

# First quarter result points in the right direction

**Despite loss in the first quarter 2009, the accounts show that Eik Banki Group is moving forward compared to the volatile fourth quarter last year. Impairments and losses have decreased considerably and the Group endows itself by applying for hybrid core capital of DKK 550 million**

- Establishing a loss from ones activities is never satisfactory. We are, however, pleased that losses and impairments have decreased considerably compared to the last quarter, which was very much marked by the global economic and financial crisis. The first quarter accounts point in the right direction although the economic crisis is far from over, says Marnar Jacobsen, CEO of Eik Banki Group.

The result before taxes is a loss of DKK 36.5 million against a loss of DKK 377.2 million in the fourth quarter 2008. The result after taxes is a loss of DKK 23.9 million against DKK 282.4 million the last quarter of 2008. A year ago, the result was DKK 38.6 million before taxes and DKK 28.9 million after taxes.

- Impairments are 83 per cent less than in the fourth quarter 2008, indicating a change in the development in a market that more or less has been in a state of emergency, says Marnar Jacobsen.

Net interest income is somewhat meeker compared to a year ago, i.e. DKK 133 million in the first quarter 2009 against DKK 160 million in the same period last year. The decrease is caused by the unusually high interest rates on the financial market in the fourth quarter 2008, which have affected the interest costs on the loans that the Bank has procured on the interbank market.

On the other hand, solvency and liquidity are at a satisfactory level. At the end of March 2009, Group solvency was 10 per cent and liquidity was DKK 5.6 billion, which is an excess cover of 154.9 per cent over the required minimum. The parent company Eik Banki's solvency was 17.4 per cent.

Despite satisfactory solvency and liquidity, Eik Banki has decided to apply for hybrid core capital under Credit Package II. This would entail an injection of subordinated core capital of DKK 550 million and strengthen Group solvency by 3.4 percentage points. The amount should be viewed in the light of costs in connection with Credit Package I, which burden the bank's solvency. The guarantee commission alone for Credit Package I is DKK 134 million during the term. Furthermore, the Bank provides security for losses of other banks of DKK 179 million. Therefore, total costs of Credit Package I may amount to DKK 313 million.

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- It is difficult for anyone with certainty to predict the development and implications of the global crisis. By applying for admission to Credit Package II, we take full precautions and ensure that we maintain loan activities on a certain level, despite the financial crisis. It would not be prudent to abstain from this security, says Marner Jacobsen.

The outlook for the rest of the year has changed somewhat, compared to what was announced in the 2008 annual report. Income from interests and commissions will be approximately DKK 30 million less than expected, whereas estimated staff and administration costs will remain unchanged. Moreover, Credit Package II is estimated to burden the annual result by DKK 20 million, meaning that the result prior to value adjustments, impairments and taxes is estimated to be DKK 300 million against the original estimate of DKK 350 million.

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