.353
Impairment of loans and other receivables, etc.	145.655	254.755	41.446
Profit/(loss) from investments in subsidiaries	-30	-717	10
Profit/(loss) before tax	-155.247	-233.462	1.798
Tax	510	-32.545	1.536
Net profit/(loss) for the year	-155.757	-200.917	262

STATEMENT OF FINANCIAL POSITION (DKK'000)	2011	2010	2009
ASSETS:			
Cash in hand and demand deposits with central banks	129.549	199.503	111.311
Amounts receivable from credit institutions and central banks	619.497	1.452.689	134.031
Loans and other receivables at amortised cost	3.057.674	3.736.052	4.131.448
Debt securities at fair value	417.701	607.305	662.193
Debt securities at amortised cost	9.312	18.676	35.535
Equity securities, etc.	71.531	144.927	145.978
Investments in subsidiaries	12.154	12.184	7.100
Total land and buildings (owner-occupied property)	42.764	43.103	43.405
Other property, plant and equipment	3.698	6.528	8.405
Current tax assets	0	2.402	1.247
Deferred tax assets	40.105	40.105	7.565
Temporary assets	883	1.043	0
Other assets	65.819	98.202	98.504
TOTAL ASSETS	4.470.687	6.362.719	5.386.722
EQUITY AND LIABILITIES:			
LIABILITIES			
Amounts owed to credit institutions and central banks	33.220	143.374	699.860
Deposits and other debt	2.444.885	3.568.601	2.373.548
Issued debt securities at amortised cost	1.326.864	1.587.595	1.207.216
Temporary liabilities	1.043	1.043	0
Other liabilities and equity	88.552	333.863	121.378
Deferred income	982	222	293
TOTAL LIABILITIES	3.895.546	5.634.698	4.402.295
PROVISIONS			
Provision for losses on guarantees	240	0	14.836
TOTAL PROVISIONS	240	0	14.836
SUBORDINATED DEBT	356.727	592.434	628.933
EQUITY			
Share capital	162.037	38.000	38.000
Share premium	0	0	100.776
Other reserves	0	0	240
Retained earnings	56.137	97.587	201.642
TOTAL EQUITY	218.174	135.587	340.658
TOTAL LIABILITIES AND EQUITY	4.470.687	6.362.719	5.386.722
FINANCIAL RATIOS			
Total weighted items	3.352.542	4.235.158	4.611.725
Solvency ratio	15,4%	7,0%	20,4%
Core capital ratio	8,2%	3,4%	11,9%

5.16.2 Table of cross references

This section refers by cross reference to the statements of income, statements of financial position, statements of changes in equity and notes to the financial statements as well as the management's reviews, management's statements and auditors' reports of Vestjysk Bank and Aarhus Lokalbank for 2009, 2010 and 2011. For more detailed information on the annual reports, see the respective annual reports, which can be downloaded from the websites of the two banks, www.vestjyskbank.dk and www.aarhuslokalbank.dk and will moreover be available for review at the head offices of the two banks four weeks prior to the annual general meetings.

	Vestjysk Bank			Aarhus Lokalbank		
	Reference to annual report 2011, page(s)	Reference to annual report 2010, page(s)	Reference to annual report 2009, page(s)	Reference to annual report 2011, page(s)	Reference to annual report 2010, page(s)	Reference to annual report 2009, page(s)
Key figures and financial ratios	4-7	6-7, 65-66	8-11	12-13	13-14	10-11
Management's review	3-28	3-28	4-40	3-5	4-6	5-7
Management's statement	29	29	41	10	11	12
Auditors' report	30-31	30-31	42-43	11	12	12
Accounting policies	36-44	36-42	44-50	20-23	20-22	18-19
Statement of income	32	32	52	14	15	13
Statement of financial position	33	33	53	15	16	14
Statement of changes in equity	34	34	54	16	17	15
Notes to the financial statements	36-73	36-66	55-75	24-58	23-43	23-33

5.17 Pro forma financial information for the continuing bank

For illustrative and indicative purposes, the following is a presentation of pro forma financial information for the continuing bank. The pro forma financial information shows how the merger would have affected the statement of financial position at 31 December 2011 and statement of income for the financial year ended 31 December 2011 of the continuing bank, had the merger been completed at 1 January 2011. The key figures should be seen as a hypothetical situation and, as such, do not show the actual financial position or results of operations after the merger.

5.17.1 Statement of income and statement of financial position of Aarhus Lokalbank A/S for 2011 restated to reflect the recognition and measurement provisions in accordance with IFRS

Aarhus Lokalbank A/S presented its financial statements for 2011 in accordance with the Danish FSA's Executive Order on the presentation of financial reports by credit institutions, etc.

For the purposes of the preparation of the pro forma financial information in this announcement, the managements of Aarhus Lokalbank and Vestjysk Bank have restated Aarhus Lokalbank A/S' statement of income for the financial year ended 31 December 2011 and statement of financial position at 31 December 2011 in accordance with the recognition and measurement provisions of IFRS as adopted by the EU.

In the restatement, with respect to recognition and measurement, the only necessary adjustment of accounting policies identified is in relation to properties and subsidiaries, which are subsequently recognised at cost.

With respect to the accounting policies on recognition and measurement in the restated statements of income and financial position, reference is made to the accounting policies on pp. 20 - 23 of Aarhus Lokalbanc's official audited annual report for 2011 restated in respect of properties and subsidiaries as described above.

In managements' assessment, this restatement does not affect the amounts recognised in the statement of income for the financial year ended 31 December 2011 or the statement of financial position at 31 December 2011. Accordingly, the statement of income for the financial year ended 31 December 2011 and the statement of financial position at 31 December 2011 set out in 5.17.5 "Pro forma information" in the column headed "Aarhus Lokalbanc" show the same results, equity and total assets as in Aarhus Lokalbanc's audited financial statements for 2011 presented in accordance with the Executive Order on the presentation of financial reports by credit institutions, etc.

Preparation of pro forma financial information

Accordingly, the pro forma financial information was compiled by combining items of a uniform nature in the financial statements for 2011 of Vestjysk Bank and Aarhus Lokalbanc, respectively.

The pro forma financial information does not take into account any cost, income or merger synergies, nor does it take into account any merger or transaction costs.

The financial information has not been separately audited or reviewed, but is comprised by the statements by the two banks' managements and the reports by the independent auditors on the restatement and the pro forma financial information.

5.17.2 Management's statement on the restatement to IFRS and pro forma financial information

With due regard to the adjustments and assumptions set out above, Vestjysk Bank and Aarhus Lokalbanc prepared the pro forma financial statements to reflect the effects on the continuing bank's statement of financial position at 31 December 2011 and statement of income for the financial year ended 31 December 2011, had the merger been completed at 1 January 2011.

The pro forma financial information was prepared solely for use in this company announcement for the purpose of indicating how Vestjysk Bank's assets, liabilities and financial position and profit or loss would have been affected if a merger with Aarhus Lokalbanc had been completed at 1 January 2011. The pro forma financial information was prepared in accordance with the accounting policies applied by the continuing company and has not been audited.

Prior to the preparation of the pro forma financial information, Aarhus Lokalbanc's financial information was restated in accordance with the recognition and measurement provisions under IFRS. In the opinion of the two managements, the restatement to the recognition and measurement provisions under IFRS does not affect the amounts recognised in the statement of income for the financial year ended 31 December 2011 or the statement of financial position at 31 December 2011.

Moreover, in the opinion of the managements of the two banks, the presented pro forma financial information provides meaningful information on the effect on Vestjysk Bank's assets, liabilities and financial position and profit or loss, had the merger with Aarhus Lokalbanc been completed at 1 January 2011.

Lemvig, 28 February

Vestjysk Bank
Executive Board

Frank Kristensen

Board of Directors

Anders Bech (Chairman)

Poul Hjulmand

Bjørn Albinus

Carl Olav Birk Jensen

Kirsten Lundgaard-Karlshøj

Palle Hoffmann

Malene Rønø

Peter Bækkelund Rasmussen

Aarhus Lokalbank
Executive Board

Vagn Thorsager

Board of Directors

Carsten Andersen (Chairman)

Flemming Johannsen

Jan Rasmussen

Jørn Sørensen

Camilla Lund

Per Enevoldsen

Hans Peder Hansen

5.17.3 Report by the independent auditors on the pro forma financial information for 2011

To the Shareholders of Vestjysk Bank A/S and Aarhus Lokalbank Aktieselskab

As agreed, we have investigated the pro forma financial information prepared by the Managements of Vestjysk Bank A/S and Aarhus Lokalbank Aktieselskab. The pro forma financial information comprises an unaudited, combined and condensed income statement for 2011 as well as the financial position at 31 December 2011 for Vestjysk Bank A/S's acquisition of Aarhus Lokalbank Aktieselskab and appears from section 5.17.5, "Pro forma figures".

The pro forma financial information is prepared under Commission Regulation (EEC) No 809/2004 on prospectuses, Appendix I, Item 20.2, "Pro forma financial information" and Appendix II "Module for pro forma financial information" as well as on the basis of the assumptions and estimates stated and under Vestjysk Bank A/S's accounting policies, IFRS as adopted by the EU which is included by reference in section 5.16.2 "Cross reference table" and Danish disclosure requirements for listed financial enterprises.

The pro forma financial information was prepared solely for the purpose of illustrating the impact on Vestjysk Bank A/S's financial position and results if Vestjysk Bank A/S's acquisition of Aarhus Lokalbank Aktieselskab through a merger had taken place on 1 January 2011.

As a consequence of the hypothetical nature of the assumptions and estimates forming the basis of the pro forma financial information, this does not give an actual view of Vestjysk Bank A/S's financial position at 31 December 2011 or of the results of the operations of Vestjysk Bank A/S for 2011.

The pro forma financial information comprises a simple combination of the historical, unadjusted balance sheets and income statements of Vestjysk Bank A/S and Aarhus Lokalbank Aktieselskab as well as pro forma adjustments of these at Vestjysk Bank A/S's acquisition of Aarhus Lokalbank Aktieselskab.

As part of the preparation of the pro forma financial information, the Managements of Vestjysk Bank and Aarhus Lokalbank have extracted information from Vestjysk Bank A/S's income statement for 2011 as well as its financial position at 31 December 2011 from the Financial Statements for 2011 as well as extracted information from Aarhus Lokalbank Aktieselskab's income statement for 2011 and its financial position at 31 December 2011 from the Financial Statements for 2011. The Financial Statements include an unqualified auditor's report with the following emphasis of matter clauses:

Aarhus Lokalbank Aktieselskab
Independent auditor's Emphasis of Matter

"We refer to note 2 "Accounting estimates and uncertainties", page 28, the paragraph on "Impairment charges of loans and advances and receivables, etc", from which it appears that there is still uncertainty attached to the measurement of the Bank's loans and advances and guarantees.

Furthermore, we refer to note 2 "Accounting estimates and uncertainties", page 28, the paragraph on "Capital issues – going concern ", from which it appears that risks concerning continued losses which will require new capital to ensure going concern if the merger with Vestjysk Bank is not carried through.

We agree to Management's description of risks concerning uncertainty at the measurement of the Bank's loans and advances and guarantees as well as the assumption of "going concern".

Vestjysk Bank A/S

Independent auditor's Emphasis of Matter

"Without qualifying our Report, we refer to note 30 in the Financial Statements, "Risk and risk management", describing the Bank's risks, including a description of uncertainty relating to credit risks and uncertainty as to whether the Capital and Liquidity Plan described is carried through as presupposed. As stated in the paragraph "Subsequent events" in Management's Review and in Management's Statement on the Annual Report, Management has assessed that the Plan will be carried through."

Management's Responsibility for the Pro Forma Financial Information

The Managements of Vestjysk Bank and Aarhus Lokalbanc are responsible for the pro forma financial information and the assumptions on which it is based being in accordance with the Commission Regulation (EEC) No 809/2004 on prospectuses, Appendix I, Item 20.2, "Pro forma financial information", and Appendix II "Module for pro forma financial information".

Auditor's Responsibility

Our responsibility is to express an opinion based on our work as required in item 7 to Appendix II of Commission Regulation (EEC) No 809/2004 as to whether the pro forma financial information was, in all material respects, collected in an appropriate manner on the basis described, and that this basis is in all materiality in accordance with the accounting policies applied by Vestjysk Bank A/S.

We performed our work in accordance with ISAE 3000 "The international standard on assurance engagements other than audit or review of historical, financial information and additional requirements under Danish audit regulation" with a view to obtaining reasonable assurance that the pro forma financial information has, in all material respects, been collected in an appropriate manner on the basis described and in accordance with the accounting policies applied by Vestjysk Bank A/S.

As part of this assurance engagement relating to pro forma financial information we are not responsible for updating or issuing statements concerning the historical financial information on which the pro forma financial information is based, and in connection with this assurance engagement we have not performed any audit or review of the historical financial information applied at the preparation of the pro forma financial information.

The purpose of the pro forma financial information in this company announcement is solely to illustrate the impact of an event or transaction on the historical financial information if this event or transaction had taken place at an earlier date. Consequently, we do not express any opinion to the effect that the actual impact of the event or the transaction at 1 January 2011 would have been as presented.

An assurance engagement to obtain reasonable assurance that the pro forma financial information has, in all material respects, been collected in a reasonable manner on the basis described and under the accounting policies of the banks comprises actions to assess whether the basis applied by the Managements at the preparation of the pro forma financial information provides sufficient assurance of presenting material impacts derived from the event or the transaction. As part of our work we performed the following procedures:

- Discussed the pro forma financial information with the Managements of Vestjysk Bank and Aarhus Lokalbanc Aktieselskab to assess whether it has been collected in a reasonable manner and prepared on the basis described;
- Assessed agreement with the accounting policies applied by Vestjysk Bank A/S (IFRS as adopted by the EU) with the necessary adjustments;
- Compared the historical financial information of Vestjysk Bank A/S and the historical financial information of Aarhus Lokalbanc Aktieselskab as taken over by Vestjysk Bank A/S with the pro forma financial information;
- Ensured that the pro forma adjustments were made on the basis of the assumptions laid down and stated by the Managements of Vestjysk Bank A/S and Aarhus Lokalbanc Aktieselskab;
- Furthermore, we checked the interconnection of the figures in the unaudited, combined and condensed pro forma financial information.

The procedures selected are based on our assessment and knowledge of the banks, the planned merger on the basis of which the pro forma financial information has been prepared and other relevant matters.

The procedures also include an assessment of the overall presentation of the pro forma financial information.

We believe that the work performed provides a sufficient basis for our opinion.

Opinion

Based on our investigations, we are of the opinion that the unaudited, combined and condensed pro forma financial information prepared by the Managements of Vestjysk Bank A/S and Aarhus Lokalbanc Aktieselskab for the year 2011 has, in all material respects, been collected in a reasonable manner on the basis of the assumptions and estimates stated in section 5.17.2, "Management's Statement concerning adaptation to IFRS and pro forma financial information". Furthermore, we are of the opinion that this basis is in all material respects in accordance with the accounting policies applied by Vestjysk Bank A/S (IFRS as adopted by the EU) with necessary adjustments as a consequence of the pro forma financial information not being financial statements complying with all the provisions of IFRS.

Emphasis of Matter

Without qualifying our Report, we draw attention to the above emphasis of matter clauses stated in the auditor's reports on the Financial Statements of Vestjysk Bank A/S and Aarhus Lokalbanc Aktieselskab for 2011, describing Vestjysk Bank A/S's and Aarhus Lokalbanc Aktieselskab's present credit risks and uncertainty as to whether the Capital and Liquidity Plan described is carried through as presupposed, which formed the basis of the preparation of the pro forma financial information presented on a going concern basis. These risks and uncertainties are fully included in the basis of the pro forma financial information.

Holstebro, 28 February 2012
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

H.C. Krogh
State Authorised Public Accountant

5.17.4 Independent auditors' report on the restated income statement and balance sheet of Aarhus Lokalbank A/S for 2011 in accordance with the provisions of IFRS on recognition and measurement

To the shareholders of Aarhus Lokalbank A/S and Vestjysk Bank A/S

Background

We have audited the financial statements of Aarhus Lokalbank A/S for 2011 prepared by Management and included in the annual report for 2011, to which reference is made in the cross-reference table in this extended company announcement of Vestjysk Bank and Aarhus Lokalbank A/S, see Section 5.16 "Historical financial information for Vestjysk Bank A/S and Aarhus Lokalbank A/S". These financial statements have been prepared in accordance with the Executive Order of the Danish Financial Supervisory Authority on Financial Reports of Credit Institutions, etc.

In our independent auditors' report on the financial statements of Aarhus Lokalbank A/S for 2011 dated 22 February 2012, we expressed an unqualified opinion but with the following emphasis of matter paragraph:

"We refer to note 2 "Accounting estimates and uncertainties", page 28 in the section "Impairment losses on loans and receivables, etc.", from which it appears that the measurement of the bank's loans and guarantees is still subject to uncertainty.

Moreover, we refer to note 2 "Accounting estimates and uncertainties", page 28 in the section "Capital resources – going concern", describing the risks regarding continued losses, which will require new capital in order to ensure the bank's ability to continue as a going concern if the merger with Vestjysk Bank is not carried out.

We concur with Management's description of risks regarding the uncertainty about the measurement of the bank's loans and guarantees and the going concern assumptions".

Audit of the restated income statement and balance sheet

In addition to the above, we have audited the income statement for the period 1 January – 31 December 2011 as well as the balance sheet at 31 December 2011 ("the restated income statement and balance sheet") prepared in accordance with the provisions of International Financial Reporting Standards (IFRS) on recognition and measurement of assets and liabilities as described by Management in Section 5.16.1 "Selected financial information". The restated income statement and balance sheet also appear from Section 5.16.1 "Selected financial information". We have not performed any further audit procedures regarding the financial statements for 2011 subsequent to 22 February 2012.

Managements' responsibilities for the restated income statement and balance sheet

The Management of Aarhus Lokalbank A/S and the Management of Vestjysk Bank A/S are responsible for the restated income statement and balance sheet and for explaining the effect of the restatement as disclosed in Section 5.17.5 "Pro forma figures" in the column Aarhus Lokalbank and Section 5.17.1 "Income statement and balance sheet of Aarhus Lokalbank A/S for 2011 restated in accordance with the provisions of IFRS on recognition and measurement" and for such internal control as Management determines is necessary to enable the preparation of the restated income statement and balance sheet that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the restated income statement and balance sheet based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA 800) and additional requirements under Danish audit regulation.

This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the restated income statement and balance sheet are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the restated income statement and balance sheet. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the restated income statement and balance sheet, whether due to fraud or error. In making those risk assessments, the independent auditors consider the internal control relevant to the Company's preparation of restated income statement and balance sheet 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 Company'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 restated income statement and balance sheet.

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

Opinion

We believe that, in all material respects, the income statement for the period 1 January – 31 December 2011 as well as the balance sheet at 31 December 2011 are prepared in accordance with the provisions of International Financial Reporting Standards (IFRS) on recognition and measurement of assets and liabilities as described by Management in Section 5.17.1. "Income statement and balance sheet of Aarhus Lokalbank A/S for 2011 restated in accordance with the provisions of IFRS on recognition and measurement".

Emphasis of matter

Emphasis of matter regarding matters in the restated income statement and balance sheet

"We refer to note 2 "Accounting estimates and uncertainties", page 28 in the financial statements of Aarhus Lokalbank for 2011 on "Impairment losses on loans and receivables, etc.", from which it appears that the measurement of the bank's loans and guarantees is still subject to uncertainty.

Moreover, we refer to note 2 "Accounting estimates and uncertainties", page 28 in the financial statements of Aarhus Lokalbank for 2011, in the section "Capital resources – going concern", describing the risks regarding continued losses, which will require new capital in order to ensure the bank's ability to continue as a going concern if the merger with Vestjysk Bank is not carried out.

We concur with Management's description of risks regarding the measurement of the bank's loans and guarantees and the going concern assumptions as disclosed in the financial statements of Aarhus Lokalbank for 2011.

Emphasis of matter regarding the accounting policies

Without qualifying our opinion, we refer to the fact that the sole objective of the preparation of the restated income statement and balance sheet is to provide the reader of this extended company announcement with an understanding of the income statement and balance sheet prepared in accordance with the provisions of IFRS on recognition and measurement as adopted by the EU and described by the Company's Management in Section 5.17.1 "Income statement and balance sheet of Aarhus Lokalbank A/S for 2011 restated in accordance with the provisions of IFRS on recognition and measurement". The

restated income statement and balance sheet as well as our independent auditors' report have been prepared solely for this purpose and are not to be used for any other purpose. Moreover, the restated income statement and balance sheet should be read in conjunction with the audited financial statements for 2011 included in the annual report for 2011.

Without qualifying our opinion, we draw attention to the fact that financial statements prepared in accordance with IFRS will contain more information than the restated income statement and balance sheet prepared in accordance with the provisions of International Financial Reporting Standard (IFRS) on recognition and measurement of assets and liabilities.

Aarhus, 28 February 2012

KPMG

Statsautoriseret Revisionspartnerselskab

Jakob Nyborg
State Authorised
Public Accountant

Henrik Pungvig Jensen
State Authorised
Public Accountant

5.17.5 Pro forma financial information

Pro forma financial information (DKK'000)	Vestjysk Bank	Aarhus Lokalbank	Pro forma adjustments	Pro forma 2011
INCOME STATEMENT				
Interest income	1.527.430	239.059		1.766.489
Interest expenses	681.031	168.354		849.385
Net interest income	846.399	70.705	0	917.104
Dividends on equity securities, etc.	3.355	1.946		5.301
Income from fees and commissions	263.074	26.821		289.895
Fees and commissions paid	27.488	3.192		30.680
Net income from fees and commissions	235.586	23.629	0	259.215
Net interest and fee income	1.085.340	96.280	0	1.181.620
Total market value adjustments	-25.053	-4.839		-29.892
Other operating income	6.345	60		6.405
Personnel and administrative expenses	590.548	87.803		678.351
Depreciation, amortisation and impairment of property, plant and eq	15.210	4.198		19.408
Other operating expenses	34.781	9.062		43.843
Profit/loss on equity investments in associates/subsidiaries	0	-30		-30
Impairment of loans and other receivables, etc.	984.869	145.655		1.130.524
Profit/(loss) before tax	-558.776	-155.247	0	-714.023
Tax	-136.140	510		-135.630
Net profit/(loss) for the year	-422.636	-155.757	0	-578.393
BALANCE SHEET – ASSETS				
Cash in hand and demand deposits with central banks	666.076	129.549		795.625
Amounts receivable from credit institutions and central banks	730.792	619.497		1.350.289
Loans and other receivables at amortised cost	21.715.932	3.057.674	(1)	24.653.606
Debt securities at fair value	2.909.038	417.701		3.326.739
Debt securities at amortised cost	0	9.312		9.312
Equity securities, etc.	570.109	71.531		641.640
Investments in subsidiaries	0	12.154		12.154
Assets linked to pooled fund schemes	1.104.270	0		1.104.270
Intangible assets	107.065	0	(2)	202.065
Total land and buildings	368.894	42.764		411.658
Investment property	1.492	0		1.492
Owner-occupied property	367.402	42.764		410.166
Other property, plant and equipment	12.083	3.698		15.781
Current tax assets	588	0		588
Deferred tax assets	303.346	40.105	(3)	303.346
Temporary assets	0	883		883
Other assets	792.006	65.819		857.825
Prepayments	0	0		0
TOTAL ASSETS	29.280.199	4.470.687	-65.105	33.685.781

Pro forma financial information (DKK'000)	Vestjysk Bank	Aarhus Lokalbank	Pro forma adjustments	Pro forma 2011
BALANCE SHEET – LIABILITIES AND EQUITY				
LIABILITIES				
Amounts owed to credit institutions and central banks	1.929.734	33.220		1.962.954
Total deposits and other debt	13.925.039	2.444.885		16.369.924
Deposits with pooled fund schemes	1.104.270	0		1.104.270
Issued debt securities at amortised cost	7.927.786	1.326.864		9.254.650
Temporary liabilities	0	1.043		1.043
Other liabilities and equity	439.568	88.552	(4)	588.120
Deferred income	18	982		1.000
TOTAL LIABILITIES	25.326.415	3.895.546	60.000	29.281.961
PROVISIONS				
Provisions for pensions and similar obligations	21.418	0		21.418
Provision for losses on guarantees	24.457	240		24.697
Other provisions	11.586	0		11.586
TOTAL PROVISIONS	57.461	240	0	57.701
SUBORDINATED DEBT	2.162.986	356.727	0	2.519.713
EQUITY				
Share capital	125.000	162.037		287.037
Revaluation reserves	30.848	0		30.848
Reserve for cash flows	-11.814	0		-11.814
Other reserves	0	0		0
Retained earnings	1.589.303	56.137	(5)	1.520.335
TOTAL EQUITY	1.733.337	218.174	-125.105	1.826.406
TOTAL LIABILITIES AND EQUITY	29.280.199	4.470.687	-65.105	33.685.781
CONTINGENT LIABILITIES				
Guarantees, etc.	4.353.268	586.288	(6)	4.849.556
Other obligating agreements	4.822	3.536	0	8.358
TOTAL LIABILITIES AND EQUITY	4.358.090	589.824	-90.000	4.857.914
Pro forma financial information	Vestjysk Bank	Aarhus Lokalbank	Pro forma adjustments	Pro forma 2011
FINANCIAL RATIOS				
Solvency				
Solvency ratio	12,4	15,4		12,2
Core capital ratio	9,1	8,2		8,1
Total risk-weighted items	25.661.641	3.352.542	(7)	28.876.183
Supervisory diamond's ratios				
Funding ratio	0,8	0,7		0,8
Excess cover relative to statutory liquidity requirement	98,8	169,9		109,4
Sum of large commitments relative to capital base	30,7	171,3		27,6
Growth in lending for the period	-7,5	-18,2		5,1
Property exposure	16,8	34,4		19,1

1. Loans and other receivables

The negative adjustment of DKK 120 million relates to fair value adjustment of loans

2. Intangible assets

Goodwill is calculated as follows:

Consideration for the shares in Aarhus Lokalbank: 3.976 million shares in Vestjysk Bank of DKK 23.4 each	93,069
Carrying amount of equity in Aarhus Lokalbank at 31 December 2011	218,174
Provision for termination of Bankdata membership	-60,000
Deferred tax	-40,105
Revalued assets in Aarhus Lokalbank, estimated	-120,000
Fair value of assets less liabilities	-1,931
	95,000
Goodwill	

3. Deferred tax assets

The negative adjustment of DKK 40 million is related to the fact that the merger is taxable, and the tax asset no longer has any value.

4. Other liabilities and equity

The DKK 60 million adjustment relates to the provision for termination compensation to Bankdata.

5. Equity

The negative adjustment of retained earnings in the amount of DKK 125 million represents the overall effect on equity of the adjustments set out in notes 1 to 4.

6. Contingent liabilities

The DKK 90 million adjustment to guarantees relates to an intra-group guarantee between the two banks.

7. Weighted items

The amount comprises DKK 120 million relating to fair value adjustment of loans and other receivables and DKK 90 million relating to adjustment of guarantees between the two banks.

5.18 Outlook

The parties to the merger have set a target of total core earnings for 2012 in the region of DKK 550-600 million before impairment losses and exceptional costs in relation to the merger. By way of illustration, if the merger and the capital plan are completed and the continuing bank realises its target core earnings, the solvency of the continuing bank is expected to be 14.5% at the end of 2012 provided that impairment losses on loans and guarantees amount to 1.5% and no synergies are achieved in connection with the merger in 2012. The combined weighted pro forma solvency need of the two banks at 31 December 2011 was 10.8%.

6 CONSIDERATION AND AGREEMENTS

No agreements on consideration to the directors, officers or employees of the two banks have been made in connection with the merger.

Under section 245(6) of the Companies Act, the following corporate merger documents will be available for inspection by the shareholders at no charge at the offices of the company, and will also be available at the company's website:

- the merger plan
- the merger statements
- the valuation expert's statement on the merger plan
- the valuation expert's declaration on the creditors' position

- the three most recently approved annual reports of Vestjysk Bank and Aarhus Lokalbank

In addition to the corporate documents to be made available pursuant to legislation, a merger agreement was made on 22 February 2012 between Vestjysk Bank and Aarhus Lokalbank. The terms laid down in the merger agreement are consistent with the terms of the merger set out in the merger plan and the merger statements and in this announcement.

7 THE NEW SHARES

In connection with the merger, a capital increase in the continuing bank is required in order to produce the necessary number of shares to carry out the exchange.

7.1 Rights attaching to the shares

The new shares will rank *pari passu* with all other shares of the continuing bank.

No shares of the continuing bank carry any special rights.

The rights attaching to the shares may be changed by amendment of the articles of association of the continuing bank, such amendment being subject to the passing of a resolution to that effect in accordance with the articles of association of the bank and the provisions of the Companies Act in force from time to time. The continuing bank's current articles of association on the amendment of the articles of association are not stricter than the provisions of the Companies Act.

7.2 Shares registered in the name of the holder

All shares in the continuing bank will be registered electronically in the computer system of VP Securities A/S through the continuing bank as the custodian of such shares. The shares must be issued to named holders and be registered in the name of the holders in the register of shareholders to be kept by VP Investor Services A/S, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark.

The ISIN code of the new shares is DK0010304500

7.3 Dividend rights/rights to share in profits

Pursuant to the Companies Act, the shareholders authorise the distribution of dividends at the annual general meeting on the basis of the most recently approved annual report. Dividends may not exceed the amount recommended by the board of directors.

The new shares in Vestjysk Bank to be issued as consideration to the shareholders of Aarhus Lokalbank are eligible for any dividends payable as from the date of approval of the merger at the general meetings of Vestjysk Bank and Aarhus Lokalbank. Accordingly, the new shares will entitle the holders to receive any ordinary dividends declared in respect of the 2012 financial year and any ordinary dividends declared and paid thereafter, provided the shareholders attending the annual general meeting in 2013 vote in favour of a resolution to pay dividends.

Since both Vestjysk Bank and Aarhus Lokalbank are subject to the dividend restrictions under the Financial Stability Act and the Act on State Capital Injections, the continuing bank may only distribute dividends to the extent such dividend can be financed by the net profit after tax which constitutes distributable reserves and is accumulated during the period after

1 October 2010. For a detailed description of dividend restrictions, see 5.8 "Dividend policy".

Dividends are paid in Danish kroner to the shareholders' account with their custodian banks and in accordance with the rules of VP Securities A/S in force from time to time. On payment of dividends, the bank will withhold tax on dividends pursuant to the rules applicable from time to time. The current standard rate for individuals is 27% and 25% for legal entities. See 5.9 "Taxation" for a detailed description of the tax considerations relating to the new shares.

As a general rule, claims for payment of dividend that is unclaimed by the shareholders will be time-barred three years after the declaration of dividend. Any dividend declared which could not be transferred to a shareholder will accrue to the continuing bank after time-barring.

7.4 Voting rights

Each share with a nominal value of DKK 10 in the continuing bank confers one vote.

Voting rights may be exercised pursuant to a written and dated instrument of proxy. Proxies issued to the board of directors may, however, only be given for a maximum period of 12 months and must be given for a specific general meeting with an agenda known in advance. Proxy forms issued for a general meeting that does not form a quorum will remain valid for any second general meeting, unless otherwise provided in the proxy form.

Shareholders who have obtained admission cards may vote at general meetings. Admission cards are issued against documentation of shareholder status at the company's offices or at a place specified in the notice convening the general meeting until three days prior to the general meeting.

Shareholders with voting rights may vote by correspondence. Forms for voting by correspondence will be available at the website of the continuing bank not later than three weeks prior to the general meeting. Votes cast by correspondence must be received by the continuing bank not later than at 12.00 noon one business day before the general meeting.

A shareholder's right to vote is determined relative to the shares held by the shareholder at the record date, which is one week before the general meeting. The shares held by each shareholder are calculated on the record date on the basis of registration of such shareholder's ownership in the register of shareholders and notifications about ownership received by the continuing bank for entry into the register of shareholders, but which have not yet been recorded in the register of shareholders.

Resolutions to amend the articles of association or concerning the dissolution of the continuing bank will be valid only if not less than half of the share capital is represented at the general meeting and the resolution is adopted by not less than two-thirds of the votes cast as well as of the voting share capital represented at the general meeting.

Should one half of the share capital not be represented at the general meeting, but the resolution proposed is passed by two-thirds of both the votes cast and of the share capital represented at the general meeting, a new general meeting will be convened by the board of directors within 14 days at which the resolution proposed may be passed by two-thirds of the votes cast, regardless of the proportion of the share capital represented.

Resolutions to amend the articles of association proposed by the board of directors may be passed even if one half of the share capital is not represented.

The articles of association of the continuing bank do not contain any terms which may cause delay, postponement or prevention of a change of control in the continuing bank.

7.5 Pre-emptive rights

In connection with cash capital increases, the shareholders are entitled to subscribe for shares on a pro rata basis, unless otherwise resolved by special resolution of the shareholders in general meeting. Pursuant to article 9.10 of the articles of association, pre-emptive rights for existing shareholders may also be disappplied by the board of directors exercising its authority to increase the share capital provided the subscription price equals the market price.

The continuing bank has received a state capital injection that may be converted into shares in the continuing bank pursuant to the relevant terms and conditions set out in the company's articles of association. Such shares will be issued without pre-emptive rights for existing shareholders.

7.6 Rights on solvent liquidation

In the event the continuing bank is liquidated, the shareholders will be entitled to participate in the distribution of net assets in proportion to their nominal shareholdings after payment of the company's creditors.

7.7 Negotiability and transferability of the shares

The shares in the continuing bank are freely transferable and negotiable instruments under Danish law, and no restrictions apply to the transferability of the shares pursuant to the continuing bank's articles of association. According to the terms of the state capital injection incorporated in the articles of association of the continuing bank, the continuing bank may in certain circumstances not be a party to any mergers or demergers.

7.8 Danish regulations governing takeover bids, redemption of shares and shareholder disclosures

Takeover bids

Part 8 of the Securities Trading Act and the executive order issued pursuant thereto contain rules applicable to mandatory takeover bids. If a shareholding is transferred, directly or indirectly, in a company with one or several share classes admitted to trading on a regulated market or an alternative market place, to a transferee or to persons who trade in concert with such transferee, the transferee must as a general rule enable all the shareholders of the company to dispose of their shares on identical terms if such transfer involves that the transferee obtains a controlling interest in the company. A controlling interest is deemed to exist if the transferee holds, directly or indirectly, more than half the voting rights in a company unless, in special cases, it can be clearly demonstrated that such holding does not constitute a controlling interest. A controlling interest is also deemed to exist if a transferee who does not hold more than half the voting rights in a company (i) has the right to control more than half the voting rights by virtue of an agreement with other investors, (ii) has the right to control the financial and operational affairs of a company according to the articles of association or an agreement, (iii) has the right to appoint or dismiss the majority of the members of the supreme management body, and such management body has a controlling influence in the company, or (iv) holds more than one-third of the voting rights in the company and the actual majority of the votes at the general meeting or any similar body and thereby has an actual controlling influence in the company.

If special conditions apply, the Danish FSA may grant an exemption from the obligation to make a mandatory takeover bid.

A conversion of the state capital injections into share capital does not result in an obligation to make a mandatory takeover bid pursuant to the rules of section 31 of the Securities Trading Act, cf. section 8(6) of the Act on State Capital Injections. The conversion of a state capital injection into share capital effected in Aarhus Lokalbank in February 2011 and the conversion of a state capital injection into share capital effected in Vestjysk Bank in February 2012 did thus not impose an obligation on the Danish state to submit a takeover bid, and the same will apply to any future conversion of state capital injections into share capital.

Squeeze out

Pursuant to the rules of section 70 of the Companies Act, shares in a company may be redeemed in whole or in part by a shareholder holding more than nine-tenths of the shares and the corresponding voting rights in the company. Pursuant to section 73 of the Companies Act, a minority shareholder may require the majority shareholder holding more than nine-tenths of the shares and the corresponding voting rights in the company to redeem the minority shareholder's shares.

Pursuant to section 144 of the Financial Business Act, the board of directors of a bank that does not meet the applicable capital requirement and where the Danish FSA has set a time limit for re-establishing the capital, may with a simple majority, upon the request of a shareholder owning 70% or more of the bank's shares, resolve to redeem the shares of the other shareholders of the bank. This also applies in situations in which the request is made by a shareholder who, after a capital injection as part of a reconstruction plan, owns 70% or more of the shares in the bank, even though the bank, as a consequence of the capital injection, again meets the capital requirement. The board of directors' resolution on a compulsory redemption of shares is subject to approval by the Danish FSA.

Financial legislation furthermore provides rules on mandatory winding-up of banks implying that the activities of a bank may be wholly or partially transferred to another bank.

Major shareholdings

Pursuant to section 29 of the Securities Trading Act, a shareholder of a company the shares of which are admitted to trading on a regulated market or an alternative marketplace is required to notify the company and the Danish FSA as soon as possible if the shareholder's shareholding (i) represents 5% or more of the voting rights in the company or the nominal value of its share capital, or (ii) when a change in a holding already notified implies that the thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the voting rights or the nominal value are reached or are no longer reached, or the change implies that the thresholds stated in (i) are no longer reached.

The notifications must comply with the content requirements set out in sections 15 and 16 of the Danish executive order on major shareholders, including the identity of the shareholder and the date when a threshold is reached or is no longer reached. Any failure to comply with the disclosure requirements is punishable by a fine. When the company has received such notification, it is required to publish the contents thereof as soon as possible.

Furthermore, general duties of notification apply under the Companies Act, and special duties of notification in respect of the continuing bank's insider group apply under the Securities Trading Act.

7.9 Exchange of shares

As a result of the merger, the shares in Aarhus Lokalbank will be exchanged for shares in Vestjysk Bank.

The exchange of shares will be effected by registration through VP Securities A/S, Weidekampsgade 14, DK-2300 Copenhagen S, Denmark, when the merger has been registered with the Danish Business Authority. The shareholders of Aarhus Lokalbank will receive notification when the merger has been registered and the exchange of shares is to take place.

See 3 "Terms of the merger and consideration for the shares in Aarhus Lokalbank" for a detailed description of the exchange of shares.

7.10 Trading in and official listing of the new shares

Application will be made for the new shares relating to the capital increase in Vestjysk Bank to be admitted for trading and official listing on NASDAQ OMX Copenhagen, and dealings in the shares are expected to commence as set out in the timetable in 9 "Expected timetable of the merger" below.

8 OTHER INFORMATION ABOUT THE CONTINUING BANK

8.1 Name and registered office

Vestjysk Bank A/S, Torvet 4-5, DK-7620 Lemvig, Denmark

Tel. +45 96 63 20 00

Vestjysk Bank A/S was formed in 1874 under the name of A/S Lemvig Bank.

Vestjysk Bank is registered with the Danish Business Authority under company registration (CVR) no. 34 63 13 28 and is a public limited liability company registered under Danish law.

8.2 Financial year and financial reporting

The financial year of Vestjysk Bank runs from 1 January to 31 December. The bank publishes interim reports.

8.3 Objective

Pursuant to articles 2.1-2.4 of Vestjysk Bank's articles of association, its objective is to carry on banking operations.

Temporarily, the bank may carry on other business to secure or settle any commitments previously entered into, and for the purpose of participating in the restructuring of business enterprises.

The bank may carry on other business ancillary to the banking operations.

The bank may carry on other financial business through subsidiary companies.

8.4 Auditors

The auditor of the continuing bank is PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab.

The financial statements of Vestjysk Bank for the years ended 31 December 2009 and 2010 were audited by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab (on 1 July 2011 converted from a "revisionsaktieselskab" (public limited company) to a "revisionspartnerselskab" (limited liability company)) represented by H.C. Krogh, State-authorized Public Accountant, Hjaltesvej 16, DK-7500 Holstebro, Denmark, and Krøyer Pedersen, Statsautoriserede Revisorer I/S represented by Henrik Holm, State-authorized Public Accountant, Hostrupsvej 4, DK-7500 Holstebro, Denmark.

At the annual general meeting in 2011, the board of directors submitted a proposal that future audits be undertaken by a single accountant, PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab, which was reappointed. As a result, Krøyer Pedersen, Statsautoriserede Revisorer I/S resigned as auditor.

PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab represented by H.C. Krogh, State-authorized Public Accountant, Hjaltesvej 16, DK-7500 Holstebro, Denmark, audited the financial statements of Vestjysk Bank for the year ended 31 December 2011.

KPMG Statsautoriseret Revisionspartnerskab represented by Jakob Nyborg, State-authorized Public Accountant, and Henrik Pungvig Jensen, State-authorized Public Accountant, Værkmestergade 25, DK-8000 Aarhus, Denmark, audited the financial statements of Aarhus Lokalbank for the financial years ended 31 December 2009, 2010 and 2011.

All of the auditors referred to above are members of the Institute of State Authorized Public Accountants in Denmark (FSR).

8.5 Issuing agent

Vestjysk Bank is the issuing agent of shares in the continuing bank.

8.6 Financial calendar

The financial calendar for 2012 of Vestjysk Bank is as follows:

Date	Subject:
29 March 2012	Annual general meeting
31 May 2012	Interim report, Q1 2012
8 August 2012	Interim report, H1 2012
25 October 2012	Interim report, Q1-Q3 2012

9 EXPECTED TIMETABLE OF THE MERGER

The expected timetable of the merger is as follows:

Date	Subject:
28 February 2012	Release of merger plan and any appendices as well as notices to convene the annual general meetings of Vestjysk Bank and Aarhus Lokalbank
28 February 2012	Announcement of receipt of merger plan and declaration on the creditors' position through the IT system of the Danish Business Authority
28 March 2012	Annual general meeting of Aarhus Lokalbank with a proposal to approve the merger
29 March 2012	Annual general meeting of Vestjysk Bank with a proposal to approve the merger
30 March 2012	Expected approval of the merger by the Danish FSA pursuant to section 204 of the Financial Business Act
30 March 2012	Registration of the merger with the Danish Business Authority, provided that the merger is approved at both annual general meetings
30 March 2012	Last day of trading on NASDAQ OMX Copenhagen in the shares of Aarhus Lokalbank
2 April 2012	Admission to trading on NASDAQ OMX Copenhagen of new shares issued by Vestjysk Bank
10 April 2012	Merger to be processed by VP Securities A/S – the shares in Aarhus Lokalbank to be exchanged for shares in Vestjysk Bank after daily updating at VP Securities A/S
11 April 2012 - 17 April 2012	Period for sale of fractional shares
18 April 2012	Fractional shares to be combined in VP Securities A/S into shares in Vestjysk Bank

10 DOCUMENTS

Enclosed with this announcement are:

- a joint merger plan
- a merger statement for Vestjysk Bank
- a merger statement for Aarhus Lokalbank
- draft articles of association of the continuing bank
- the valuation experts' statement on the merger plan pursuant to section 241 of the Companies Act
- the valuation experts' declaration on the creditors' position pursuant to section 242 of the Companies Act
- the financial statements for the years ended 31 December 2008, 2009, 2010 and 2011 of Vestjysk Bank and Aarhus Lokalbank

The documents will also be available for inspection at the offices of Vestjysk Bank, Torvet 4-5, DK-7620 Lemvig, Denmark, and the offices of Aarhus Lokalbank, Nordhavnsgrde 1, DK-8000 Aarhus C, Denmark.

11 RISK REPORTS

The table below refers to the risk reports for 2011 of Vestjysk Bank and Aarhus Lokalbank, respectively. For a detailed review of the risk reports, see the websites of the two banks: www.vestjyskbank.dk and www.aarhuslokalbank.dk.

	Vestjysk Bank Risk report 2011 page	Aarhus Lokalbank Aktieselskab Risk report 2011 page
Risk policy	3-8	2
Credit risk	11	4-5, 11-14
Market risk	17	2, 14
Interest rate risk	18	2-3, 15
Foreign exchange risk	-	4
Equity risk	17	3, 15
Liquidity risk	-	6
Operational risk	17	5-6, 14

12 DEFINITIONS

Subordinated loan capital	Loans that meet the conditions of section 26 of the Capital Base Order on subordinated loan capital. Subordinated loan capital must be subject to conditions including (i) that the debt must be subordinated to any other unsubordinated debt, (ii) that principal and interest may be written down subject to the satisfaction of certain conditions, (iii) deferral of interest payments, and (iv) that the debt may only fall due for repayment in the event of liquidation or bankruptcy of the bank.
Amortised cost	Principle of valuation of lending by banks. In calculating the value of the loan, the original cost is made up by deducting instalments and any impairment losses plus/less accrued transaction costs, fees and commissions received during the term of the loan.
Bankdata	Bankdata is an IT service provider that provides IT solutions for Danish banks and their customers: Bankdata is owned by 15 Danish banks, including Aarhus Lokalbank.
Bank Package I	The general guarantee scheme under which the Danish state unconditionally guaranteed the claims of unsecured creditors against banks during the period from 8 October 2008 until 30 September 2010 in accordance with the Financial Stability Act.
Bank Package II	The scheme established under the Act on State Capital Injections, under which Danish banks and mortgage banks could obtain state capital injections.
Bank Package III	The new scheme for winding up distressed Danish banks, which was established on the expiry of Bank Package I. The terms of the winding-up scheme are laid down in part 4b of the Financial Stability Act.
Bank Package IV	Changes to Bank Package III adopted in August 2011. Some of the measures introduced by Bank Package IV were: an extended "dowry" scheme in connection with full or partial takeover of a distressed bank, change of the principles of banks' payments to the Depositors' Guarantee Fund and a decision to set up a committee to select systemically important banks in the Danish banking sector. Moreover, Bank Package IV included an option for merging banks to obtain a three-year extension of individual state guarantees. This part of Bank Package IV is expected to be amended by the modified Bank Package IV if it is approved by the Finance Committee of the Danish parliament.
Basel III	Basel III is a set of guidelines containing, <i>inter alia</i> , proposals for stricter requirements for the capital base and liquidity of banks and financial holding companies. Basel III was issued by the Bank for International Settlements, which is a body for international cooperation on, <i>inter alia</i> , supervision of financial businesses. Basel III is expected to be

	introduced in Denmark on the basis of new capital and liquidity regulations adopted at EU level and based on Basel III.
Capital Base Order	The Danish Executive Order no. 764 of 24 June 2011 on calculation of capital base.
BEC	Bankernes EDB Central, which is an IT service provider that provides IT solutions to Danish banks and their customers.
Business day	A day on which NASDAQ OMX Copenhagen A/S is open for trading.
CHF	The Swiss currency: Swiss franc
EUR or "euro"	The single currency of the member states participating in the third stage of the European Economic and Monetary Union pursuant to the Treaty Establishing the European Community, as amended from time to time.
Hybrid core capital	Capital that meets the requirements of the Capital Base Order on hybrid core capital. Hybrid core capital must be subject to conditions including (i) either that the capital is not subject to a fixed date of maturity or that the capital does not fall due for repayment until 30 years after the disbursement, (ii) that the capital must be subordinated to any other debt, including subordinated loan capital, (iii) that principal and interest may be written down subject to the satisfaction of certain conditions, (iv) deferral and lapse of interest payments, and (iv) that the debt may only fall due for repayment in the event of liquidation or bankruptcy of the bank.
Individual state guarantee	Pursuant to the Act to amend the Financial Stability Act, which entered into force on 4 February 2009, a scheme was set up according to which Finansiel Stabilitet A/S, on behalf of the Danish state, may upon application enter into agreements for the provision of individual state guarantees for existing and new unsubordinated, unsecured debt and for the provision of supplementary collateral (junior covered bonds) with a maturity of up to three years by institutions issuing mortgage covered bonds or covered bonds. The guarantee scheme covers loans issued until 31 December 2010.
Depositors' Guarantee Fund	The Danish Guarantee Fund for Depositors and Investors, covering, <i>inter alia</i> , (i) registered bank deposits up to an amount of EUR 100,000 per depositor, and (ii) securities deposited with or managed by the bank up to an amount corresponding to EUR 20,000 per investor.
Capital Adequacy Order	The Danish Executive Order no. 1399 of 16 December 2011 on capital adequacy.
Capital plan	The capital plan announced by Vestjysk Bank and Aarhus Lokalbank on 25 January 2012.
DKK	Danish kroner.
Financial Stability Act	The Danish Consolidating Act no. 875 of 15 September 2009 on financial stability as amended.
Financial Business Act	The Danish Consolidating Act no. 885 of 8 August 2011 on financial business as amended.
Act on State Capital Injections	The Danish Consolidating Act no. 876 of 15 September 2009 on state capital injections in credit institutions as amended.

NASDAQ OMX Copenhagen	NASDAQ OMX Copenhagen A/S
Financial Reporting Order	The Danish Executive Order no. 17 of 11 January 2011 on the presentation of financial reports by credit institutions and investment companies etc.
Risk factors	Risk factors which, if they materialise, could have a material impact on the bank's business, prospects, financial position, results of operations and the value of the continuing bank.
Companies Act	The Danish Act no. 322 of 11 April 2011 on public and private limited companies as amended.
Sector equities	Sector equities consist of shares in companies that provide infrastructure services and financing products, and which are jointly owned by several banks. Any references to sector equities in this company announcement are references to shares in DLR Kredit A/S.
State capital injection	State capital injections into Danish banks and mortgage banks by way of hybrid core capital established under the Act on State Capital Injections. State capital injections consist of hybrid core capital without any fixed maturity with an option of repayment after three years subject to the prior approval of the Danish FSA. The Act on State Capital Injections contains a number of terms to which state capital injections are subject.
Vestjysk Bank	Vestjysk Bank A/S, company reg. (CVR) no. 34 63 13 28.
Aarhus Lokalbank	Aarhus Lokalbank Aktieselskab, company reg. (CVR) no. 37 72 91 16.