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23 April 2008

Stock exchange announcement no 10/2008 - Lokalbanken i Nordsjælland's interim report for Q1 2008

Lokalbanken's Supervisory Board today approved the Bank's interim report for Q1 2008.

- Pre-tax profit of DKK 41.2m - 27% up on Q1 2007
- An 8.5% decline in profit before impairment losses and translation/market value adjustments
- Translation/market value adjustments of DKK 23.2m
- Unchanged expected pre-tax profit for the year of DKK 90 -110m.

Key figures (DKK'000)	Q1 2008	Q1 2007	FY 2007
Net interest and fee income	67,701	68,111	287,162
Translation/market value adjustments	23,167	5,454	-4,485
Staff costs and administrative expenses	48,637	45,866	196,942
Impairment losses on loans, advances and receivables etc	-93	-5,780	3,090
Income from investments in associates and subsidiaries	-41	-135	92
Profit before tax	41,158	32,312	81,713
Profit after tax	30,869	22,569	63,226
Deposits	3,406,781	3,290,132	3,414,512
Loans and advances	4,013,902	3,114,399	3,928,320
Total assets	5,579,766	4,850,559	5,760,180
Equity	696,630	654,671	677,736
Guarantees etc	1,580,061	2,895,166	1,886,301

Key ratios	Q1 2008	Q1 2007	Full year 2007
Capital adequacy			
Capital adequacy ratio	12.8	13.8	12.8
Core capital ratio	10.9	12.8	11.0
Earnings			
Return on equity before tax for the period in %	6.0	5.0	12.3
Return on equity after tax for the period in %	4.5	3.5	9.5
Operating income over operating expenses	1.82	1.77	1.40
Market risks			
Interest rate risk in %	0.9	1.7	1.1
Currency position in %	7.6	4.0	68.4
Currency risk in %	0.1	0.0	0.1
Credit risks			
Loans and advances in ratio to deposits in %	121.9	99.2	119.4
Loans and advances in ratio to equity	5.8	4.8	5.8
Loan growth for the period in %	2.2	2.1	28.8
The sum of large commitments in %	127.5	-*	178.5
Impairment ratio for the period	0.0	-0.1	0.1
Liquidity			
Excess liquidity in relation to statutory requirements of liquidity in %	95.6	73.1	116.4
The share			
Earnings per share for the period (DKK 100 nominal)	57.2	41.8	123,2
Book value per share (DKK 100 nominal)	1.358	1,241	1,320
Dividends per share (DKK 100 nominal)	-	-	20
Listed price/earnings per share for the period (DKK 100 nominal)	24.7	51.5	16,8
Listed price (DKK 100 nominal)/book value per share in DKK	1.04	1.74	1,56
Share price at period-end (DKK 100 nominal)	1.410	2.154	2,064

* As a result of adopting the transitional provisions for calculating capital adequacy, Basel II, the Bank was not obliged to draw up the key ratio for large commitments for Q1 2007, and so this key ratio has not been stated.

Management's review on the interim report for Q1 2008

Development in activities and finances

Net interest income has increased by 6% on Q1 2007 despite a narrowing of the Bank's interest margin. Interest expenses have gone up considerably in connection with interest rate increases, fiercer competition on the deposits market as well as higher inter-bank interest rates.

With respect to fees, Q1 has been characterised by less activity than in the same period last year. This has contributed to lower commission income from refinancing and home buying as well as commission from securities trading. Fee and commission income has accordingly dropped by 17% on Q1 2007 to DKK 19.1m.

Translation/market value adjustments generated income to the Bank of DKK 23.2m against DKK 5.4m in Q1 the year before. This includes a capital gain of DKK 29m from a subsequent adjustment in connection with the divestment of Totalkredit to Nykredit. The Bank's own portfolio has in Q1 generated a capital loss of DKK 8.5m. This is a result of the general trend of declining prices and turbulence on the financial markets which have affected performance for Q1 2008. The Bank continuously aims for a limited risk on the portfolio of shares and bonds.

The Bank's costs have gone up by 6% compared to the year before, primarily as a result of increased staff costs and administrative expenses. Costs develop as expected.

Impairment losses on loans and advances and receivables etc result in an income of DKK 0.1m compared with an income of DKK 5.8m in Q1 2007. The change is a result of the Bank no longer having the same basis for reversing impairment losses because of very favourable conditions for the Bank's commercial customers in particular.

The Bank's profit before translation/market value adjustments and impairment losses has gone down by 8.5% on Q1 2007.

The Bank's pre-tax profit has improved by 27% on Q1 2007 and results in a return on equity of 6.0%. The capital adequacy ratio is 12.8% and is accordingly higher than the Bank's aim of 12.5% specified in its policy, and is also a satisfactory excess cover compared to the statutory requirement of 8%.

Liquidity

After Q1 2008, the Bank's excess liquidity was 95.6%.

With its present composition of liquidity, the Bank does not depend so much on the day-to-day money market. The Bank aims to reduce its dependency on the day-to-day money market by ensuring longer current facilities to finance growth. This helps reduce the risk of lacking liquidity, but at the same time affects the Bank's operations through increased interest expenses.

None of the existing, utilised facilities with other banks expire in 2008, and will therefore not need refinancing in this financial year.

Totalkredit

The original purchase agreement from 2003 on the sale of Totalkredit to Nykredit included a subsequent adjustment of Nykredit's acquisition price for Totalkredit, which was dependent on Totalkredit's market share at 1 April 2010. Diversification will however hamper a precise calculation of Totalkredit's market share in 2010. For this reason, Nykredit has offered to set the market share at 35% at 1 April 2010. This implies an additional payment of DKK 29m to Lokalbanken. Even if the amount is paid at 1 October 2012 as originally agreed, the additional payment is recognised as a capital gain in the income statement in Q1 2008.

Establishment of a new company: MatchPoint Virksomhedsmægler A/S

Lokalbanken has in cooperation with DiBa Bank, Skælskør Bank, Totalbanken and Carsten Stig Nielsen established a new company - MatchPoint Virksomhedsmægler A/S. MatchPoint is to render strategic and financial advisory services in connection with acquisition and sale of enterprises, mergers, succession, funding, preparation for stock exchange listings and listings. The target group is small and medium-sized enterprises in particular.

Lokalbanken has invested DKK 2.25m in the company.

The Danish Competition Authority

The case against the seven banks, the so-called Lokalbank cooperation, has now been closed. The banks have accepted a fine of DKK 570,000 per bank, which was paid on 15 April 2008 and therefore not included in the results for Q1.

Events after 31 March 2008

No events or unusual circumstances have occurred after 31 March 2008 which would materially influence the Bank's financial position.

Outlook for all of 2008

The ongoing credit crisis causes some uncertainty as to the development in activities as well as losses and impairment losses. As mentioned in the annual report for 2007, the Bank expects a moderate improvement of profit before tax and impairment losses for 2008. This view is presently maintained despite the uncertainty, and the Bank expects an unchanged pre-tax profit of DKK 90 -110m for the financial year 2008.

Accounting policies

The accounting policies remain unchanged compared to the annual report for 2007.

Statement by Management on the interim report

The Supervisory and Executive Boards have today presented the interim report for Q1 2008 for Lokalbanken i Nordsjælland a/s.

We consider the accounting policies appropriate for the interim report to provide a true and fair view of the Lokalbanken's financial position and results.

The interim report has not been audited or reviewed.

Yours faithfully

Lokalbanken i Nordsjælland a/s

Erik Uttenthal
Chairman of the Supervisory Board

Bruno Riis-Nielsen
CEO

Appendices: Income statement
Balance sheet
Statement of changes in equity
Notes

Income statement (DKK'000)	Q1 2008	Q1 2007	FY 2007
Note			
1 Interest income	86,861	69,383	305,434
2 Interest expenses	36,110	21,700	105,178
Net interest income	50,751	47,683	200,256
Dividends on shares etc	65	187	1,242
3 Fees and commission income	19,107	22,971	95,704
Ceded fees and commission expenses	2,222	2,730	10,040
Net interest and fee income	67,701	68,111	287,162
4 Translation/market value adjustments	23,167	5,454	-4,485
Other operating income	289	691	5,140
5 Staff costs and administrative expenses	48,637	45,866	196,942
Depreciation, amortisation and impairment losses on intangible assets and property, plant and equipment	640	969	3,654
Other operating expenses	774	754	2,510
Impairment losses on loans, advances and receivables etc	-93	-5,780	3,090
6 Profit/loss from investments in associates and subsidiaries	-41	-135	92
Profit before tax	41,158	32,312	81,713
Tax on profit for the period	10,289	9,743	18,487
Profit for the period	30,869	22,569	63,226

Balance sheet (DKK'000)	Q1 2008	Q1 2007	FY 2007
Note			
e ASSETS			
Cash and demand deposits with central banks	118,032	40,506	55,003
Receivables from credit institutions and central banks	985,179	980,883	1,098,802
Loans, advances and other receivables at amortised cost	4,013,902	3,114,399	3,928,320
Bonds at fair value	149,356	408,290	334,078
Shares etc	142,603	158,722	182,183
Investments in associates	2,250		
Investments in subsidiaries	1,151	511	738
Owner-occupied properties, land and buildings	108,180	101,013	105,697
Other property, plant and equipment	3,748	2,711	3,726
Current tax assets	6,475	0	4,710
Deferred tax assets	15,553	2,500	15,553
Other assets	27,250	35,314	27,117
Prepayments	6,087	5,710	4,253
Total assets	5,579,766	4,850,559	5,760,180

Balance sheet (DKK'000)	Q1 2008	Q1 2007	FY 2007
EQUITY AND LIABILITIES			
Payables			
Payables to credit institutions and central banks	1,103,287	553,888	1,300,990
Deposits and other payables	3,406,781	3,290,132	3,414,512
Issued bonds at amortised cost	187,273	185,524	189,034
Current tax payables	0	7,629	0
Other liabilities	64,915	46,037	61,961
Deferred income	1,450	1,816	912
Total payables	4,763,706	4,085,026	4,967,409
Provisions			
Provisions for pensions and similar liabilities	325	275	325
Provisions for deferred tax			
Provisions for loss on guarantees	19,105	10,087	14,710
Other provisions	0	500	0
Total provisions	19,430	10,862	15,035
Subordinated debt	100,000	100,000	100,000
Equity			
Share capital	54,000	54,000	54,000
Revaluation reserve	12,398	8,662	12,398
Statutory reserves	151	85	151
Retained earnings	630,081	591,924	600,387
Proposed dividends	0	0	10,800
Total equity	696,630	654,671	677,736
Total equity and liabilities	5,579,766	4,850,559	5,760,180
7 Contingent liabilities			
Guarantees etc	1,575,492	2,890,052	1,881,732
Other contingent liabilities	4,569	5,114	4,569
Total contingent liabilities	1,580,061	2,895,166	1,886,301

Statement of changes in equity (DKK'000)	Share capital	Revaluati on reserve	Statutory reserves subsidiarie s	Retained Earnings	Propose d dividend s	Total
Equity at 31 December 2006	54,000	8,662	85	572,985	10,800	646,532
Fair value adjustment of owner-occupied properties		3,736				3,736
Dividends on own shares				240		240
Income recognised directly in equity		3,736		240		3,976
Profit for the period				52,427	10,800	63,227
Total income recognised in equity		3,736		52,667	10,800	67,203
Dividends paid					-10,800	-10,800
Acquisition of own shares				118,474		118,474
Sale of own shares				84,100		84,100
Share-based incentive schemes				1,064		1,064
Tax on equity items				8,111		8,111
Subsidiaries			66	-66		0
Equity at 31 December 2007	54,000	12,398	151	600,387	10,800	677,736
Dividends paid					-10,800	-10,800
Acquisition and sale of own shares, net				-1,712		-1,712
Dividends from own shares				537		537
Profit for the period				30,869		30,869
Equity at 31 March 2008	54,000	12,398	151	630,081	0	696,630
Equity at 31 December 2006	54,000	8,662	85	572,985	10,800	646,532
Dividends paid					-10,800	-10,800
Acquisition and sale of own shares, net				-3,870		-3,870
Dividends from own shares				240		240
Profit for the period				22,569		22,569

Equity at 31 March 2007	54,000	8,662	85	591,924	0	654,671
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The Bank has a portfolio of own shares, corresponding to 5.0% of the Bank's share capital, which has been deducted from the retained earnings under equity.

Notes (DKK'000)	Q1 2008	Q1 2007	FY 2007
1. Interest income			
Receivables from credit institutions and central banks	8,745	7,393	30,427
Loans, advances and other receivables	76,088	59,530	262,625
Bonds	1,955	2,418	11,892
Currency, interest, share, commodity and other contracts as well as derivative financial instruments	73	42	420
Other interest income	0	0	70
Total interest income	86,861	69,383	305,434
The Bank has no interest income from purchase and resale transactions			
2. Interest expenses			
Credit institutions and central banks	8,913	2,272	15,813
Deposits and other payables	23,349	16,262	75,287
Issued bonds	2,384	1,913	8,594
Subordinated debt	1,464	1,253	5,464
Other interest expenses	0	0	20
Total interest expenses	36,110	21,700	105,178
The Bank has no interest expenses from purchase and resale transactions			
3. Fees and commission income			
Securities trading and custody accounts	5,295	8,283	35,910
Payment management	2,182	1,604	7,646
Loan application fees	2,323	3,179	15,860
Guarantee commission	5,870	5,683	23,892
Other fees and commissions	3,437	4,222	12,396
Total fees and commission income	19,107	22,971	95,704
4. Translation/market value adjustments			
Other loans, advances and receivables at fair value	20	38	0
Bonds	-4,512	1,053	-2,896
Shares etc	25,757	4,448	-2,061
Currency	922	-95	957
Currency, interest, share, commodity and other contracts as well as derivative financial instruments	980	10	-485
	23,167	5,454	-4,485

Notes (DKK'000)	Q1 2008	Q1 2007	FY 2007
Total translation/market value adjustments			
Of this, profit from sale of Totalkredit shares	29,760		
5. Staff costs and administrative expenses			
Salaries and remuneration to the Supervisory and Executive Boards as well as the Committee of Shareholders			
– Executive Board	595	543	2,253
– Supervisory Board	209	206	830
– Committee of Shareholders	0	0	127
Staff costs			
– Salaries incl share-based remuneration	21,801	19,765	88,171
– Pension	2,409	2,093	9,001
– Social security costs and payroll tax	2,878	2,449	10,058
Other administrative expenses	20,745	20,810	86,502
Total staff costs and administrative expenses	48,637	45,866	196,942
Average number of full-time employees	217	203	210

The Executive Board is included in a share option plan, covering allotment of a total of 12,000 shares. The options may be exercised from 1 January 2012, and the maximum value of the share option plan has been set at DKK 6m.

6. Income from investments in associates and subsidiaries

Profit from investments in associates	0	0	0
Profit/loss from investments in subsidiaries	-41	-135	92
Total profit/loss from investments in associates and subsidiaries	-41	-135	92

Subsidiaries and associates can be specified as follows:

Name	Regis- tered in	Activity	Owner- ship	Equity at 31 December 2007	{0}>Result at 2007<}>100 {>Profit/ loss 2007<0}
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LokalBolig a/s	Hillerød	Management company for joint marketing activities	78%	574	150
Lokal-Invest Aps	Hillerød	Financing company	100%	368	-7
MatchPoint Virksomhedsmæglerne A/S	Køge	Advisory services company	23%	10,000	*

* The first financial year of MatchPoint Virksomhedsmæglerne A/S ends at 31 December 2008. Accordingly, no income statement is available at 31 December 2007. The company is an associate.

Notes (DKK'000)	Q1 2008	Q1 2007	FY 2007
7. Contingent liabilities			
Financial guarantees	1,080,341	2,178,661	1,380,551
Other guarantees	495,151	711,391	501,181
Total guarantees etc	1,575,492	2,890,052	1,881,732
Other contingent liabilities			
Other liabilities	4,569	5,114	4,569
Total other contingent liabilities	4,569	5,114	4,569

Venlig hilsen

Lokalbanken i Nordsjælland a/s
 Direktionen

Bruno Riis-Nielsen