

Annual report

2007

Summary: Please see page 3



forstædernes bank
Enriching advice

Basic Information

Basic Information 2

Management's review

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In 2007, the Bank extended its physical catchment to include a business and finance centre in Århus.

Board of directors (chairmanship)

Helmer Olsen (chairman)
Jesper Andreasen (vice chairman)

Executive Board

Kjeld Mosebo Christensen (Man. Dir.)
Niels Fessel
Gunnar Kobberup

External auditors

Deloitte Statsautoriseret Revisionsaktieselskab
AP | Statsautoriserede Revisorer

Share information

Share capital:	DKK 466,750,000 (units of DKK 25)
No. of shareholders:	20,256
Shareholders over 5 %:	None
Share price year 2007 (closing price):	Begin. 208.86; End 169.50
Proposed dividend for 2007:	DKK 2 each share

Financial calendar 2008

7 February	Annual report (financial year 2007)
3 March	General meeting
24 April	Q1 report 2008
21 August	Half-year report 1 - 2008
23 October	Q1-3 report 2008

The Danish and English versions of the annual report are also available on www.forbank.dk/investor.

The English-language annual report is a translation of the Danish-language one, in questions of doubt, please refer to the Danish original.

2007 Results

The Forstædernes Bank results before tax and extraordinary items increased by 11 % and the post-tax results by 16 % compared to 2006. Extraordinary profits include a one-off profit of DKK 168m from the sale of Totalkredit and the revaluation of shares in Sparinvest Holding A/S in 2006.

- The Forstædernes Bank pre-tax results were DKK 359m in 2007 compared to DKK 323m exclusive of the extraordinary profit in 2006. After tax the results were DKK 275m compared to DKK 237m in 2006 (DKK 405m inclusive of extraordinary profits).
- Increase in core earnings of DKK 113m to record-breaking result of DKK 442m. This is 34 % more than the previous record-breaking results in 2006.

- Total growth in our business scope, i.e. deposits, loans/advances, guarantees and securities in account by a total of DKK 9bn, corresponding to 13 %. In addition to this the Bank manages securities in account for investment funds to the order of DKK 45bn.
- Progress in largely all core income areas.
- Net interest income increased by 26 % and ongoing income from securities trade, asset management and clients' currency transactions increased by 22 % altogether.
- Improvement of cost rate from 60.3 % in 2006 to 56.7 % in 2007.
- Solvency of 11.2 % and excess liquidity cover of DKK 4.2bn.

Expectations and actions in 2008

- In 2008 core earnings are expected to lie between DKK 400m and 450m, which is level with the record-breaking results in 2007. Compared to the equity as at the beginning of the year this corresponds to a return of 18 % to 20 %.
- Continued growth in other income, particularly within the asset concept, investments and currency areas.
- Toughened strategy in the business area with balanced business development and focus on the best part of the enterprises in terms of credit quality.
- Subdued growth in loans/advances and active work to attract deposits and securities in account.
- Further improvement of the cost rate to about 52 % by the end of 2008.

Income Statement (DKK m)	2007	2006	2005	2004	2003
Net interest income from banking activities	737	584	454	387	359
Other core income	399	347	399	255	181
Core income	1,136	931	853	642	540
Operating costs and depreciation (core)	644	561	504	419	364
Write-downs on loans/advances etc.	50	41	24	32	99
Core earnings	442	329	325	191	77
Portfolio earnings	-83	66	55	60	71
Gain on sale of Totalkredit	-	96	-	-	-
Profit before tax	359	491	380	251	148
Tax	84	86	106	74	47
Net profit for the period	275	405	274	177	101

Balance sheet (DKK m)	2007	2006	2005	2004	2003
Deposits	16,902	14,294	11,928	9,277	6,975
Loans and advances	25,386	20,288	16,875	11,751	8,143
Securities	6,263	6,519	4,266	3,984	2,364
Subordinated debt	1,404	1,505	1,049	874	575
Equity capital	2,208	1,719	1,412	1,006	850
Total	33,832	30,209	23,793	17,263	11,689
Volume of securities in account	72,421	24,945	18,888	12,733	9,232
Guarantees, etc.	6,586	8,479	7,070	4,953	3,399

Key figures	2007	2006	2005	2004	2003
Core earnings in % of EC (year begin.)	25.7 %	23.3 %	32.3 %	22.5 %	10.0 %
Profit before tax in % of EC (year begin.)	20.9 %	34.8 %	37.8 %	29.5 %	19.1 %
Profit after tax in % of EC (year begin.)	16.0 %	28.7 %	27.2 %	20.8 %	13.1 %
Cost ratio (Core earnings)	56.7 %	60.3 %	59.1 %	65.2 %	67.4 %
Solvency ratio	11.2 %	12.1 %	11.2 %	11.6 %	12.2 %
Market price end-of-year ¹⁾	170	209	166	112	73
Full-time staff (aver.)	558	544	502	461	435

The figures for 2003-2004 (except for balance sheet items 2004) have been made up in accordance with the old accounting rules. Supplementary key figures in accordance with the format of the Danish FSA is shown on page 10-11. 1) Market prices have been adjusted for share splits, share issues etc.

Forstædernes Bank is a consultancy bank focusing on business, investments, pensions and asset consultancy services. Here lies the Bank's competitive force.

We focus strategically on three areas, which are to make our bank the best choice and secure the Bank's continued growth.

- Quality advice
- Relevant competencies in all consultancy centres
- Growth through networks

Quality advice

We have substituted individual consultancy for teller transactions and shelf goods. We are committed to meeting our clients with high quality and ethics – whenever and wherever it suits them.

Relevant competencies in all consultancy centres

Our clients meet competent consultants within business, investments, pensions and housing in all the Bank's consultancy centres. This is where we have the client contact and the decision-making authority. In this way our clients may be advised by consultants they know and who can make decisions on the spot.

Growth through networks

The local consultancy centre extends its activities by managing and enhancing personal relations in a network of clients, potential clients and partners. We contribute to the network with activities, such as seminars, theme sessions and non-trade related events.

Business philosophy

We adhere to our consultancy strategy based on a stringent business philosophy: At any time the Bank must be robust and solid. Our financial performance must place our bank in the top third of our sector. And our attitudes and behaviour are based on the Bank's vision and mission statement.

Robust and solid

At one and the same time Forstædernes Bank must arm itself against economic fluctuations and be prepared for growth. Therefore we aim at having a solvency ratio of min. 11 %, which is three percentage points higher than the statutory minimum requirement. Similarly, we want to have a liquidity of at least double the statutory minimum requirement.

Via a balanced development of our business the volume of loans/advances relative to equity (the so-called gearing) is to be reduced, and earnings on the individual deposits must match the capital burden.

By actively retaining and attracting liquidity and adjusting prices we intend to increase deposits.

Top third in our sector

In regard to the return on equity and profitability, i.e. income per cost krone the bank is to come in among the top third of our sector.

For the last five years the return on equity has been 28 % on average. Two thirds of our business scope is and will also in future be within trade and industry, where the primary clients are owners of or executives in solid small-scale or medium-sized enterprises. Already in 2005 did we expect stagnation in the housing market, so we reduced our exposure to property projects. Instead we are now focusing on the better half of other trades in terms of credit quality.

Moreover, the Bank's position in a very attractive market area forms the basis for continued growth in the currency, investment and pension areas.

Last year we wrote that over a two-year period we would increase our profitability, and that our investing in new market areas geographically would depend on the experience we have from the new establishment at Århus.

In the course of 2007 the cost ratio has been reduced by 4 percentage point to 56.7 %. Our intention is to reduce the cost ratio by a further 4-5 percentage points by the end of 2008. We will continue to do so by creating more business and more income using the same resources and only increasing the absolutely necessary costs. Costs towards employees and IT investments come under necessary increases; this is due to the growing business, systematic consultancy services and EU directives.

In spite of extraordinarily positive results in Århus we will postpone further investments in new geographical market areas till after 2008 considering the cost development.

Attitudes and behaviour

As our competitive power is based on consultancy services, it is essential for the Bank to act professionally, disciplined and confidence-inspiring. This is reflected both in the tools that we develop and in our attitudes and behaviour.

Trust between client and bank is what clients find most important. This is reflected in the Bank's quality accounts. This is what we base our consultancy services on. And this is our pointer for building the Bank's strategy.

The Executive Board

Report

Increasing results exclusive of one-off income

Results before tax of Forstædernes Bank was DKK 359m in 2007 compared to DKK 491m in 2006. After tax the results were DKK 275m compared to DKK 405m in 2006.

In 2006 the Bank had extraordinary tax-free one-off income of about DKK 168m in the form of profit from the sale of Totalkredit and the revaluation of shares in Sparinvest Holding A/S. If we disregard this income, the 2007-results correspond to a pre-tax increase of 11 % and post-tax of 16 % compared to the year before.

This progress is based on a rise in core earnings of DKK 113m, while earnings on investment portfolios dropped by DKK 77m. The growth in core earnings is primarily due to an increase in net interest from banking activities and increased trading income.

Results before tax yield a 20.9 % return on the equity as of the beginning of the year and 18.3 % per annum on the average equity in 2007. After tax the return on the average equity is 14.0 % per annum. The Board of Directors finds these results satisfactory.

Expectations have been met

Following the upward adjustment in connection with the publication of the half-year report on 22 August 2007, the Bank expected core earnings for 2007 to be at the level of DKK 410m to 420m. In addition to this the Bank issued a stock exchange announcement on 16 January 2008 where core earnings were adjusted to a level of DKK 440m.

Hence, with core earnings of DKK 442m our results are as expected.

Increase in business scope

At 31 Dec. 2007, the total business scope of Forstædernes Bank, i.e. loans/advances, deposits, guarantees and securities in account, amounted to DKK 77bn compared to DKK 68bn at the same time the year before. This corresponds to a 13 % increase. Moreover, in Q4 of 2007 we became depositary bank for the investment funds managed by ID-Sparinvest A/S.

Solid growth in loans and advances

In the recent year, total loans/advances increased by DKK 5.1bn to DKK 25.4bn as at 31 Dec. 2007, corresponding to a 25 % increase.

Progress in loans/advances that mainly relates to the business client area, is characterised by a good credit standing.

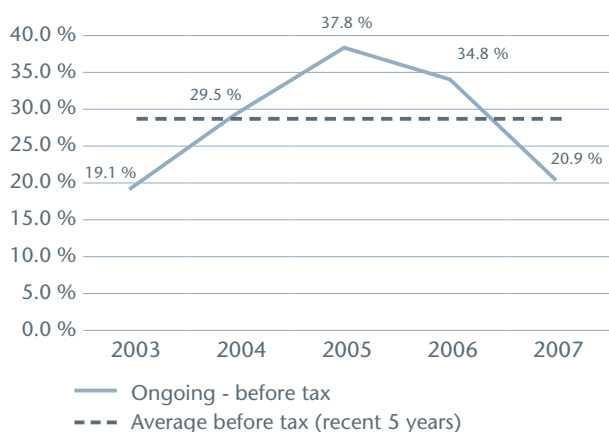
The increase in loans/advances is distributed as follows:

- DKK 1.9bn towards fully let housing and commercial properties (33 % and 67 %, respectively) with considerable solvency among the owners.
- DKK 1.9bn towards investment credits primarily secured in the form of overcover with a stop-loss agreement.
- Minus DKK 0.2bn for the building of housing.
- DKK 1.5bn distributed over a wide number of different trades.

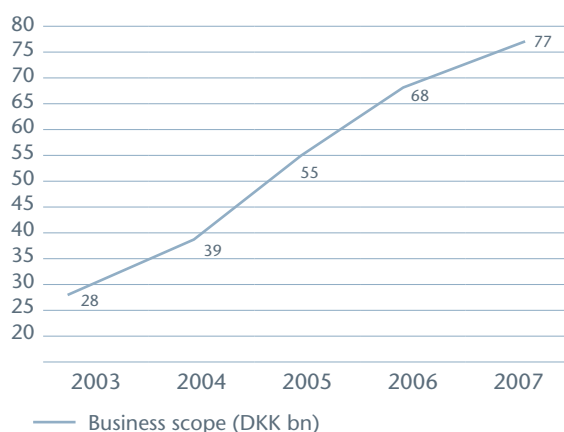
In the recent year the volume of guarantees has dropped by DKK 1.9bn to DKK 6.6bn. With effect from 30 Sept. 2007 we began to work under a new cooperation model with Totalkredit which meant that loss guarantees in relation to Totalkredit in the amount of DKK 2bn were revoked. This means that the guarantee volume is at an unchanged level.

At 31 Dec. 2007 loans/advances on which the Bank has ceased the calculation of interest came to DKK 156m, corresponding to 0.5 % of total loans/

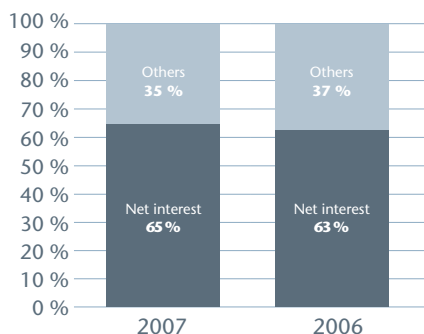
Return on equity (begin.) before tax



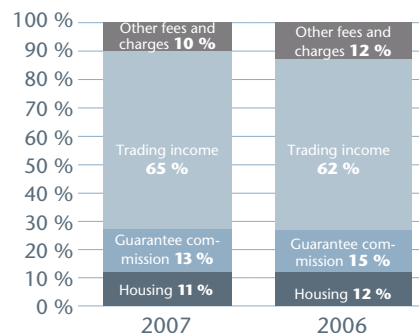
Development in aggregate business scope



Specification of core income total



Specification of 'Other core income'



The figure specifies the fees and commission income, which come under 'Core earnings'. See also Note 3 for a specification of the Bank's total fees and commission income.

advances and guarantees. This is at the same level as last year.

Continued growth in securities in account and deposits

Continued intensive focus on pensions and investments business has paved the way for the Bank's continued growth. The volume of clients' securities in account has increased by 11 % to DKK 27.6bn during the recent year. In addition to this the Bank manages securities in account for investment funds to the order of DKK 45bn.

In the recent 12 months, deposits have increased by DKK 2.6bn to DKK 16.9bn, which corresponds to an 18 % increase.

Continued growth in core earnings

Core earnings in 2007 ended at DKK 442m compared to DKK 329m in the same period of 2006 - corresponding to a 34 % increase.

Core income increase of 22 %

The Bank increased its total core income in 2007 by DKK 205m relative to 2006, which corresponds to a 22 % increase.

Net interest income in core earnings increased by DKK 153m, corresponding to 26 %. The primary cause of this increase is to be found in the increase

in the volume of loans/advances and deposits, as the interest margin has been almost unchanged.

The Bank's total trading income, including income from securities trading, asset management and clients' currency trading, has developed favourably in 2007 as it has increased by 22 % relative to the same period of the year before.

Income from the Bank's housing consultancy services has also contributed favourably towards the development in core earnings in 2007 with a growth of 8 % compared to 2006, whereas we have experienced an unchanged earnings level in commission on guarantees (minus the housing area).

This development has meant that the net interest share of total core income increased compared to the year before.

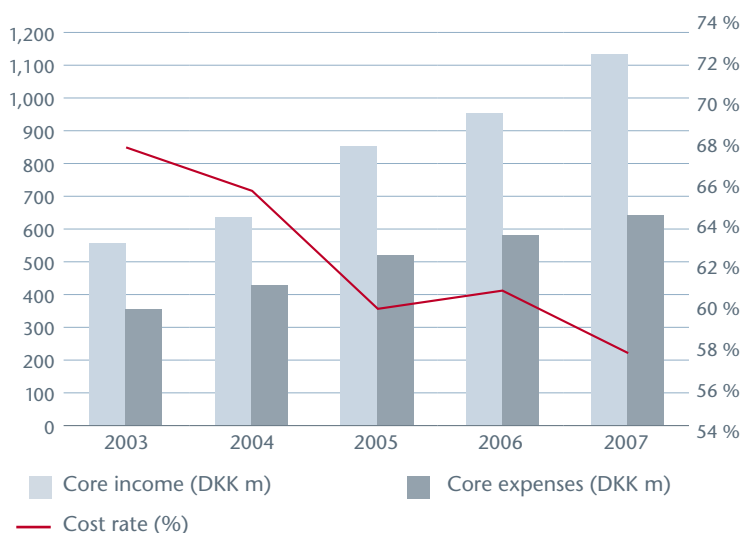
The Bank's focus on currency, investments and pensions manifests itself in a distribution of the other core income, as 65 % of this 2007-income is the so-called trading income.

Improved cost rate

Last year we wrote that the cost development should result in a falling cost rate in 2007 and 2008. The Bank's cost rate dropped from 60.3 % in 2006 to 56.7 % in 2007.

In 2007 the core costs increased by DKK 83m compared to the year before,

Core income and expenses



which corresponds to a 15 % increase, but the total increase in core income has more than offset the increase in costs.

Our goal is to continuously improve the cost rate to the level of 52 % by the end of 2008.

On average we had a staff of 558 in 2007 which is 3 % more than the year before.

On the whole the Bank's payroll costs increased by 17 %. An extraordinary cost towards the issue of employee shares at a favourable price in connection with the capital increase in Q2 of 2007 accounts for about DKK 6m of this amount.

Other costs increased by 11 % compared to the same period of the year before. This increase is mainly due to the opening of our new business and finance centre in Århus and increased system and IT-costs.

Impairment losses at an unchanged low level

Impairment losses relating to loans/advances and provisions for guarantees came to DKK 50m in 2007, corresponding to 0.16 % of total loans/advances and guarantees.

This is an unchanged low level compared to 2006. The background is a continued solid credit rating.

Negative earnings on investment portfolios

Earnings on investment portfolios dropped by DKK 149m from plus DKK 66m in 2006 to minus DKK 83m in 2007.

An extraordinary revaluation in 2006 of shares in Sparinvest Holding A/S accounts for DKK 72m of the difference. In addition to this these negative results

are primarily a consequence of trends in the financial markets.

The results on bonds, financial interest rate instruments and liquidity, comprising price adjustment and net interest, were minus DKK 59m in 2007 compared to minus DKK 27m in 2006. This drop is primarily due to the rising interest level in 2007, which both resulted in rising interest expenses to the Bank's money-market funding and falling bond prices.

Compared to the statements made in the quarterly reports for Q1 to 3 of 2007 the Bank has regained some of what was lost on credit bonds in the course of Q4. For all 2007 we have realized losses on credit-related bonds to the order of DKK 15m. These bonds make up a minor share of the Bank's total portfolio of bonds and by and large they all have a minimum rating corresponding to Investment Grade.

In 2007 the Bank's average interest-rate risk made up DKK 80m or 3.3 % of the core capital.

Results on the Bank's share portfolio, consisting of price adjustment, dividend and funding expenses, were minus DKK 17m in 2007 compared to plus DKK 24m the year before. The year's negative results are inter alia due to the fact that in order to reduce the Bank's aggregate share exposure in very turbulent periods in the financial markets we chose to hedge a great part of our share portfolio in the course of 2007 using derivative financial instruments.

The Bank's average share portfolio exclusive of investment securities, treasury shares and derivative financial instruments amounted to DKK 154m

in 2007. Add to this DKK 158m that were invested in share-based bonds.

The price adjustment of currency and financial currency instruments amounted to plus DKK 15m in 2007 compared to plus DKK 3m the year before.

The remaining items under earnings from investment portfolios mainly consist of fees and costs, and in 2007 they came to minus DKK 22m compared to minus DKK 6m in 2006. This change is inter alia due to rising costs and falling fee and commission income on our own portfolio.

Capital position

The capital base of Forstædernes Bank before deductions came to DKK 3,612m at the end of 2007, and it is made up of DKK 2,208m as equity and DKK 1,404m as subordinated capital. Of the subordinated capital hybrid capital makes up DKK 246m which amount is fully recognized in the core capital.

In the course of 2007 Forstædernes Bank increased its capital by using its proceeds of about DKK 330m, and subordinate loan capital of nominally DKK 100m in all was repaid.

Solvency ratio of 11.2 %

At 31 Dec. 2007 the Bank's solvency ratio came to 11.2 % compared to 12.1 % at the same time the year before.

The statutory minimum is 8 %. In order to be hedged against cyclical fluctuations and at the same time be armed for continued growth, the Bank endeavours to have solvency and core capital ratios that are 3 % higher than the statutory minimum requirement.

Report

At 31 Dec. 2006 the Bank's core capital ratio came to 7.6 % compared to 7.3 % at the same time the year before.

As can be seen, the Bank meets its own targets for core capital and solvency ratios of 7 % and 11 %, respectively.

The development in the Bank's solvency ratio is primarily a consequence of considerable increases in the risk-weighted assets primarily due to the growth in loans/advances. The risk-weighted assets thus increased relatively more than the capital base during 2007, in spite of the fact that the Bank was able to accumulate considerable results again in 2007 and simultaneously increase its capital.

Solid excess cover in terms of liquidity

In the autumn of 2007 the money market was affected by an extraordinarily high demand for liquidity (i.a. due to the crisis in the so-called sub-prime loans in the US). With a robust excess liquidity cover together with a spread in the terms of the funding sources and their counterparties Forstædernes Bank did not need to start up any activities on that occasion, although we just like the rest of the sector watched developments closely.

In our opinion there should always be a solid and robust excess cover on the Bank's liquidity compared to the statutory requirements.

It is our goal to continually have excess cover of 100 % on the 10 % liquidity requirement fixed in Section 152 of the Danish Financial Business Act at 31 Dec. 2007 excess cover came to 115 %, which means that the Bank meets its own goals. This corresponds to excess liquidity cover of DKK 4.2bn, which the Bank finds most favourable.

A policy of having a marked cash buffer is inter alia intended to secure the Bank a comfortable liquidity and funding situation in case of unrest in the financial markets.

Please see Risk Management in the Management's Review, where we give a detailed account of the Bank's liquidity risk.

Inauguration of the business and finance centre in Århus

On 9 May 2007 the Bank officially inaugurated the new business and finance centre in Århus. Right from the outset the Centre has been staffed by 11 persons who provide consultancy services within the Bank's main areas of business, viz. business and asset consultancy services, incl. investments, pensions and housing. As the first offspring of Forstædernes Bank outside the Copenhagen region, the department in Århus has made a good start.

Expectations of 2008

In 2008 core earnings are expected to come to somewhere near DKK 400 to 450m, which is level with the record-breaking results in 2007. Relative to the equity at the beginning of the year this will correspond to a return of about 18 to 20 %.

Expectations of the core earnings in 2008 build upon a number of assumptions:

- The Bank will experience a limited growth in loans/advances but will continue to focus on the development of deposits. The interest margin is expected to narrow.
- Income from securities trading, asset management and clients' currency trading is expected to increase among other things thanks to the

Bank's continued focus on asset consultancy services.

- The Bank strives towards a subdued development of costs in 2008 which is to lead to a falling cost rate. So the Bank does not expect to make any new investments in 2008 – not even in new geographical markets.
- Impairment losses include a higher degree of uncertainty, so the Bank is maintaining a cautious expectation of the impairments.

The Board of Directors has decided that again this year share options will be granted to the members of the Bank's Executive Board and to managerial staff. The cost of the option scheme is expected to amount to about DKK 8m, which will be distributed over three years. The Executive Board's share comes to about DKK 1.4m of this amount.

In addition to this, earnings from investment portfolios for 2008 will depend on the trends in the financial markets, including the year-end price level.

Events after the closing of the financial period and exceptional circumstances

As from the balance sheet date and up to today no circumstances have occurred that upset the assessment of the annual report. There have not been any exceptional circumstances which have had any impact on recognitions and measurements.

The unrest on the financial markets in January 2008 has only had an insignificant negative impact on the Bank's securities.

New capital adequacy rules (Basel II)

The new capital adequacy rules, Basel II, entered into force on 1 Jan. 2007, but Forstædernes Bank has applied the



transitional scheme for the so-called pillar 1 (minimum capital requirement) of Basel II which means that the new methods and principles for making up the solvency will not come into use until from 1 Jan. 2008.

In common with most other medium-sized Danish banks, Forstædernes Bank has chosen to make up its credit risk according to the standard method and the operational risk according to the basic indicator method.

The transition to the new rules in 2008 will mean an increase of the solvency ratio by about 1 percentage point, which corresponds to a drop in the risk-weighted assets of about 5 to 10 %.

We still find that at present there is no need to apply more advanced methods

for making up solvency, but we will continually seek to ensure that more advanced models are gradually being introduced in risk management, and the need to apply more advanced methods in the coming capital adequacy rules will continually be assessed.

According to the so-called pillar 3 (transparency/disclosure requirement) of the capital adequacy order we must publish a number of details. This information is available to the public on our website www.forbank.dk/riskmanagement.

See also Risk Management in the Management's Review.

The Boards proposed dividend

The Board of Directors proposes a dividend of DKK 37.3m corresponding to 8 % or DKK 2 each share. Last year

we paid a dividend of 10 % due to the extraordinary one-off income in the amount of DKK 168m previously mentioned.

Related parties

No consolidation with the subsidiary of FB Ejendomme A/S will take place as the company does not have any commercial activities and its business is insignificant in relation to the Bank.

In 2007 the capital of the subsidiary company was reduced by DKK 20m to DKK 4m due to the payment of dividend.

There have been no other large-scale transactions with related parties in 2007.

Please see supplementary Note 32 for further information on Related Parties.

Financial highlights

Financial ratios		2007	2006	2005	2004	2003
Solvency and capital						
Solvency ratio	%	11.2	12.1	11.2	11.6	12.2
Solvency ratio based on core (tier 1) capital	%	7.6	7.3	7.5	7.1	7.3
Profit						
Return on equity before tax	%	18.3	31.4	31.4	27.0	18.2
Return on equity after tax	%	14.0	25.9	22.6	19.0	12.4
Income/cost ratio ¹⁾	DKK	1.50	1.80	1.71	1.55	1.31
Market risk						
Interest rate risk	%	3.2	2.9	2.9	3.0	2.4
Currency position	%	9.0	6.1	10.7	4.7	4.3
Foreign exchange risk	%	0.1	0.1	0.1	0.1	0.1
Liquidity risk						
Loans and advances in relation to deposits	%	151.7	143.5	143.3	129.1	120.8
Excess cover relative to the statutory liquidity requirements	%	114.8	133.7	109.4	142.5	90.6
Credit risk						
Total amount of large exposures	%	227.8	273.9	226.8	213.8	98.3
Write-offs for the year and provisioning ratio	%	0.2	0.1	0.1	0.2	0.8
Annual growth in loans and advances	%	25.1	20.2	43.6	44.3	22.4
Gearing of loans and advances		11.5	11.8	12.0	11.7	9.6
Share return ^{2) 3)}						
Earnings per share	DKK	63.7	99.5	70.2	47.1	27.0
Book value per share	DKK	478	426	343	269	227
Dividend per share	DKK	8	10	8	6	6
Share price at December 31/ earnings per share		10.6	8.4	9.5	9.5	10.9
Share price at December 31/ book value per share		1.42	1.96	1.94	1.67	1.29

1) The income includes net interest and fee income, securities and foreign exchange income, other operating income, and income from subsidiary undertakings. Costs include staff costs and administrative expenses, depreciations, other expenses and impairments on loans/advances etc.

2) In 2007, unit size has been changed from DKK 100 to DKK 25. Share return has been calculated on an unit size of DKK 100

3) Treasury shares are not included in the calculation of the financial ratios.

Definitions of Financial Ratios appear from Accounting Policies (see page 47).



(DKK 1,000,000)

Key figures	2007	2006	2005	2004	2003
Net interest and fee income	1,012	867	848	698	587
Securities and foreign exchange income	67	235	39	11	30
Other operating income	1	2	1	0	1
Staff costs and administrative expenses	627	537	486	401	347
Depreciation	43	37	28	25	23
Write-downs on loans/advances etc.	50	41	24	32	99
Income from associated and subsidiary undertakings	0	0	30	-1	0
Tax	84	86	106	74	47
Result	275	405	274	177	101
Loans and advances	25,386	20,288	16,875	11,751	8,143
Deposits	16,902	14,294	11,928	9,277	6,975
Capital and reserves (CR)	2,208	1,719	1,412	1,006	850
Total assets	33,832	30,209	23,793	17,263	11,689

The rules governing the preparation of financial statements were changed markedly in 2005. The overview of the financial and operating data for 2004-2007 has been prepared in conformity with the changed rules, whereas the comparative figures for 2003 have not been adjusted.



Activities

In 2007 Forstædernes Bank worked on the basis of the decentralized consultancy strategy which was commenced in 2003 and which is continuously being refined. The Bank's consultancy centres thus have autonomous competencies within business and asset consultancy which comprises investments, pensions and housing.

Since 2003 our business scope has increased by 176 % and the number of employees by 28 %, meaning that Forstædernes Bank on average had 558 employees in 2007.

Bigger catchment area

The Bank's consultancy concept has a market potential in several large towns in Denmark. In 2007 we extended our physical catchment to include Århus where we already had many clients plus a network and business scope of DKK 1.5bn.

In May the business and finance centre in Århus was inaugurated. From the outset the consultancy centre was fully staffed with consultants rendering business and asset consultancy services, including investments, pensions and housing. Visibility was weighted highly, both in the marketing of the Bank and in the press.

Although we extended our catchment, the number of Forstædernes Bank consultancy centres remained unchanged at 20. Following the conversion and extension in Rødovre, we succeeded in realizing the planned merger of the Rødovre and Hvidovre branches.

Changed commercial focus

Two thirds of the Bank's business scope lie within trade and industry. The primary clients are owners of or

executives in enterprises which typically have 5 to 100 employees and a turnover of up to DKK 500m.

Historically, the Bank has had a significant business scope in the property market. Already in 2005, however, did we expect a coming stagnation. The Bank is not deeply involved in what is commonly termed developers or project opportunities. In the course of the year we have also recorded a slowdown in building activities. Financial intercompany tasks, however, still account for a major part of our business.

At the same time we are increasing the number of business clients from a broad range of alternative trades, and we focus on the most credit-worthy segment of clients in each trade.

The influx of new clients is particularly via networks, i.e. via recommendations from existing clients and partners, such as attorneys and accountants. The Bank gives high priority to networking and considers it an essential part of our consultants' competency to be able to manage and extend both the personal and the commercial networks.

In 2007 progress in the number of business clients was 7 % to a total of 15,700 business clients.

Furthermore, the number of transactions with the individual business client increased. Our consultancy concept is based on taking a holistic view of the client – both in regard to his business and his assets.

Altogether the Bank's business scope increased for trade and industry in 2007 by 25 %.

More transactions within assets and investments

Also within investments is the Bank growing in agreement with the strategy. This growth is reflected in our clients' aggregate volume of securities which increased from DKK 24.9bn by the end of 2006 to DKK 27.6bn in 2007. In addition to this Forstædernes Bank was selected as the depositary bank for the SparInvest investment fund.

Particularly the growth in exposures in regard to the products within asset management of pensions and other savings has increased markedly in recent years. The need to have the Bank handle investments on behalf of clients seems to be big. All in all the Bank managed more than 10,000 agreements at the end of 2007 with a total volume of DKK 7.5bn.

Likewise the pensions area showed an increase in business volume of more than 23 %.

More guarantee bonds

The Bank's offering of guarantee bonds continued in 2007 with a number of products related to currency, interest development and share index in the EU or emerging markets. Particularly in periods of turbulence, in for instance the share markets, do investors find it advantageous to spread their investment portfolio and include guarantee bonds.

Among other things, because of our cooperation with the Danish Bankers' Association, information about the guarantee bonds has been made more transparent and to a certain extent more uniform throughout the sector. On an ongoing basis the Bank also updates overviews of the development in all the guarantee bonds it arranges,

TV2 Finans
More exposure in the media makes Forstædernes Bank more known to the public. For three months Forstædernes Bank participated in the share game run by TV2 Finans.



and in 2007 it also started publishing gathering information on a period by period basis.

Derivative financial instruments

In 2007 the Bank could offer its professional clients to trade in futures and options on bonds and shares. These derivative financial instruments, which are more complex than ordinary shares and bonds, call for systems, procedures and client contracts which were implemented in 2007. It is satisfactory that Forstædernes Bank, like the major banks and some specialised banks, can now offer this to our clients

Growing currency market

The Bank also offered yet a number of varieties of interest and currency swaps and also experienced great growth within currency investments. The currency market was very challenging in 2007, but also here we experienced that when traditional share markets fail, currency may be a valuable alternative. The Bank returned satisfactory and positive currency results to the clients.

Pro-active use of MiFID

In a new EU directive, MiFID, and the Danish executive order on investor protection comprehensive rules are laid down regarding securities trading, incl. requirements in connection with consultancy and management of clients' investments in securities.

Forstædernes Bank has decided to use MiFID pro-actively in order to make our consultancy services better and thus secure our continued position up front with quality consultancy services. This is a unique chance to systematically ensure that every investing client is given the advice that matches his/her needs.

In August 2007 the Bank started implementing MiFID. More than 80 consultants and executives attended a competency boosting course in the MiFID rules as well as taxation, family and inheritance law, asset optimisation, new systematic consultancy tools etc. The courses were succeeded by processes for the purpose of underlining and ensuring good approaches to consultancy, ethics and professionalism.

The competency boost is much broader than required by the directive as we want to give our clients added value and make sure that we will still act in a serious, systematical and confidence-inspiring fashion.

As a consequence of the introduction of MiFID, more than 10,000 investing clients were assessed and contacted according to special guidelines. The contact with the clients gave rise to going over their portfolios and other transactions. The outcome of this contact was positive to both clients and the Bank. For one thing, it gave many clients peace of mind in regard to the value mix of their individual portfolios.

Everything was therefore fully functional when the directive came into force on 1 November 2007.

Less activity in housing

The housing area has particularly been affected by two factors: firstly the rising interest and secondly the falling prices and volume of business.

In principle the interest rise was so high that the conversion of certain fixed-rate loans would have been able to reduce the outstanding debt, but this opportunity did not trigger off

any significant activity. On the other hand, the interest rise together with the declining demand and increasing housing supply contributed to a price drop in this market area, which again reduced the demand for financing via mortgage loans.

This meant that activity in the housing area was considerably lower than in the previous years. The result is an aggregate net growth in mortgage loans of 15.8 % in 2007.

Greater complexity

A government initiative based on EU regulations was the introduction of Covered Bonds. In 2007 Forstædernes Bank was given the opportunity to offer this type of loan. The new products which in addition to the existing mortgage bonds were to increase the supply of products and competition have, however, not given rise to any noticeable activity.

On the whole, complexity – also from the client's perspective – has increased in regard to the financing of housing. This has led to a greater demand for consultancy which we allow for in our concept.

Our earnings in the housing area were unchanged relative to 2006 and are only affected to a limited degree by trends in the housing market.

Activities

Broad exposure

Networking will still be our primary source of access to relevant clients. Events aimed at clients help us care for and enhance this network where the personal relations are strengthened and breed even more relations.

In 2007 some 1,700 clients called on the bank and finance house at Kalvebod Brygge in connection with 10 different events; some 1,500 found their way to the Bank's events outside the Bank, and even more attended the events in our business and finance centres.

These events covered a wide range from sports, cultural evenings, adventures and not to forget trade-related issues in regard to business and assets.

More new IT systems

The increasing volume of activities, more systematic consultancy services and EU directives has led to an increased need for investments in Information Technology and the human resources required to develop new systems. Part of this development is done under the auspices of BEC (computer centre

of Danish banks), and bank resources are being allocated to the projects. Other systems are developed under the Bank's own auspices.

Development activities concentrated on five main areas in 2007. In connection with the implementation of MiFID we developed systems for the purpose of introducing more systematic consultancy services. We also developed systems for the determination of return and performance, particularly the return on securities and currencies. New products such as varieties of swaps, futures and options have called for specialized control systems. EU directives have necessitated the development of systems for the purpose of Basel II and IFRS. Finally, development of a large-scale system for the management of market risks is nearing its completion.

Centralized risk management

The risk management function, which we set up in October 2006, established a full risk image in 2007 and it is continuously being updated. By gathering responsibility for control and monitoring of the market in one place

we have optimized our resources and created a better overview.

Among other things, our risk managers monitor stop-loss on investment credits and the framework for currencies, swaps etc. And the responsibility for complying with our in-house instructions relative to the risks in the market has also been centralized.

New compliance function

In January 2007 the Bank established a new compliance function. This function is to ensure the Bank's integrity and reputation both as a consultancy bank and an investment bank. According to statute the compliance function is to function independently and control the methods and procedures of the organisation to make sure that financial laws are complied with. Furthermore the function is to render advice to those responsible for the investment activities.

At Forstædernes Bank Compliance also has a guiding function in relation to the Bank's ethic code. This function is also involved, inter alia in new products, the implementation of statute, the prevention of money laundering, and the training of employees. And finally it is also responsible for handling complaints from clients.

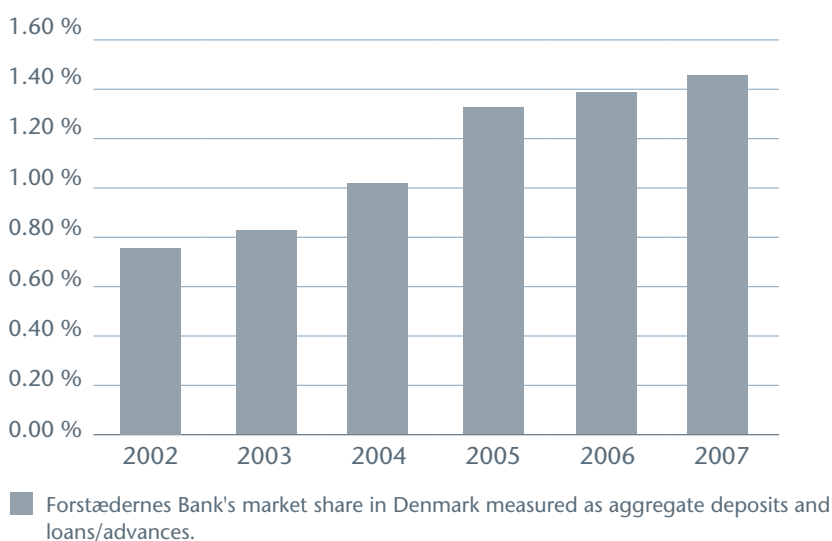
Principal tasks in 2008

At Forstædernes Bank we consider it our job to continue conquering market shares, and the potential is there.

Keen strategy for business

We expect to have a balanced development within our business client area. Expectations of the property market do not form any base for increasing our

Market share in Denmark



exposure here. Instead we are committing ourselves to diversified trades. In nearly all trades, however, we expect development to be at a somewhat steadier pace compared to recent years. The growth in loans/advances will be more subdued, and we will have to work actively and adjust prices in order to hold on to and attract deposits.

Via its client relations and analyses Forstædernes Bank has an outstanding knowledge about owners and executives of small and medium-sized enterprises and the problems facing these client groups. Quite obviously we must use this understanding of existing and potential clients to develop our business.

So in 2008 we intend to toughen our strategy in the business client area. We build our growth on networking, and our expertise lies in this domain; something which our clients will benefit from directly. Similarly, the competencies of our consultants can be used proactively as a contribution to our clients' business development and business strategy. The tools and expertise which the Bank provides to clients must be able to support clients' dealings – also internationally. Furthermore, it looks as if there is a need to discuss the measurement of enterprises with a view to supporting the purchase and sale of enterprises.

We must stick to a credit policy where our business is based on the better part of the individual trades in terms of credit quality. Within this business we want to be able to identify growth potentials and invest in growth.

In order to implement such a strategy we will also plan a number of new initiatives for the coming years in 2008. These initiatives will particularly concentrate on:

- Goal-oriented enhancement of consultants' competencies
- Networks and events
- Tools which support our business

Potential for asset concept and investments

In our market area there is still a great potential for conquering market shares within the asset concept and investments. As this type of business typically only constitutes a limited burden in terms of capital, there is no limitation to the growth potentials in this area.

The price trends within housing in our market area have led to a reduction of our clients' total equity which is part of the foundation for the asset concept.

Forstædernes Bank, however, still sees a very great potential here. The agreements already entered into will not be reduced due to the fluctuating prices. There is still a great potential among the Bank's current clients, and there is an even greater potential if we increase our market share.

We are aware that the number of banks who focus on the affluent client group has increased in the recent period. However, Forstædernes Bank finds that with its asset concept and intensive focus on the investment area we are in a strong competitive position.

In continuation of the implementation of MiFID we plan to enhance our tools and the consultancy process so they also cover the entire currency area, although only parts of it fall within the directive.

Recruiting

As we expect a minor economic decline in 2008, a slight improvement in the balance between the supply of and

demand for labour may be anticipated. Compared to previous years we will employ an increasing number of newly graduated academics and stick to employing the same number of trainees and students.

In 2008 we will also emphasise having the highest score for our sector in regard to job satisfaction and having attractive workplace opportunities.

Resources due to EU directives

It is crucial that all banks have equal conditions so the EU directives do not distort competition, i.e. that the major banks are not given preferential treatment at the expense of the small banks.

As the implementation of the EU directives calls for relatively many resources, this makes heavy demands on the volume of our administration. Forstædernes Bank has reached a size where it is possible for us to take a proactive approach to the directives.

It will still be a demanding task to implement the directives effectively and integrate them in our business so they contribute to developing our bank instead of being an administrative burden.

Persistent demand for IT

Year 2008 will also make heavy demands for continued development of IT systems. A new market risk management system will be ready for implementation in our organisation. The growing business and new products will call for the development of systems also in future. And we expect that coming EU requirements, incl. the new reporting standard (IFRS), will call for further system requirements.

Shareholders and share capital

Overview of shareholders (end 2007)

No. of shares	No. of shareholders	Percent Shareholding	Percent 2007	Percent 2006*)
< 40	533	2.6 %	59,543	0.3 %
41-400	4,799	23.7 %	1,790,415	9.6 %
401-2,000	8,188	40.4 %	5,783,193	31.0 %
2,001-4,000	4,075	20.1 %	1,704,276	9.1 %
4,001-40,000	2,526	12.5 %	3,348,505	17.9 %
> 40,000	135	0.7 %	4,532,334	24.3 %
Treasury shares	-	-	854,182	4.6 %
Not registered	-	-	597,552	3.2 %
Total	20,256	100.0 %	18,670,000	100.0 %

*) For 2006 the share split (4 for 1) in 2007 has been taken into account.

Many new shareholders

By the end of 2007 Forstædernes Bank had 20,256 shareholders which is an increase of some 900 relative to the end of 2006. Something like 50 % of the share capital is owned by shareholders who each possess fewer than 4,000 shares. The Bank's biggest shareholder owns about 3 % of the entire share capital. Among the shareholders about 80 % are also clients of the Bank.

Negative share market also for financial shares

At the end of 2007 the price of the Forstædernes Bank share had reached 169.50 (closing price) which corresponds to an overall market value of about DKK 3.2bn. The share price at the end of 2006 was 209, and the price of the share thus dropped by 19 % during 2007.

As from the month of June year 2007 was characterized by a generally negative share market, particularly for the financial shares. So CX4010PI, the Danish stock exchange index for banks, closed with a 16 % drop in 2007, OMXCMCPI, the MidCap index of the stock exchange, experienced a 9 % drop, and the leading Danish share index, OMXC20, rose by 5 %.

Annual return of 34 % over the last 5 years

In 2007 Forstædernes Bank paid dividend of DKK 2.5 each share (following an adjustment due to 1:4 share split). All in all the Forstædernes Bank share gave a return of minus 18 % in year 2007.

In spite of the negative return in 2007, Forstædernes Bank has given shareholders a competitive long-term return on their investment. Seen over the last five calendar years an investment in the share has given an annual return of 34 % on average, incl. dividend.

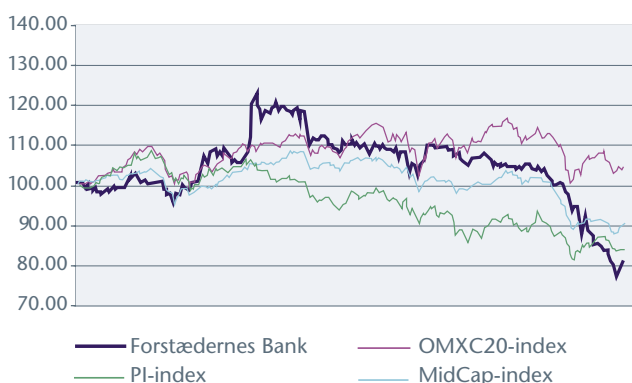
For the financial year of 2007, the Board of Directors proposes to the shareholders in general meeting that a dividend of 8 % be paid out (corresponding to DKK 2 each share). This corresponds to a dividend payment of DKK 37.3m, meaning that about 14 % of the post-tax profit is to be paid to the shareholders. This level corresponds to the dividends paid out in recent years.

For financial year 2006 the Bank paid a dividend of 10 %, inter alia based on an extraordinary income from the sale of the Totalkredit shares of DKK 96m; following the share split in 2007 this corresponds to DKK 2.5 for each share. The proposal to pay a dividend of 8 % should be seen in the light of the wish to have a balanced dividend policy which takes into account both the highly satisfactory results for the year, but also the Bank's continued growth strategy, which makes heavy demands on capital.

The share capital

In April 2007 Forstædernes Bank carried out an issue of 2,070,000 new shares with pre-emptive rights for current

Indexed price movement in the Forstædernes Bank share, PI-index, MidCap-index and OMXC20 index in year 2007



5 years' continuing return on the Forstædernes Bank shares



Investor Relations policy

See the IR policy in its entirety on the Bank's website: www.forbank.dk, where you also have access to the many facilities and information for investors.

shareholders (this corresponds to an increase of 12.5 %). Add to this 40,000 shares in connection with the issue of employee shares at a favourable price.

At the end of 2007 the the Bank's share capital was nominally DKK 466,750,000. The share capital is divided into classes. Each share has a nominal value of DKK 25.

In the period up to 1 January 2010 the Board of Directors has power to extend the Bank's share capital by a further DKK 110,802,900 in one or more passes and also by up to DKK 6,918,400 in the form of employee shares.

The shareholders in general meeting have given the Bank authority to acquire treasury shares for up to 10 % of the share capital, and at the end of 2007 the portfolio of treasury shares was 4.6 % of the share capital compared to 2.5 % the year before.

No one shareholder owns more than 5 % of the share capital.

Share split

On 5 March 2007 at the annual general meeting of Forstædernes Bank the shareholders decided to carry out a share split at rate of 1:4, meaning that the denomination was changed from DKK 100 to DKK 25. The reason for this was inter alia to make the share more liquid.

Open communication

It is the Bank's Investor Relation's policy to be open-minded and to do our ut-

Stock Exchange Announcements in relation to 2007

16 Jan. 2008	Company announcement: Adjustment of expectations of core earnings of 2007.
23 November	Company announcement: Interest change for Forstædernes Bank 100+ II 2002/2014.
23 November	Company announcement: Interest change for Forstædernes Bank 100+ 2013. Exchange code DK0003438976.
2 November	Financial calendar 2008 for Forstædernes Bank A/S.
25 October	Q1-3 Report 2007.
31 August	Company announcement: Forstædernes Bank makes early repayment of capital certificates for DKK 100,000,000.
22 August	Half-year report 1 - 2007.
1 June	Changes to share capital and votes: Share capital and voting rights.
25 May	Company announcement: Sale of employee shares at a favourable price.
24 May	Company announcement: Interest change for Forstædernes Bank 100+ 2013. Exchange code DK0003438976.
24 May	Company Articles of Association 16 May 2007.
23 May	Company announcement: Interest change for Forstædernes Bank 100+ II 2002/2014. Exchange code DK0003441178.
26 April	Q1 Report 2007.
23 April	Company announcement: Fully subscribed capital increase.
21 March	Prospectuses/prospectus announcement: Prospectus 2007, increase of share capital.
20 March	Prospectuses/prospectus announcement: Prospectus announcement.
12 March	Company announcement: Favourable price at capital increase fixed at DKK 160.
6 March	Company Articles of Association 5 March 2007.
5 March	Minutes of the general meeting: Forstædernes Bank, Annual General Meeting, meeting of the Committee of Representatives and meeting of the Board of Directors.
5 March	Company announcement: Forstædernes Bank A/S prepares capital increase.
8 February	Forstædernes Bank, notice of AGM to be held on 5 March 2007.
8 February	Forstædernes Bank, Annual Report 2006.

See all the Forstædernes Bank Stock Exchange Announcements at www.forbank.dk

most to secure the actual market value of the share. We therefore commit ourselves to holding on to and enhancing our contact with analysts and shareholders.

In 2007 we experienced a constant interest on the part of share analysts, and we took part in a number of meetings and events involving both analysts and investors.

As part of the enhancement of the information to shareholders the Bank's presentations have become accessible

to everyone via the Bank's website; this includes presentations for analysts and web casts in connection with for instance the Bank's AGM as well as the publication of the half-year report for 2007.

Annual general meeting

At the AGM in 2007 a good 31 % of the share capital was represented.

The invitation to the AGM to be held on 3 March 2008 will be published, inter alia in the daily papers and via the issue of a company announcement.

Financial calendar 2008

7 February	Annual report (financial year 2007)
3 March	Annual general meeting at Bella Center
24 April	Q1 Report 2008
21 August	Half-year report 1 - 2008
23 October	Q1-3 Report 2008

Forstædernes Bank share

	2007	2006
Market price (closing price), year-end (DKK)	169.50	208.86
Market value year end (DKK bn)	3.2	3.6
Profit/loss each share (nom. DKK 100)	63.7	99.5
Dividend each share (nom. DKK 100)	8	10
Equity value each share (nom. DKK 100)	478	426
Price/equity value each share (nom DKK 100)	1.42	1.96

*) Figures for 2006 have been adjusted for the share split in 2007 (4 for 1)

Corporate governance

Good corporate management

In our management of the Bank, we focus on ensuring good investor management and a high informative level in relation to our shareholders. This is a basic prerequisite for exercising good Corporate Governance, so the Bank adheres – by and large – to the recommendations of the OMX Copenhagen Stock Exchange: “Recommendations for good corporate management 2005”. Wherever this is not the case, we will explain why, and we thus follow the so-called “Comply or Explain” principle, see the “Handbook for Issuers” from the stock exchange.

Voting right restrictions adopted by the shareholders

In complete openness the shareholders in general meeting adopted the voting-right restrictions as an expression of their intention to preserve Forstædernes Bank as an independent alternative to the major banks to the pleasure of the Bank’s stakeholders. No shareholder may vote for more than 1/1,000 of the share capital.

The Board of Directors does not intend to propose the abolition of the voting-right restrictions, as it finds that this may indeed result in the Forstædernes Bank shares becoming short-term speculative objects. In the Board’s opinion, such speculation cannot be in the interest of shareholders or of Forstædernes Bank.

The Board is elected by the Committee of Representatives

The Board of Directors is responsible for the main management of the Bank, and in its annual self-assessment, it resolves whether the rules of procedure, guidelines, policies and practices are relevant and up-to-date.

The Board of Directors supervises the Bank and safeguards responsible management. The Board employs the managers of the Bank, the Bank’s internal auditors, and it proposes the independent external auditors to the shareholders in general meeting.

Five directors are elected by the Committee of Representatives for a term of two years; three directors are elected by the employees.

The members of the Committee of Representatives are elected by the shareholders in general meeting for a term of four years. According to the Bank’s Articles, the Committee of Representatives elects five directors from among its body of 28; it determines the directors’ fees, decides upon the establishment of consultancy centres and treats any motions made by the Board for presentation at the meeting of shareholders. The retirement age for members of the Committee is 70 years.

When the Board proposes candidates for the Committee of Representatives to be elected at the Annual General Meeting, it makes sure that they possess the relevant knowledge, scope and professional expertise in relation to the Bank’s needs. In this way we also ensure that the Committee of Representatives, in its election of directors, can form the broad competence required for the Board to perform its tasks optimally.

The Board of Directors and the Executive Board find that the relationship between the shareholders in general meeting, the Committee of Representatives and the Board of Directors enables systemic long-term planning which benefits the Bank’s development.



Amendment of the Articles of Association

The articles may be amended at the general meeting by a simple majority unless otherwise provided by law or the Bank’s articles.

Each nominal share amount of DKK 25 carries one vote. However, nobody may cast more votes than corresponding to 1/1,000 of the share capital from time to time, be it on behalf of oneself and/or others.

Motions to amend the articles proposed by others than the Board of Directors, however, require the representation of half of the share capital at the meeting of shareholders and the adoption by minimum 2/3 of the votes cast as well as of the share capital represented.

Any shareholders’ motions to be dealt with by the AGM must be submitted in writing to the chairman of the Board by 15 January.

Frequency of meetings and remuneration

The Board met 12 times in 2007 and has not availed itself of setting up committees. Remuneration is done on market terms and published for the Committee of Representatives, Board of Directors and Executive Board, respectively, in the Annual Report to such detail as the Bank finds it reasonable, considering the level of remuneration in relation to our sector. In the

Bank's opinion, information on individual remuneration serves no objective purpose. The Bank therefore deviates from the recommendation to render information on the remuneration of individuals.

Premature retirement compensation schemes for members of the Executive Board do not deviate from the standards of our sector (see note 6). Share deals are published quarterly via insider reports at the OMX Copenhagen Stock Exchange to the Danish Financial Supervisory Authority.

Incentive schemes

In order to create direct coherence between our shareholders' interests and any incentives to our staff, we also have an employee share ownership plan for all employees and bonus pay for the Bank's executives, pension and investments consultants, and a share-of-profit scheme for the Executive Board plus a share option scheme for the Bank's Executive Board and executive staff.

Offers for special-price employee shares have been made to depend on whether in regard to selected financial ratios the Bank ranks among the top third of the 20 biggest full-service institutions which the Financial Supervisory Authority categorizes as group 2 and 3 banks and on our generating a yield which is minimum 3 percentage points higher than the 10-year government bond interest rate. The annual costs towards this employee share scheme may maximum make up 2 % of the annual salary of any employee.

Besides depending on the economic results, the incentive-pay schemes for Bank executives as well as pension and investment consultants have been made to depend on non-financial financial ratios, including the Bank's

quality accounts. This ensures agreement with the Bank's mission statement and vision.

For the members of the Executive Board we have introduced a bonus scheme based on the Bank's annual pre-tax return on equity compared with the corresponding return rates among the 20 biggest group 2 and 3 institutions. If the annual return on the Bank's equity is better than the average of those mentioned above, a share of the profit is paid out on such additional earnings.

In 2007 total costs towards employee shares and incentive pay amounted to about 9 % of total wage and salary costs.

As from 2006 a share-option scheme was introduced for the Executive Board as well as for those executives who report to the Executive Board. The purpose of this is to push the Bank's value growth. Subject to separate agreement a number of share options are granted which cannot be exercised until after three years and which must be exercised before six years. During the said period the options may be exercised until 4 weeks following the Bank's publication of the Annual Report, the half-year report or the quarterly reports.

The exercise price corresponds to the average share price in the first 10 business days following the publication of the annual report for the year preceding the year in which they are granted plus five percent. Until now the Bank has granted options every year since 2006.

The cost of each option scheme amounts to DKK 6-8m which will be accrued over three years. The Executive Board's share comes to about DKK 1.4m of this amount. The

liabilities relative to the option schemes of both the Executive Board and the executives are covered by purchasing Forstædernes Bank shares in the market.

More details at our website

Our website presents a wide range of updated information to shareholders and how to get in contact with Forstædernes Bank. See for instance:

- Corporate Governance www.forbank.dk/cgov
- Investor Relation policy www.forbank.dk/irpolicy
- Articles of Association www.forbank.dk/articles

Out of consideration for our international investors our English-language part of the website focuses on factual information of relevance to investors. Client-related information is mainly given in Danish as the Bank's catchment is only Denmark.

Investor Relations contact

Investor-related questions are answered by:

- The Chairman of the Board of Directors
- The Executive Board
- Communication and IR Manager
Steffen Torvits
(+45) 22 22 20 36,
steffen.torvits@forbank.dk

Mission statement

Market position

Forstædernes Bank is an independent and autonomous bank based in the Greater Copenhagen area which includes Århus in its market area.

Our competitors are the biggest financial institutions in Denmark.

Forstædernes Bank is managed and run as a business concern, where the three most important stakeholders are shareholders, clients and staff.

A perfect balance between the demands and wishes of these three stakeholders is crucial to a long-term and steady development of the Bank.

- Every year earnings of the Bank should place us among the best in our sector – thus giving shareholders a competitive, long-term return on their investments.
- Clients should experience competent professional consultancy and a high degree of empathy from our staff. An experience which should place the Bank as the leader in terms of client satisfaction.
- Our employees should have job-satisfaction and feel that their working conditions and chances of developing make Forstædernes Bank the best working place of our sector.

These are ambitious goals. They need to be so, if we are to fulfil our vision



Vision

The vision of Forstædernes Bank is to be the natural choice for clients when it is a question of getting the most competent and personal advice within business, investments, pensions and housing.

that is the Bank's overall target and the perspective of our development.

We find that we can realize this vision through our behaviour. A behaviour which shows itself in our everyday work and which is governed by the Bank's mission statement with its strong values.

Mission statement and values

We are accessible and provide a quality hallmark in consultancy. We do so by being attentive, informal, dynamic and enterprising.

Informal

Presence

Accessible personal consultancy

Efficiency

Initiative



Quality accounts

Personal advice most important to our clients

As the financial products of the banking sector resemble each other to a high degree, Forstædernes Bank wants

clients to experience competent professional consultancy and a high degree of empathy from our staff. An experience which should place Forstædernes Bank as the leader in terms of client satisfaction.

For a number of years, the quality accounts of Forstædernes Bank have proven unequivocally that both business and private banking clients give top priority to the interpersonal and professional client-consultant relationship. Both client groups find that a trusting partnership and good interpersonal chemistry with the consultant is far more important than how you use Webbank or which prices the Bank charges.

In our strategy we base our services on these findings.

Rising satisfaction among business clients

Our business clients are mainly executives who to a wide extent are owners of their own business. This is a client group that requests close relations with their banker and decisions straight away. The four most important issues to business clients are mutual trust, good interpersonal chemistry with the consultants, professionally competent consultants and direct contact with the Bank's decision makers.

In these four areas, which our clients give top priority, satisfaction is also very high, i.e. between 88 % and 95 %. To a consultancy bank, such as Forstædernes Bank, these are extremely important benchmarks.

From the clients' written remarks to the survey it appears that trust and insight are more important than prices – although many people want to save on costs, of course. This viewpoint is confirmed by statistical results where satisfaction with prices is moderate, whereas the issue of price on the other hand is given the second lowest priority (see page 69).

In our strategy we are committed to decentralising decision competency, meaning that to the widest possible extent decisions are made locally in the consultancy centres as part of our front office service. We are therefore very pleased to learn that 92 % of our clients find that they can get into contact with decision makers whenever required.

Compared to 2006 satisfaction among our business clients has risen in nearly all areas. However, the Bank wants to examine the possibilities of offering individual solutions to an even wider extent in order to match client's state of affairs.

Clients' satisfaction is also seen in the fact that by far the majority of clients' remarks present constructive suggestions on our how to improve FB Webbank.

The quality accounts also reflect that customer loyalty among our business clients is also at a very high level. 87 % of our clients find that the Bank is worth recommending to their colleagues and acquaintances. We are aware that it makes heavy demands on us to retain this loyalty.

The four most important areas to FB clients in 2007

	Agree 2007	Agree 2006
Business clients		
Relationship marked by mutual trust	93 %	92 %
Good interpersonal chemistry with consultant	95 %	94 %
Professionally competent consultants	88 %	89 %
Contact with decision-makers whenever required	92 %	91 %
Private clients		
Trust in personal consultant	86 %	84 %
Qualified advice when needed	87 %	84 %
Responds promptly and efficiently	83 %	81 %
Consultant competent to decide	82 %	81 %
Youths and students		
FB Webbank functions as required	95 %	94 %
FB Webbank is easy to use	93 %	93 %
Fees and interest correspond to what was promised	66 %	58 %
The Bank has attractive prices	63 %	71 %

Private clients meet new consultants

Among our private banking clients satisfaction regarding the four top-prioritized areas rose a little compared to 2006, and the satisfaction level of 82 % to 87 % confirms our position as a consultancy bank. Moreover, 80 % of our clients experienced in 2007 that our staff knew who they are. This is six percentage point up compared to 2006.

On the face of it, it is fewer than desired when 77 % find that our Bank is worth recommending to others.

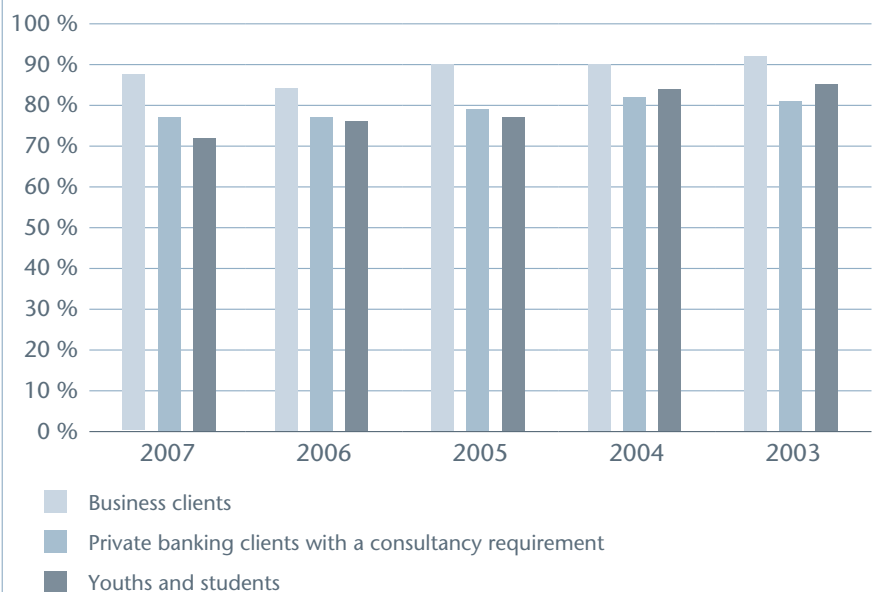
A number of clients state that they do not know their consultant well enough for them to recommend the bank – either because they are newcomers or because the consultant has shifted.

The first cause is thus directly due to the growth of Forstædernes Bank while the second cause – that clients experience a shift of consultant – is based on three factors:

- The Bank's strategic adjustments involve new functions for our consultants and thus a reshuffle among the clients' personal contacts;
- The current demand for highly qualified personnel within the financial sector causes a natural turnover of staff;
- Development of our employees' competencies leads to a change of job along the career path – particularly within the private banking client area.

Every fourth change of consultant is a nuisance to the clients. However, the weight of this question is only prioritized as number eight out of ten, which seems to indicate that the nuisance is bearable.

Clients who want to recommend Forstædernes Bank



In 2008 both growth and strategic adjustments will be continued. So in future it will also be a significant task to ensure that any shift of consultant happens as smoothly as possible.

Development of the youth concept

Young people make up the group which on average serves itself to the widest extent. The questions relating to FB Webbank therefore have highest priority among our student clients, and with a satisfaction rate of 93 % to 95 % this result is even better than previous years.

In order to ensure improved handling of the new young clients in our consultancy centres, the Bank delimited its efforts to selected fields of study in 2006.

Moreover, our young clients became embedded directly in the private sections of the centres.

As we expected our Quality Accounts progressed in areas, such as quality of advice and the ease of getting into contact with one's consultant.

In fact the accounts show progress in all items except for two: that the Bank has attractive prices and that the Bank is worth recommending to others. We can therefore draw the conclusion that there is a direct relationship between prices and recommendations.

Competition for the young is immense – particularly in relation to prices. The exceptional position which Forstædernes Bank was in a few years ago with the best prices is now being challenged by a number of other banks – which is why fewer price-conscious young people do not feel quite sure whether they can recommend particularly Forstædernes Bank and its prices.

Quality accounts

To a wide extent our young clients use the occasion to write comments, attitudes and constructive suggestions. Hence the Quality Accounts comprise material for a very specific evaluation and development of the youth concept – both in regard to prices and other aspects.

Cash acknowledgement in the Quality Accounts

The Quality Accounts are made public on an ongoing basis to allow everyone, even new clients, to have a perfect idea of what Forstædernes Bank stands for and whether – in the clients' opinion – there is agreement between what their banker tells them and what he/she does.

The Quality Accounts contribute to making us keep focus on whether clients are satisfied with the advice they are given. The result is a cash acknowledgement for whether the individual focus areas work. The quality accounts of each business and finance centre thus form a significant part of the centre managers' bonus models.

The Quality Accounts make critical points visible and give bankers the chance to continually improve quality and increase clients' satisfaction.



The complete Quality Accounts for the three client segments can be seen from the note on page 69.

Demands of the ideal banker

Our Quality Accounts build upon a satisfaction poll among some 5-6,000 clients. Every year we ask what our clients find is most important to the relationship with their banker, and how pleased they are with their specific area. In 2007, 32 % of these clients responded. Statistically, this is a high response rate,

and it clearly expresses that our clients are interested in their bank.

Since we made up our first quality accounts in 1991, real life has changed. As a consequence of this, we took the initiative in 2003 to enter into an in-depth dialogue with selected clients to find out which demands they have of the ideal banker. The demands vary in

a number of issues across three different client groups – business, private and youths.

The conclusions are reflected directly in the questions that form the basis of the quality measurements. At the same time the three client groups are asked whether they can recommend Forstædernes Bank to others.

Employees

The financial sector calls for more employees and ever more competencies among these employees. The highest educated candidates are also the most requested. Throughout the financial sector we face a challenge in attracting and holding on to able employees.

This partly leads to a pressure on salaries, partly focus on working conditions and development opportunities.

Our simple and ambitious goal is that our employees should have job satisfaction and feel that their working conditions and development opportunities make Forstædernes Bank the best place of employment in our sector.

Job satisfaction at the top

With a view to measuring how close we are to our goal, we undertook a job satisfaction poll among all our 567 employees of which 94 % responded. This was done via the analysis bureau of Analyzer in the autumn of 2007. The responses can be held together with our own survey from 2004, and at the same time it provides a benchmark against part of our sector and other places of employment.

Where the analysis bureau has taken similar polls, results show that satisfaction among our employees is higher than the financial sector average.

According to the analysts Forstædernes Bank sets new standards for employees' satisfaction and loyalty. Eight out of ten employees can be categorized as key employees who have a very high degree of satisfaction and loyalty. This is one of the highest ratings the bureau has ever measured.

Job satisfaction and loyalty show a satisfaction level of 6.2 on a 7-step scale.

We particularly stand out markedly from the sector in relation to:

- Good management
- Helpful and supportive colleagues
- Enjoyment of being at work and being employed in the bank

In these and most of the other items we lie 10 % to 26 % above the average of our sector. Only in one item out of 18 – the Bank's reputation – does satisfaction lie slightly below the sectorial average.

Progress since 2004

Compared to the satisfaction poll in 2004 there is also 5 % to 7 % progress in areas such as influence, leadership and personal development; these are the areas that we have focused on directly by decentralizing decision making, implementing extensive leader development and boosting competency. Furthermore, the Bank's social face and working environment is rated higher than earlier on.

Together with the Bank's joint consultative committee we have started to make a separate effort in regard to the questions where the results have not improved, incl. workload, bonus schemes and obvious career paths. Bank management has also made a plan for how to strengthen the Bank's reputation.

We are aware that it calls for continuous target-oriented and long-term efforts to stay up top in this sector.

In this connection it is most important to our employees that they have responsibility and have a say in their jobs. Here our strategy of decentralizing the decision-making competency fully matches our employees' prioritisation. And new members of our staff state that the fact that they are allowed to have an impact on their own work as well as the responsibility and independence they enjoy are matters that have attracted them.

Similarly, competency development and health are important aspects in our effort at holding on to our employees.

Competency development

Competency development is crucial both to the development of the Bank's business areas and to the individual employee.

In cooperation with the Financial Sector's Training and Conference Centre we completed an internal pension course in 2007. A course whose level corresponds to an insurance agent's course. Eighteen members of our staff completed the course that comprises four modules within law, competitors, life/pension and consultancy services. In line with our strategy the trained experts will render their services decentrally. Particularly our business clients call for these resources.

Similarly the Bank has completed development processes for more than 80 investment consultants. Among the subjects were MiFID, taxation, family and inheritance law. These processes have also included skills in consultancy systematics as well as approaches in



Employees

Staff satisfaction compared to the sector	Forstædernes Bank	Sector	Difference in %
I am willing to make an extra effort whenever necessary	6.6	5.8	13.8
On the whole, I enjoy being employed with FB	6.5	5.6	16.1
I would like to keep working with FB, also in two years' time	6.3	5.7	10.5
My personal and professional resources are sufficient for me to do my job	6.3	6.1	3.3
I would recommend a job with FB to other persons	6.3	5.7	10.5
People in my department cooperate well	6.1	5.5	10.9
I have say in the content of my own job	6.1	5.7	7.0
There is a good work/life balance	6.1	5.3	15.1
I look forward to going to work	6.1	5.3	15.1
Management has clear strategies for where the Bank is heading	6.0	5.1	17.6
On the whole, my immediate superior is a competent manager	6.0	5.1	17.6
My colleagues in the Bank help and support each other	5.9	5.0	18.0
Management is active and determined	5.9	5.3	11.3
My immediate superior is good at inspiring and motivating me	5.8	4.6	26.1
My immediate superior is good at following up my efforts	5.7	4.9	16.3
The Bank has a good reputation	5.7	5.9	-3.4
The interdepartmental cooperation functions well	5.2	4.6	13.0
My salary matches my competencies and my efforts	5.2	4.9	6.1

the consultancy processes – both ethically and commercially.

Furthermore, the talent programme was continued where selected employees were offered a one-year coaching course, and they were made responsible for particular tasks which the Executive Board is directly involved in. The Bank's talent programme started in 2003, and among the employees who have completed it, 73 % still work with the Bank.

The Bank's strategy of gathering investments, pensions and housing in actual asset sections will materialize

in 2008 in the form of an offer to 30 employees to continue their education and qualify as asset consultants. Particularly employees who are capable of taking a holistic view will benefit from such a career opportunity.

Healthy staff

Health plays a decisive role to satisfaction at work and in one's own time. At the same time healthy employees are more concentrated and less absent from work. The Bank's health-service policy, which was established in 2006, builds upon social responsibility, a good working environment and a healthy way of life.

In 2008 we will make a survey to find out which new initiatives, internally and externally, it would be most relevant for us to take in hand as part of our responsibility – particularly in relation to Corporate Social Responsibility.

Good conditions attract

In the light of the current market situation, it is highly satisfactory for us that we can keep on attracting the necessary, qualified resources which are the prerequisite for our continued growth.

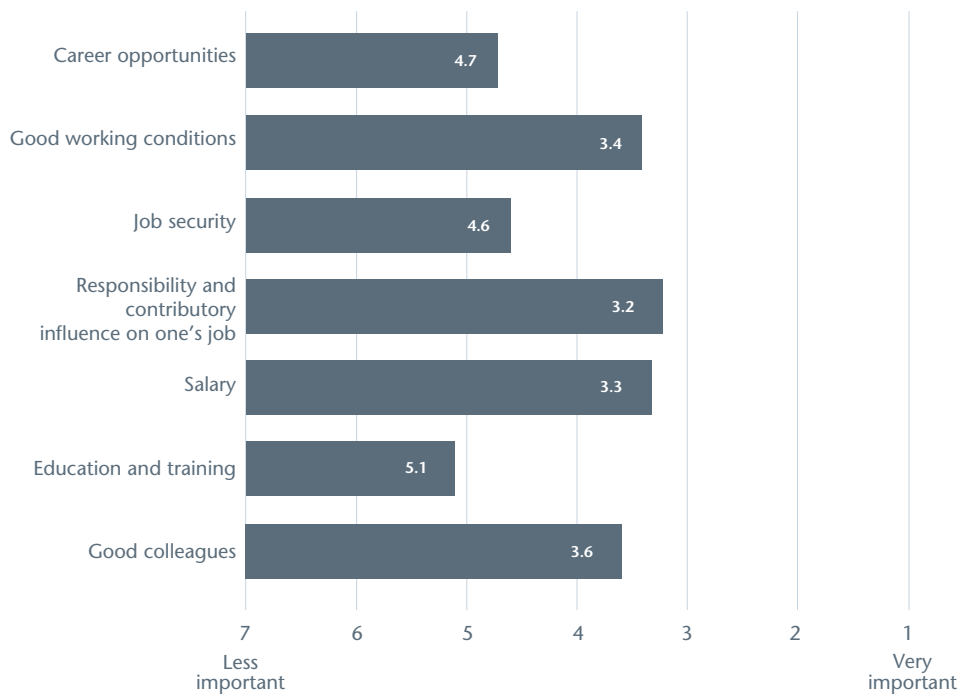
The number of employees with Forstædernes Bank increased by 3 % in 2007. The primary factors are the new





consultancy centre at Århus, our function as depositary bank for Sparinvest, the increasing business scope particularly in regard to finance and the increasing need (partly due to statute) to control and comply at several levels.

The staff's prioritisation of seven factors



Risk management

Forstædernes Bank defines risk as any event that might exert significant adverse influence on the possibility of reaching the Bank's business-related goals. The Bank is exposed to various types of risk which are controlled and monitored at various levels in our organisation.

We continuously develop tools to identify, monitor and control the risks which may affect the Bank from day to day. The Board of Directors formulates the general limits and principles governing the risk and capital management and continuously receives reports on risk movements and the exploitation of the exposure limit assigned.

The risk management and controlling tasks are handled collectively in a risk management function under Economy and Risk Management whose objective is to continuously maintain the Bank's systems and monitor the Bank's risks so it is possible to control them with a view to minimizing losses. Furthermore, the Bank's credit area is responsible for credit-related controlling and risk management.

The Bank furthermore has a Compliance function that functions autonomously, and the manager of the Compliance function refers to the Bank's Executive Board. The Compliance function is to ensure the Bank's integrity and good reputation as a professional consultancy bank. Hence the Compliance function should ensure that the Bank always complies with current law and that its conduct is ethically sound as a professional consultancy bank. The Compliance function renders advice to the Bank's employees on how to comply with current rules, and it continuously considers whether measures should be taken to counter any compliance risks.

The most important types of risk to the Bank are:

- Credit risk: The risk of losses due to the clients' fully or partially failing to perform their payment obligation;
- Market risk: The risk of losses due to changes in the market value of the Bank's assets or equity and liabilities resulting from fluctuating market conditions;
- Liquidity risk: The risk of losses due to the Bank's failing to honour its payment obligations by means of the common liquidity reserves;
- Operational risk: The risk of losses due to insufficient or faulty internal procedures, errors in terms of human or system errors or external impacts, including the compliance risk to the Bank;
- Business risk: The risk of losses due to changes in external conditions or events which harm the Bank's reputation or earnings;

The Annual Report 2007 contains a number of details relating to the Bank's credit risks, market risks and liquidity risks. Further information about our approach to risk management and the distribution of responsibilities in relation to the Bank's risk management is available on the Bank's website: www.forbank.dk/riskmanagement (duty to disclose according to the third pillar of Basel II).

Risk Management is responsible for the day-to-day independent control of market risks, hedging strategies and counterparty risks and also for the ongoing reporting to the Executive Board and the Board of Directors. The continuous credit risk follow-up on client commitments is responsibility of the Credit Department, whereas Risk Management is responsible for the day-to-day monitoring of investment

and currency commitments that are subject to stop-loss clauses.

Together with the Bank's Compliance Function and Risk Committee Risk Management plays a central role in the assessment of risks when new products are introduced. The task of the Bank's Risk Committee is to ensure that all transverse correlations and issues are duly analysed when new products are introduced. The Risk Committee has representatives from most of the Bank's staff functions.

Credit risk

The most significant risk in the Bank relates to the credit risk. The Bank's credit policy has been designed with a view to securing that transactions with clients, credit institutions and other stakeholders will always lie within the limits adopted by the Board of Directors.

Credit policy

The Bank's target group is financially sound business and private banking clients who use the Bank as their full-service supplier.



In the business client domain, the primary target group is small and medium-sized enterprises within production, trade, the self-employed craft sector, the professions, construction, etc.

As to the private banking clients our target group counts investment, pension and housing clients.

Both within business clients and private banking clients our target group also includes clients who invest in securities and investment properties.

At Forstædernes Bank we want to distinguish ourselves from other banks through the quality of our consultancy services. A prerequisite for this is that the Bank is a competent sparring partner to clients in an ongoing dialogue. For that reason we require full insight into our clients' financial circumstances; clients must provide regular financial reports, and their economy and group structure must be well-planned. This applies even if security is provided.

Our credit assessments and credit granting are based on a decentralised decision competency, meaning that to the widest possible extent the client has direct contact with the final decision-maker.

We rate clients in relation to their credit standing, and hence our rating is applied as a risk-managing tool that tells us when clients may be considered financially sound. Business clients are rated according to their earnings, solvency/capital and reserves and the collateralized cover of their commitments. Private banking clients are rated according to the funds available to them, their actual assets plus their life-cycle positions.

The credit ratings applied are:

- A: No credit risk
- B: Acceptable credit risk
- C: Less acceptable credit risk
- D: Unacceptable credit risk

The Bank's consultancy centres have autonomy to grant new business client commitments within A and B class

risks, and new private client commitments within the A, B and C class risks.

Credit follow ups

The Bank watches all accounts closely, particularly those over DKK 2m. Based on an agreement between client and consultant, the consultancy centres work out overviews of the operating trends and other relevant aspects for all business commitments. These reports are submitted to the Credit Department five times annually, which ensures the Bank an updated overview of commitments exceeding DKK 2m. On business commitments over DKK 10m the Bank also receives operating follow-ups at least quarterly.

This means that the Bank has optimal opportunity to take initiatives at an early stage in relation to any commitments that begin to show signs of weakness.

The Bank's credit and lending departments examine all DKK 10m plus commitments annually and report to the Executive Board. Commitments

Risk management

over DKK 20m are also presented to the Board of Directors.

The Bank's credit department staff calls upon all consultancy centres at least once every four months with a view to assessing the credit quality and the credit granting standard in relation to the individual centre's loan and guarantee portfolios. During that visit the Credit Department will i.a. scrutinise all newly granted commitments over DKK 250,000. In 2007 the Credit Dept. paid 88 credit visits, meaning that more than 4,000 commitments were examined.

The Credit Department produces quarterly reports on the Bank's credit-related movements in a number of areas. This applies both to large-scale single commitments and at trade and portfolio level.

The Bank's internal auditors regularly perform follow-ups and monitoring, and results are reported to the Credit Department, the Executive Board and the Board of Directors.

In this way the Bank has a wide spectre of efficient follow-up tools that ensure management and optimisation of the quality of the Bank's loan portfolio both at individual account level and at trade and portfolio level.

The Bank's commitments

The attitude and objective of Forstædernes Bank is to have a suitable risk diversification to protect the Bank against sensitivity in relation to adverse movements within the individual trades or sectors or individual clients.

The increase in commitment volumes above DKK 50m can primarily be related to the new commitments for the purpose of property investments, security investments and new house building projects, where min. 75 % of the homes have been sold in advance and the developer has a satisfactory equity ratio.

The Credit Department continuously performs stress tests on the Bank's portfolio of property investment commitments. The latest analysis shows a satisfactory average client equity ratio of 28 % and that 90 % of these loans/advances and credits have been granted to the funding of property for offices, housing and retail letting. The Bank's funding of the more cyclical production and storage facilities is extremely modest. In the granting of property investment commitments the Bank has also strengthened its focus on clients' liquidity relative to the property investment.

All in all our conclusion is that the Bank is generally well-g geared for less favourable times, if they should occur, in the market for property investments.

Accounts with a low credit rating

The Bank establishes keen monitoring of all client relationships that develop worse than expected.

For all low-rated commitments we prepare action plans with the primary objective of ensuring in cooperation with the client that development is towards an acceptable credit risk, thus normalizing business with that client. If the Bank deems that such a positive development is impossible or unlikely, the action plan must outline the initiatives required to phase out the commitment.

Commitments which are being phased out without any commercial perspectives on the part of the Bank are transferred to the Credit Department for phasing out.

Impairment losses

Since 2005 the Bank's impairment policy has followed the international guidelines of IAS/IFRS and the relevant executive order of the Danish Financial Supervisory Authority.

Consequently, the Bank carries out the necessary impairment if there is an objective indication in the individual credit relationship or on a grouped basis which clearly gives the Bank cause to expect a loss.

Non-interest-yielding credits

The non-interest yielding loans, advances and credits of Forstædernes Bank are still at a modest level both in absolute and relative terms.

For a statement and assessment of credit risks, please see Notes 9, 10 and 27.

Loans/advances and guarantee debtors distributed by volume of commitment

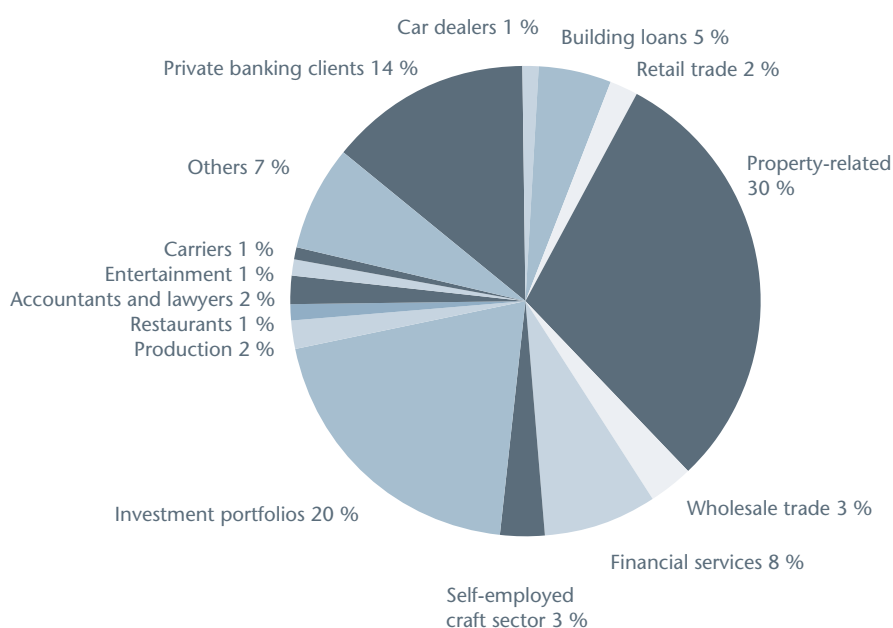
Volume (DKK m)	2007	2006	2005	2004
0.0 - 0.5	3 %	5 %	6 %	8 %
0.5 - 2.0	7 %	11 %	12 %	14 %
2.0 - 10.0	19 %	20 %	23 %	24 %
10.0 - 20.0	10 %	10 %	10 %	9 %
20.0 - 50.0	16 %	15 %	14 %	19 %
> 50.0	45 %	39 %	35 %	26 %
Total	100 %	100 %	100 %	100 %

Market risk

The Bank's market risks are managed by FB Markets, inter alia via well-defined limits to a number of risk targets, which together cover the level of the individual types of risk. The limits for the Bank's aggregate market risk are defined by the Board of Directors and delegated as a framework to the Executive Board. The Executive Board delegates the exposure limits to the head of FB Markets and Asset Management who partly delegates the limits to the functional managers of the individual areas within FB Markets and Asset Management.

Market risk also covers interest, currency and share risks which are affected by both general and specific movements in the market. Market risks are part of the Bank's core activities which have a great bearing on the Bank's total earnings.

Overview by trade at 31 Dec. 2007



Specification of impairments/provisions for loans/guarantees

	2007	2006	2005
Impaired/provided at beginning of year on loans/guarantees	227.2	216.6	224.6
Movements in impairments/provisions			
New impairments of the year	119.7	134.6	86.4
Previously impaired now reversed	-54.6	-81.1	-66.5
Previously impaired now finally amortised	-26.7	-42.9	-29.5
Impaired/provided at end of year on loans/guarantees	265.6	227.2	216.6
Amortised not previously impaired	2.0	2.0	5.4
Interest income on provisions amortised	6.6	8.1	-
Paid in against receivables previously impaired	10.0	6.8	2.7

Receivables with zeroed interest

	2007	2006	2005
Receivables (DKK m) with zeroed interest	155.8	131.5	77.6
In percent of loans/advances, guarantees and impairment	0.5	0.5	0.3

Risk management

The individual risk areas are monitored daily by Risk Management and controls have been established to make sure that all positions and transactions comply with the risk management policy and the limits delegated. Every day the Executive Board receives reports on the Bank's market risks, and the Board of Directors is briefed monthly on the minimum, maximum and average value of the individual risk targets.

The Bank applies derivative financial instruments to specific areas to hedge and manage market risks. The Bank takes own speculative positions in derivative financial instruments within the exposure limits fixed for both currency and securities instruments.

Derivative financial instruments are also used by our clients. Forstædernes Bank is an active player in the dealing in derivative currency instruments, but all client transactions in derivative

securities instruments are hedged in the market.

Derivative financial instruments are part of the statement of the Bank's market risks on the underlying risk areas.

Interest rate risk

Along the guidelines from the Danish Financial Supervisory Authority the overall interest-rate risk is computed as the entire loss risk in case of a general change of the interest level by 1 percentage point. The Bank furthermore measures the interest-rate risk within duration intervals. Both the overall interest-rate risk and the interest-rate risk distributed by duration are subject to limits.

As at the end of 2007, the aggregate interest-rate risk was DKK 77m; and measured in relation to the core capital this corresponds to 3.2 %. The average interest-rate risk during 2007 was about DKK 80m or 3.3 % of the core capital.

Share risk

The general share risk is made up as the market price of the entire portfolio of shares, incl. derivative financial instruments and share-based bonds, but excl. of equity portfolio and treasury shares.

As at the end of 2007 the Bank's share risk came to DKK 272m compared to DKK 420m in 2006. In addition to this the Bank had an equity portfolio (sector shares) in the amount of DKK 309m and treasury shares in the amount of DKK 145m.

The average share risk amounted to some DKK 313m in 2007 compared to some DKK 144m in 2006. The increase was due to the fact that the Bank had acquired a position in a share-based bond at the end of 2006.

The share portfolio is primarily invested in highly liquid shares, which are all listed in authorised market places.

Market risks (DKK m)

Market risks	Risk targets	Level end 2007	Level end 2006
Interest rate risk	Total interest rate risk	77	56
Share risk	Shares (excl. treasury shares and investment securities)	106	153
	Share-based bond	248	250
	Share-related derivative financial instruments	-82	17
	Share exposure	272	420
	- in addition to this equity portfolio (sector shares) - in addition to this treasury shares	309 145	251 91
Currency risk	Indicator 1	214	117
	Indicator 2	2.5	1.5
	Maximum loss	2.3	2.9



Currency risk

The Bank's currency risk is a measure of how changes in currency prices can affect the value of the Bank's currency positions. The general currency risk is measured via financial ratios. Currency Indicators 1 and 2, which are made up according to the guidelines from the Danish Financial Supervisory Authority, account for the volume of positions in other currencies plus the loss risked by the Bank in the course of 24 hours, respectively, provided the exchange rate movements follow historical experience. In addition to this the Bank makes up the maximum loss risked by it in the course of 24 hours based on all the currencies countering the Bank's own positions.

The Bank has adopted different exposure limits for currency risks, e.g. for maximum currency risk, maximum net position in one currency combination, term and type of instrument. Please see Note 29 for further details on currency risks.

Liquidity risk

Liquidity risk is defined as the risk of suffering losses because:

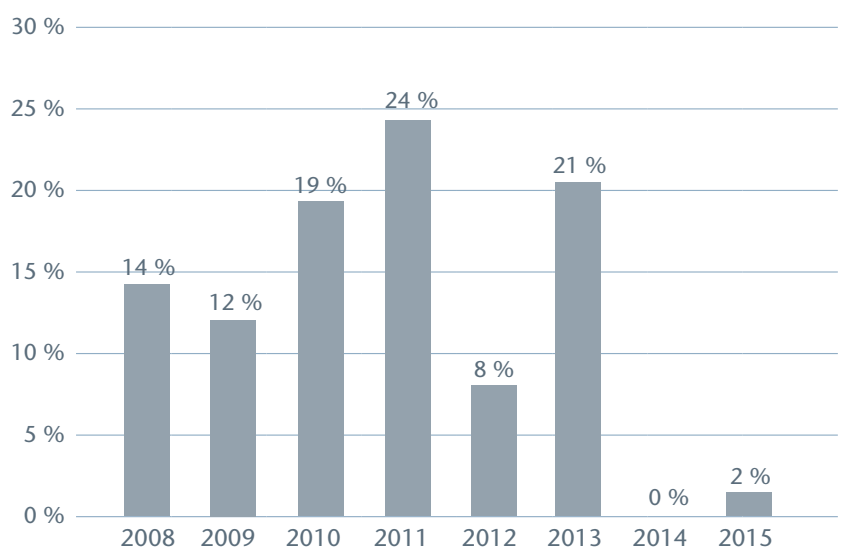
- The Bank's funding costs are rising more than expected
- The Bank is cut off from entering into new transactions due to lack of funding
- The Bank cannot meet its payment obligations due to lack of funding

The general objective of managing Forstædernes Bank's liquidity is to

- Monitor and control trends in the Bank's short-term and long-term liquidity
- Make sure that the Bank has sufficient liquidity at its disposal at any time, both in Danish kroner and currencies



Maturity profile of the Bank's strategic funding



Risk management

The general liquidity risk is controlled on the basis of limits fixed by management and made up on the basis of acknowledged future payments received and made from business transactions.

The Bank's immediate liquidity reserves are calculated in accordance with the guidelines of Section 152 of the Danish Act on Financial Services. The Bank wants to have a balance sheet composition which guarantees sufficient and steady liquidity reserves both in the short and the long run. This paves the way for realizing the Bank's business goals without it having to exercise short-term transactions. Our aim is have an excess cover of 100 % besides the 10 % requirement.

To secure funding in situations where Forstædernes Bank needs liquidity here and now and the normal funding sources do not suffice, Forstædernes Bank has a liquidity buffer. This liquidity buffer comprises liquid securities with a high credit rating which can be sold or used as collateral in the funding activities. At the same time Forstædernes Bank focused on establishing undrawn committed credit facilities in 2007 which can be exploited at short notice if a need for liquidity arises.

The Bank's general liquidity policy is to maintain a sound and well-diversified

funding base spread across different funding sources, incl. a geographical spread, the application of different funding structures and an even distribution of the life of the loans as illustrated in the figure on page 33. The Bank continuously monitors the funding sources. The Bank's funding is distributed on 47 counterparties from 15 different countries, primarily European.

In order to secure flexible and effective access to international loan and capital markets Forstædernes Bank has established a number of different loan types: bonds, syndicated loans, Schuldschein loans, bilateral agreements, and revolving credits. In this connection the Bank avails itself of several different organizers, so we also achieve a high degree of independence in this area. The loans guarantee that the Bank has considerable flexibility when it is to choose the life of the loan, currency, interest (fixed-rate/variable) and partly geographical markets. This means that the Bank is capable of tailoring its issues to the current market conditions and to the wishes which investors may have.

In 2007 the Bank experienced bigger growth within loans/advances than within deposits. One of the results is an increase in medium-term funding with credit institutions. As at the end of 2007 medium-term funding with other credit institutions thus amounted to a total



of DKK 10.1bn. In addition to this the Bank had undrawn committed credit facilities amounting to DKK 610m.

As a prerequisite for continued growth in the Bank's loans/advances we need to continuously manage the market funding and secure an equivalent strengthening of the growth within deposits. This will inter alia be realised by focussing on equilibrium between the absolute development of total deposits and that of loans/advances.

Other risks

With a view to minimizing losses due to operational risks the Bank has worked out written procedures in all important areas for the purpose of minimizing dependency on single persons and in order to ensure that the entering into business etc. is done in accordance with the Bank's adopted policy. A central part of this is our IT safety policy which makes heavy de-

Liquidity risks

Risk target	Level end 2007	Level end 2006
Excess cover § 152 (10 % req.)	115 %	134 %
Loans, advances (incl. impairments)/Deposits	152 %	144 %



mands on Information Technology and human resources. IT emergency plans have been prepared in order to restrict losses relating to lack of IT-facilities and other similar situations of crisis.

The Bank wants to have a strong controlling environment as a consequence of which we have worked out a number of standards for how control is to be executed.

The Bank has established a Compliance function which is to contribute to ensuring that the Bank always meets external as well as internal requirements.

In 2008 the Bank will continue to work with models and methods for how to state the operational risk as part of the new capital adequacy rules. It is our policy to continuously curb the operational risks in view of the costs involved.

The Bank has established procedures which are to ensure that the Bank's risk exposure – the Bank's risk picture – is continuously being examined and described. In 2007 the Bank's business areas were examined with a view to unveiling risk elements and single events which encompass elements of operational risk. Risk elements and occurrences were described in terms of expected frequency and expected loss.

Risks are primarily identified for the purpose of making them visible in the organisation and to ensure that measures are taken in the form of procedures, controls or the like to minimize the risk of their occurring. This work will be continued in the years ahead inter alia supported by the said Risk Committee.

Risk management in 2008 and ahead

In order to further strengthen our management of risks and coordination of

policies for the handling of risks across the organisation, the Bank will establish a Risk Committee in the first quarter of 2008. Central functions, such as the Private Banking Client Area, Business Client Area, the Credit Department, Law and Compliance, FB Markets and Asset Management and Risk Management will be involved. The risk committee must continually assess the Bank's overall risk picture, most significant risks and solvency requirement and recommend to the Bank's Executive Board a policy on how to handle risks.

We find that at present there is no need to apply more advanced methods for making up risks and solvency, but we will continually seek to ensure that more advanced models are gradually being introduced in risk management, and the need to apply more advanced methods in the coming capital adequacy rules will continually be assessed.

Management and managerial posts



Executive Board

Managing director Kjeld Mosebo Christensen
Bank director Niels Fessel
Bank director Gunnar Kobberup

Supervisory Board (entry into)

Managing director Helmer Olsen, chairman (1992)
Managing director Jesper Andreasen, vice chairman (1993)
Pension advisor Olav Brusen Barsøe (2006)¹⁾
Managing director Lars Frederiksen (2001)
Business client manager Mette Viskum Kretzschmer (2002)¹⁾
Attorney-at-law Steen Moesgaard (1998)
Client manager Henrik Planthin (2002)¹⁾
Car dealer Arne Stubbe (1990)

Shareholders' committee

Managing director Helmer Olsen, chairman
Managing director Jesper Andreasen, vice chairman
Managing director Helge Andersen
Restaurant keeper Leif Skovby Andersen
Engineer Ole Andersen
Consultant Allan Breuning
Chief sub-editor Mogens Bähncke

Financial advisor Bjørn Christie
Managing director Jan Frederiksen
Managing director Lars Frederiksen
Managing director Claus Holmer
Auctioneer Thomas Høiland
Haulier Anker Meyer Jensen
Car dealer Peter Lindal Jørgensen
Managing director Peter Krabbe
Plumber Erling F. Linde
Managing director Poul Erik Marvig
Attorney-at-law Steen Moesgaard
Industry insurance agent Stefan Myrälff
Managing director Kim Niebling
Master carpenter Poul Erik Pedersen
Journalist Jørn Højmark Rasmussen
Plumber Carsten Sejling
Car dealer Arne Stubbe
Managing director Jørn Bak Sørensen
State-authorized estate agent Mariann Trolledahl
Chartered accountant Svend-Ole True
Joiner Bent Wolff

1) Elected by the employees

Executive functions of the Executive Board

Managing director Kjeld Mosebo Christensen

Member of the board of the Danish Employers' Association for the Financial Sector

Member of the board of Lokale Pengeinstitutter

Chairman of the board of FB Ejendomme A/S

Member of the board of Bankernes EDB Central

Bank director Niels Fessel

Managing director and member of the board of FB Ejendomme A/S

Member of the board of Sparinvest Holding A/S

Member of the board of Sparinvest Fondsmæglerselskab A/S

Member of the board of Sparinvest Systems A/S

Vice chairman of the board of Letpension Holding A/S

Vice chairman of the board of Letpension IT A/S

Member of the board of Letpension Drift A/S

Gunnar Kobberup

Member of the board of FB Ejendomme A/S

Member of the board of the Financial Sector's Training and Conference Centre

Executive functions of the Supervisory Board

Helmer Olsen

Managing director and member of the board of A/S Affaldsdeponi of 1.8.90

Managing director and member of the board of Kallerup Grusgrav A/S

Member of the board of ApS Sengeløse Losseplads

Managing director of H.O. Invest ApS

Jesper Andreasen

Managing director and member of the board of Aktieselskabet Rødovre Centrum

Managing director of R.C. Familie Holding A/S

Managing director of RC Holding II ApS

Managing director of RC Holding III ApS

Managing director of RC 2004 ApS

Managing director of JA Holding 4 ApS

Managing director of JA Holding 1 ApS

Chairman of the board of JA Holding 2 ApS

Member of the board of Rødovre Lokal Nyt ApS

Managing director of Rødovre Centerservice ApS

Managing director of JA-Pecunia ApS

Chairman of the board of Ballerup Lokal Nyt A/S



Lars Frederiksen

Vice chairman of M Holding A/S

Managing director of Burner Company A/S

Managing director and member of the board of Burner International A/S

Managing director and member of the board of Jægersborg Ejendomme A/S

Chairman of the board of Nexco Holding ApS

Managing director of Nexco ApS

Steen Moesgaard

Member of the board of Datek A/S

Member of the board of Advokatfirmaet Jost Jensen, Thomasen & Partnere A/S

Member of the Board of TR Autolakering A/S

Arne Stubbe

Managing director and member of the board of Arne Stubbe Automobiler A/S

Managing director and member of the board of Stubbe Holding A/S

Managing director of J. & A. Stubbe ApS

Managing director of Ejendommen Måløv Byvej 7 ApS

Managing director of Ejendommen Betonvej 2 ApS

Management's statement

Statement by the executive board and the board of directors on the annual report

The board of directors and the executive board have today discussed and approved the Annual Report 1 January up to and including 31 December 2007 for Forstædernes Bank A/S.

The Annual Report has been prepared in accordance with the Danish Financial Business Act, including the

Executive Order on financial reports of credit institutions and investment companies, etc.

Further, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial companies.

This Management's Review gives a true and fair presentation of trends in the Bank's activities and financial

circumstances as well as a true and fair description of the most significant risks and uncertainty factors which may affect the Bank.

In our opinion the accounting policies applied are appropriate and the annual report thus gives a true and fair view of the Bank's financial position at 31 December 2007 and of the results of the Bank's operations and cash flows for the financial year 2007.

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

Copenhagen, 7 February 2008

The Executive Board

Kjeld Mosebo Christensen
(man. dir.)

Niels Fessel

Gunnar Kobberup

Board of Directors

Helmer Olsen
(chairman)

Jesper Andreasen
(deputy chairman)

Olav Brusen Barsøe

Lars Frederiksen

Mette Viskum Kretzschmer

Steen Moesgaard

Henrik Planthin

Arne Stubbe



Auditors' reports

Internal auditors' report

We have audited the Annual Report of Forstædernes Bank A/S for the financial year 2007. The Annual Report has been prepared in accordance with the Danish Financial Business Act. In addition, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial services companies.

Basis of opinion

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

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



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

Our audit has not resulted in any qualification.

Opinion

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

In addition, in our opinion, the Annual Report gives a true and fair view of the Bank's financial position at 31 December 2007 and of its financial performance for the financial year 2007 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial services companies.

Copenhagen, 7 February 2008

Malcolm Theakston
Audit Manager

Independent auditors' report

To the shareholders of Forstædernes Bank A/S

We have audited the annual report of Forstædernes Bank A/S for the financial year 1 January to 31 December 2007. The annual report comprises the statement by Management on the annual report, the Management's review, the accounting policies, the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the financial statements. The financial statements have been prepared in accordance with the Danish Financial Business Act. In addition, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial services companies.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of an annual report in accordance with the Danish Financial Business Act in respect of the financial statements, and additional Danish disclosure requirements for listed financial services companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of an annual report 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 entity'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 annual report.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Bank's financial position at 31 December 2007 and of its financial performance for the financial year 1 January to 31 December 2007 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial services companies.

Copenhagen, 7 February 2008

Deloitte Statsautoriseret Revisionsaktieselskab

Hans Trærup
State Authorised Public Accountant

Henrik Priskorn
State Authorised Public Accountant

AP | Statsautoriserede Revisorer

Jan Poul Chrilles Tønnesen
State Authorised Public Accountant

Accounting policies

This Annual Report has been prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports of Credit Institutions and Investment Companies, etc. Further, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial companies.

The Annual Report has been prepared in accordance with the same accounting standards as last year.

Recognition and measurement in general

Assets are recognized in the balance sheet when as a result of a previous event it is likely that future financial advantages will flow into the bank and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when as a result of a previous event the Bank has a legal or actual liability and it is likely that future financial advantages will flow from the Bank and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value. However, intangible assets plus property, plant and equipment are measured at cost as of the time of the initial recognition. After the initial recognition measurement is done as described below for the individual items.

Predictable risks and losses which arise before the presentation of the Annual Report and which approve or disprove circumstances existing on the balance sheet date are taken into account in the recognition and measurement.

In the income statement income items are recognised *pari passu* with their being earned, whereas expenditure is recognised as an expense with the amounts of relevance to the financial year. Value adjustments of financial assets, financial liabilities and derivative financial instruments are recognized in the income statement. Increases in the value of owner-occupied properties are recognized directly in equity.

The Bank recognizes transactions as of the settlement date.

Accounting estimates

The statement of the carrying value of certain assets and liabilities involves an estimate of how the future events will affect the value of certain assets and liabilities.

The estimates we have made are based on preconditions which Management finds reasonable yet uncertain. Moreover the Bank is affected by risks and uncertainties. As a result of this the actual profits or losses may deviate from our estimates.

As to impairment losses relating to loans/advances and receivables the quantification of the risk that we may not receive all future payments is subject to estimates.

Foreign currency translation

On initial recognition transactions denominated in foreign currencies are translated at the exchange rate ruling on the transaction date. Unlisted currencies have been stated at estimated exchange rates. Receivables, payables and other monetary items in foreign currency not settled on the balance sheet date are translated at the exchange rate quoted by Danmarks

Nationalbank on the balance sheet date. Exchange differences arising as a result of differences occurring between the exchange rate as of the transaction date and that as of the payment date, the balance sheet date, respectively, are recognised in the income statement as translation adjustments of foreign currencies.

Hedge accounting

The Bank applies the special rules on hedge accounting to avoid the inconsistency created by certain financial assets and financial liabilities (the hedged items) being measured at amortised cost, whereas the derivative financial instruments (the hedging instruments) are measured at fair value. The effectiveness of hedging is measured on an ongoing basis. How the Bank applies the rules on hedge accounting is described under the respective items.

Income statement

Interest, fees and commissions

Interest income and interest expenses are recognised in the income statement in the relevant period. Commission and fees which form an integral part of the effective interest rate relating to a loan/advance are recognised as part of the amortised cost and thus as an integral part of the financial instrument (loan/advance).

Commissions and fees, which are part of a continuing service, are accrued over the term of the service. Other fees are recognized in the income statement on the transaction date.





Accrued forward interest on forward transactions is recognized under interest income. Interest on swaps is accrued and recognized as a net interest amount under interest income.

Interest income on impaired loans/advances is treated so that only interest on impaired loans/advances is taken to the income statement corresponding to the effective interest on the reduced value of the loan/advance. The remaining portion of the amounts received is treated as reversal of impairments.

Staff and administration expenses

Staff expenses comprise wages, salaries plus social expenses and pensions etc. towards the Bank's employees. Liabilities towards jubilee bonuses and senior schemes are recognised on a continuing basis under provisions regardless of the fact that the future benefit is conditional on employment at the time of disbursement and the retirement age.

The expenses towards incentive schemes are recognised in the income statement in the financial year to which the expense can be related.

For the Bank's Executive Board and executive members of staff there is a share option scheme. Expenses relating to the share option scheme are recognised in the income statement over the vesting period, and at the same time a similar increase of the equity is recognised. The expense is measured at fair value at the time of granting.

Administration expenses comprise expenditure for distribution, sale, promotion, administration, etc.

Pension schemes

The Bank has entered into contribution-based pension schemes with most staff members. In connection with the contribution-based schemes fixed amounts are paid into an independent pension fund. The Bank has no commitment to make any further contributions.

Taxes

Tax for the year comprises the year's current tax and changes in deferred tax. Tax for the year, consisting of the year's current tax, is recognized in the income statement with the part ascribable to the year's result and directly in equity with the part ascribable to items directly in equity.

Current tax liabilities and current tax receivable, respectively, are recognised in the balance sheet made up as calculated tax on the year's taxable income adjusted for tax paid on account.

Deferred tax is recognised on all the temporary differences between the carrying values and the tax values of assets and liabilities.

Deferred tax assets, including the tax value of tax losses eligible for carry-forward, are recognised in the balance sheet at the value at which we expect to be able to realise the asset either by offsetting against deferred tax liabilities or as net assets.

Accounting policies

The parent company is jointly taxed with its subsidiary, FB Ejendomme A/S, where we have a controlling interest. The current Danish corporation tax is distributed among the jointly taxed Danish companies proportionally to their taxable income (full distribution subject to refund of tax losses).

Balance sheet

Cash balance and demand deposits with central banks

The cash balance and demand deposits with central banks comprise the Bank's portfolio of national and international notes and coins plus demand deposits with central banks. This item is recognised at amortised cost, which usually corresponds to the nominal value.

Receivables from credit institutions and central banks

Receivables from credit institutions and central banks comprise receivables from other credit institutions and time deposits with central banks. This item is recognised at amortised cost, which usually corresponds to the nominal value.

Loans/advances

After the initial recognition loans/advances, including mortgage deeds, are measured at amortised cost, which corresponds to the nominal value less the formation fees, etc. and less any impairment to cover losses.

Recognition at amortised cost is supplemented by the rules on hedge accounting, meaning that the fair value of the hedged interest risk is recognized via the income statement. The hedging relationship for fixed-interest rate loans/advances is stated at portfolio level.

Impairment for losses is made when there is an objective indication of an impairment loss which at the same time results in a reduction of the expected payment flow. The carrying value of the loan/advance is written down to the present value of the expected future payments calculated by discounting using the effective interest of the loan/advance. The need to write down individually assessed loans/advances is calculated by making up the most probable payment flow for the individual loans/advances.

Loans and advances are impaired both individually on the separate exposure and partly group-wise on groups of exposures. The Bank scrutinises all loans/advances over DKK 10m as well as all loans/advances where we have found an objective indication of impairment. Loans/advances that are not written down individually are included in credit-risk groups. The Bank has a total of 13 credit-risk groups of which six are for private clients and seven for business clients. The credit-risk groups are based on a rating model, and consequently the respective risk groups comprise loans with uniform credit risk characteristics. Write-downs are made on the basis of a gross consideration applied to movements towards reduced creditworthiness.

Securities

Bonds and shares that are traded on active markets are measured at fair value. The fair value is made up according to the closing price for the specific market as of the balance sheet date.

Unlisted investment fund certificates are stated at fair value according to the listings of authorized market places or at the price calculated by the investment fund.



Illiquid and unlisted instruments are stated at fair value wherever it is deemed possible to determine it reliably. Statements are based on accessible information about transactions and the like or alternatively on calculations of their value in use. If it is not deemed possible to make up a reliable fair value, they are measured as cost.

Equity investments in group enterprises

The fully owned subsidiary of FB Ejendomme A/S is recognised and measured under the equity method which means that the investments are carried at the company's equity value.

Net revaluation of the investments is transferred to reserves for net revaluation according to the equity method under statutory reserves to the extent the carrying amount exceeds cost. Impairments are recognised and deducted in the positive statutory reserves, if any, as long as there are any reserves against which offsetting can be made.



As the business of the subsidiary is negligible compared to the Bank's, and as it does not carry on any commercial operations, no group consolidation has been made.

Intangible assets

Intangible assets comprise software. Software acquired is measured at cost less the accumulated amortisation and impairment losses. Cost comprises the expenses incurred to begin using the software.

The amortisation period is the expected useful life which is 3 to 5 years.

Property, plant and equipment

Owner-occupied properties, which solely comprise one holiday house for the use of staff, are measured after their first recognition at the revalued value. The revalued value is made on the basis of an assessment made by an assessment consultant employed with the Bank, and the assessment is based on the prices observed for this type of

house located in the same area. Revaluation is done so frequently that no essential differences occur relative to the fair value. Increases in the revalued value of the owner-occupied property are recognized under revaluation reserves under equity. The value drop is recognised in the income statement unless it is a matter of carrybacks of earlier revaluations. Depreciation is made on the basis of the revalued value.

The owner-occupied property is depreciated over a period of 50 years.

Other property, plant and equipment are measured at cost less the accumulated depreciation and impairment losses. The cost comprises the original cost, expenses directly related to the acquisition and expenses for readying the assets until the time when the asset is ready for use. Straight-line depreciation is made over the expected useful life of the assets. The necessary writing down is made when there is an

indication of impairment beyond the depreciation made.

The typical useful lives of other property, plant and equipment are:

IT	3 to 5 years
Tools and equipment	3 to 6 years
Machinery and vehicles	3 to 6 years

Normally a scrap value is not recognized at the end of the assets' useful life.

Acquisitions of single assets with an economic life up to one year are expensed in the year of acquisition.

Prepayments

Prepayments recognised under assets comprise expenses realized which relate to the subsequent financial year. Deferred income recognized under liabilities and equity comprises income relating to the subsequent financial year. Prepayments and deferred income are measured at cost.

Accounting policies

Payables to central banks and credit institutions

Financial liabilities are recognised at amortised cost, which usually corresponds to the nominal value.

Deposits

Deposits are recognised at amortised cost, which usually corresponds to the nominal value.

Bonds issued

Bonds issued are recognised at amortised cost, which usually corresponds to the nominal value. Any portfolio of own bonds issued is set off.

Recognition at amortised cost is supplemented by the rules on hedge accounting, meaning that the fair value of the hedged interest risk is recognized via the income statement.

Derivative financial instruments

Derivative financial instruments are measured at fair value. The fair value of derivative financial instruments is made up on the basis of market data and accepted value assessment methods. Derivative financial instruments are recognised under other assets (positive fair value), other liabilities (negative fair value), respectively.

Changes in the fair value of derivative financial instruments which are classified as and which meet the criteria for fair value hedging of a recognized asset or recognized liability will be recognized in the income statement together with any changes in the value of the hedged asset or hedged liability.

Interest and arbitrage premiums are recognized in the interest income under net interest. Value adjustments are recognized under translation adjustments.

Provisions

Liabilities that are uncertain as to volume and time of settlement are recognised as provisions when it is likely that the liability will lead to a withdrawal against the Bank's financial resources and the liability is deemed reliable. The liability is made up at the present value of the expenses required to repay the debt.

Liabilities relating to jubilee bonuses and senior schemes are provided in consideration of the time of disbursement as well as the employee's age and seniority. Liabilities falling due more than 12 months after the period in which they are earned are discounted.

Subordinated debt

Subordinated debt is recognised at amortised cost, which usually corresponds to the nominal value. Any portfolio of own subordinated debt issued is set off.

Recognition at amortised cost is supplemented by the rules on hedge accounting, meaning that the fair value of the hedged interest risk is recognized via the income statement.

Treasury shares

The acquisition costs and consideration for treasury shares as well as the dividend from treasury shares are recognised directly in retained earnings under the equity.

Cash flow statement

The cash flow statement is presented in accordance with the indirect method. It shows the cash flows from operations, investments and financing as well as the Bank's cash and cash equivalents at the beginning and end of the year.

Cash flows relating to operating activities are made up as profit/loss of the year after tax adjusted for non-cash operating items and working capital changes.

Cash flows relating to investment activities comprise payments in connection with the subsidiary, purchase and sale of non-current assets plus purchase, development, improvement and sale, etc. of intangible assets as well as property, plant and equipment.

Cash flows relating to financing activities comprise changes to the volume or composition of the Bank's share capital, bonds issued, subordinated debt and expenses relating hereto, purchase of treasury shares and disbursement of dividend.

Cash and cash equivalents comprise cash in hand, receivables from credit institutions with an original life of up to three months and hedged liquid and unpledged securities.

Key figures and financial ratios

Key figures and financial ratios have been presented in accordance with the requirements of the executive order on financial reports.

Financial ratios for 2004 and later appear from the executive order on the presentation of financial statements, but they are defined in the guidelines on account reporting for credit institutions and investment companies etc.

Definitions of financial ratios appear overleaf.

Definition of financial ratios

Financial ratios have not been defined in the Danish Executive Order on the Presentation of Financial Statements but with effect from 1 January 2004 the Bank has defined them as follows (for 2003 please see the definitions in the earlier executive order applicable to financial institutions):

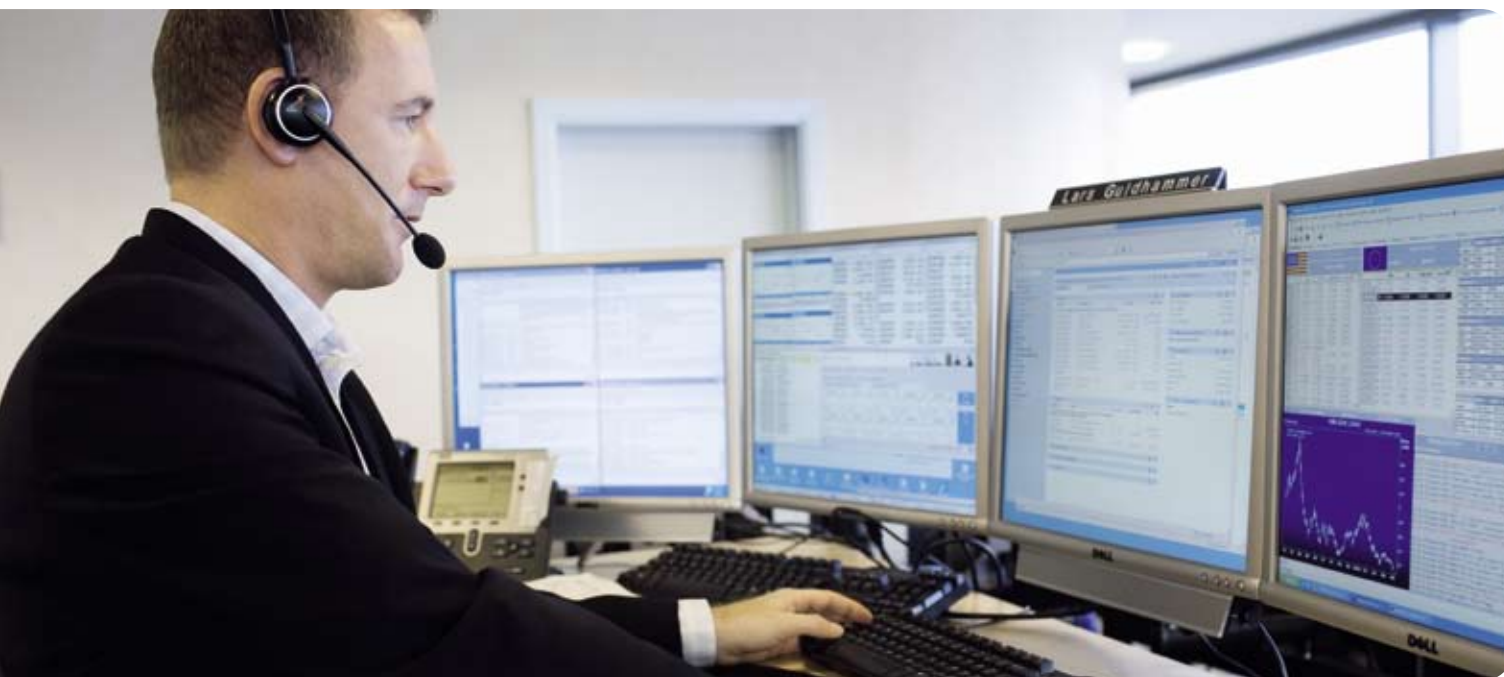
Numbering corresponds to schedule 6 of the Executive Order

2. Solvency ratio	=	$\frac{\text{Core capital less deduction} \times 100}{\text{Risk-weighted assets}}$
3. Core capital ratio	=	$\frac{\text{Core capital less deduction} \times 100}{\text{Risk-weighted assets}}$
4. Return on equity before tax	=	$\frac{\text{Profit or loss before tax} \times 100}{\text{Average equity}}$
5. Return on equity after tax	=	$\frac{\text{Year's profit or loss} \times 100}{\text{Average equity}}$
6. Income/cost ratio DKK	=	$\frac{\text{Income}}{\text{Costs}}$
7. Interest-rate risk	=	$\frac{\text{Interest-rate risk} \times 100}{\text{Core capital less deductions}}$
8. Currency position	=	$\frac{\text{Foreign exchange-rate indicator 1} \times 100}{\text{Core capital less deductions}}$
9. Currency risk	=	$\frac{\text{Foreign exchange-rate indicator 2} \times 100}{\text{Core capital less deductions}}$
10. Loans/advances relative to deposits	=	$\frac{\text{Total of loans/advances and impairment losses}}{\text{Deposits}}$
11. Loans/advances relative to equity	=	$\frac{\text{Loans/advances}}{\text{Equity}}$
12. Growth in loans/advances of the year	=	$\frac{(\text{Loans/advances, end of year} - \text{Loans/advances beginning of year}) \times 100}{\text{Loans/advances beginning of year}}$
13. Excess cover relative to statutory requirement regarding cash position	=	$\frac{\text{Excess liquidity after meeting the req. of §152(2) of the Fin. Bus. Act.}}{10 \% \text{ of reduced debt and guarantee commitments}}$
14. Total of large-scale accounts	=	$\frac{\text{Total of large-scale accounts}}{\text{Capital base after deductions}}$
15. Write-down ratio of the year	=	$\frac{\text{Year's impairment losses} \times 100}{\text{Total of loans/advances, guarantees and impairment losses}}$
17. Profit or loss each share *)	=	$\frac{\text{Profit or loss after tax}}{\text{Average number of shares (nom. DKK 100)}}$
18. Equity value each share *)	=	$\frac{\text{Shareholders' equity}}{\text{Number of shares (nom. DKK 100)}}$
19. Dividend each share *)	=	$\frac{\text{Dividend (each nom. DKK 100)}}{\text{Number of shares (nom. DKK 100)}}$
20. Share price/year's profit or loss each share *)	=	$\frac{\text{Market price (each nom. DKK 100)}}{\text{Financial ratio no. 17}}$
21. Share price/ equity value each share *)	=	$\frac{\text{Market price (each nom. DKK 100)}}{\text{Financial ratio no. 18}}$

*) Treasury shares are not included in the calculation of the financial ratios.



Income Statement



(DKK 1,000)	Note	2007	2006
Interest income	1	1,769,342	1,250,512
Interest expenses	2	1,115,422	708,339
Net interest income		653,920	542,173
Dividend from shares, etc.		3,384	10,271
Fee and commission income	3	370,078	325,579
Fee and commission paid		15,847	10,541
Net interest and fee income	5	1,011,535	867,482
Securities and foreign exchange income	4, 5	67,190	235,448
Other operating income		764	2,147
Staff costs and administrative expenses	6	627,340	536,566
Depreciation		42,756	36,910
Write-downs on loans/advances etc.		50,499	40,512
Income from associated subsidiary undertakings		136	146
Profit before tax		359,030	491,235
Tax	7	83,626	85,876
Net profit for the period		275,404	405,359
Proposals for allocation of profits (DKK 1,000)			
Dividends		37,340	41,400
Transferred to net revaluation		102	103
Brought forward to next year		237,962	363,856
Total allocation		275,404	405,359

Balance sheet

(DKK 1,000)

Note 2007 2006

	Note	2007	2006
Assets			
Cash in hand and demand deposits with central banks		362,720	194,584
Due from credit institutions and deposits with central banks	8	1,097,535	2,684,784
Loans/advances and other receivables at amortised cost	9, 10	25,386,490	20,287,963
Bonds at fair value	11	5,847,058	6,115,421
Shares, etc.	12, 13	415,744	403,929
Holdings in subsidiary undertakings	14	4,408	24,306
Intangible assets		26,050	19,484
Land and buildings, company domiciles	15	1,700	1,983
Other tangible assets	16	99,745	96,624
Current tax assets		35,184	0
Deferred tax assets	17	3,400	1,388
Other assets	18	540,336	366,800
Prepayments and accrued income		11,474	11,442
Total assets		33,831,844	30,208,708
Liabilities			
Debt			
Due to credit institutions and central banks	19	11,192,513	10,803,301
Deposits and other debt	20	16,901,560	14,294,345
Issued bonds at amortised cost	21	1,441,338	1,399,143
Current tax liabilities		0	6,163
Other liabilities	22	648,369	468,081
Accruals and deferred income		8,266	6,967
Debt, total		30,192,046	26,978,000
Provisions			
Provisions for pensions etc.		4,856	4,332
Provisions for loss on guarantees		11,428	2,526
Other provisions		11,887	0
Provisions, total	23	28,171	6,858
Subordinated debt	24	1,403,970	1,505,228
Equity capital			
Share capital	25	466,750	414,000
Share premium at issue		386,785	110,174
Revaluation reserves		1,377	1,640
Statutory reserves		908	20,806
Brought forward from prior years		1,314,497	1,130,602
Proposed dividend		37,340	41,400
Equity capital, total		2,207,657	1,718,622
Total liabilities		33,831,844	30,208,708
Contingent liabilities			
Securities provided	11	853,532	449,953
Guarantees, etc.	26	6,585,531	8,478,741
Other contingent liabilities	26	557,200	522,050
Total contingent liabilities		7,996,263	9,450,744

Statement of changes in equity

(DKK 1,000)	Share capital	Share premium at issue	Revaluation reserves	Statutory reserves	Brought forward from prior years	Proposed dividend for the financial year	Total
2007							
Shareholders' equity at the beginning of the year	414,000	110,174	1,640	20,806	1,130,602	41,400	1,718,622
Profit of the year	0	0	0	102	237,962	37,340	275,404
Income and costs recognised directly on equity:							
Changes in revalued value of owner-occupied property	0	0	-263	0	106	0	-157
Acquisition and disposal of own securities	0	0	0	0	-88,173	0	-88,173
Share-based incentive scheme	0	0	0	0	4,300	0	4,300
Income and costs recognised directly on equity total	0	0	-263	0	-83,767	0	-84,030
Dividend paid	0	0	0	-20,000	20,861	-41,400	-40,539
Capital injections or reductions	52,750	276,611	0	0	8,839	0	338,200
Equity at the end of the year	466,750	386,785	1,377	908	1,314,497	37,340	2,207,657
2006							
Shareholders' equity at the beginning of the year	414,000	110,174	500	0	854,217	33,120	1,412,011
Profit of the year	0	0	0	103	363,856	41,400	405,359
Income and costs recognised directly on equity:							
Changes in revalued value of owner-occupied properties	0	0	1,140	0	-388	0	752
Acquisition and disposal of own securities	0	0	0	0	-68,766	0	-68,766
Share-based incentive scheme	0	0	0	0	1,975	0	1,975
Income and costs recognised directly on equity total	0	0	1,140	0	-67,179	0	-66,039
Changes during the year	0	0	0	20,703	-20,703	0	0
Dividend paid	0	0	0	0	411	-33,120	-32,709
Equity at the end of the year	414,000	110,174	1,640	20,806	1,130,602	41,400	1,718,622



Cash flow analysis

(DKK 1,000)	2007	2006
Profit for the year after tax	275,404	405,359
Prepayments and deferred income, net	1,267	-9,136
Depreciation, amortisation and impairment losses for intangible assets as well as property, plant and equipment	42,135	34,712
Losses and impairments for bad and doubtful debts	50,499	40,512
Unrealised market value adjustment of investments	-102	-103
Unrealised marketable securities adjustments	60,251	-88,635
Corporation tax, net	-43,359	523
Other assets/liabilities	6,752	-133,046
Other adjustments	59,145	-53,002
Profit/loss for the year adjusted for non-cash operating items	451,992	197,184
Change in working capital		
Loans/advances and receivables from credit institutions	-4,859,127	-3,817,723
Deposits and payables to credit institutions	2,996,427	4,546,036
Securities	365,680	-189,317
Total	-1,497,020	538,996
Cash flows from operating activities	-1,045,028	736,180
Cash flows from investing activities		
Intangible assets and property, plant and equipment	-51,802	-63,715
Dividends from subsidiary undertakings	20,000	0
Acquisition and sale of equity investments	-33,616	57,355
Total	-65,418	-6,360
Cash flows from financing activities		
Capital injection	338,200	0
Repurchase of own securities	-88,173	-68,766
Issued bonds	7,511	1,199,143
Subordinated capital investment	-100,000	513,000
Dividend	-40,539	-32,709
Total	116,999	1,610,668
Net change in cash and cash equivalents	-993,447	2,340,488
Cash and cash equivalents at the beginning of the year	8,288,622	5,948,134
Cash and cash equivalents at the end of the year	7,295,175	8,288,622
Cash and cash equivalents at the end of the year		
Cash balance and demand deposits	362,720	194,584
Receivables from credit institutions and central banks	1,023,029	2,320,379
Securities (bonds, shares and treasury shares)	5,909,426	5,773,659
Cash and cash equivalents at the end of the year	7,295,175	8,288,622

Notes

(DKK 1,000)	2007	2006
1 Interest income		
Receivables from credit institutions and central banks	104,680	91,663
Loans/advances and other receivables	1,412,317	947,441
Bonds	156,313	144,190
Derivates total	94,610	67,218
Of which		
Currency contracts	85,597	60,647
Interest contracts	9,013	6,571
Other interest income	1,422	0
Total interest income	1,769,342	1,250,512
2 Interest expenses		
Credit institutions and central banks	449,117	306,860
Deposits and other debt	511,475	300,618
Bonds issued	70,870	32,687
Subordinated debt	83,547	67,445
Other interest expenses	413	729
Total interest expenses	1,115,422	708,339
3 Fees and commission income		
Securities trade and securities in account	222,538	187,696
Payment services	22,775	19,582
Loan case fees	23,318	32,120
Guarantee commission	77,552	69,425
Other fees and commission income	23,895	16,756
Total fees and commission income	370,078	325,579
4 Securities and foreign exchange income		
Loans/advances and receivables at fair value	-988	-6,227
Bonds	12,798	-8,608
Shares etc.	15,652	203,740
Currency	23,955	25,848
Derivates total	-3,500	-4,863
Of which		
Currency contracts	14,067	3,668
Interest contracts	-12,291	-11,928
Share contracts	-5,276	3,397
Other liabilities	19,273	25,558
Total securities and foreign exchange income	67,190	235,448

(DKK 1,000)

2007

2006

5 Net interest and fee income and price adjustment by activity

Core earnings ¹⁾	1,135,729	928,996
Portfolio earnings ²⁾	-57,004	78,107
Total net interest and fee income and price adjustments, excl. gain on sale of Totalkredit	1,078,725	1,007,103

1) Core earnings express the Bank's aggregate result from ongoing business with clients.

2) Portfolio earnings express the net result of the Bank's own investment portfolio and foreign-exchange reserves.

6 Staff costs and administration expenses

Salaries and remuneration to Executive Board, Board of Directors and Committee of Representatives		
The Executive Board	10,706	8,312
Bonus	3,232	6,249
Board of Directors	1,535	1,492
Committee of Representatives	605	583
Total	16,078	16,636

For the members of the Executive Board there is a bonus scheme based on the Bank's annual pre-tax return on equity. Compared with the corresponding return rates among the 20 biggest full-service group 2 and 3 institutions (categorised by the Financial Supervisory Authority). If the annual return on the Bank's equity is better than the average of those mentioned above, a share of the profit is paid out on such additional earnings.

Retirement compensation for members of the Executive Board do not deviate from sectorial standards and includes notice of termination of 18 months.

There is no special commitment to pay pensions to previous or current members of management.

Staff costs

Wages and salaries	317,133	265,832
Pension costs	28,485	26,416
Financial services employer tax, etc.	2,486	1,832
Taxes	30,900	26,738
Total	379,004	320,818

Other administrative expenses	232,258	199,112
Total staff costs and administrative expenses	627,340	536,566

Number of employees

Average number of employees for the accounting year, full-time equivalent	558	544
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Auditors

Total fees to auditing companies elected by the shareholders in General Meeting and performing the statutory audit	1,498	1,396
Of which other services besides audit	511	496

Notes

Share-based incentive scheme

Share options

	Date of allocation	Fair value	Exercise potential			Number (pcs.)						Exercise price (DKK)		
			First year	Last year	Adjustment principle	Beginning of period (before share split and capital increase)	Beginning of period (after share split and capital increase)	Allotted (after share split and capital increase)	Expiry / lapse	Exercised	End	Expiry/lapse	Current exercise price	Adjustment principle
Executive Board														
- Allocated in 2006	21/02/06	1,114	2009	2012	a,b,c,d	8,920	36,700	0	0	0	36,700	0	176	a,b
- Allocated in 2007	02/03/07	589	2010	2013	a,b,c,d	0	0	28,582	0	0	28,582	0	221	a,b
Executive Staff														
- Allocated in 2006	21/02/06	3,566	2009	2012	a,b,c,d	29,515	121,427	0	4,003	0	117,424	176	176	a,b
- Allocated in 2007	02/03/07	2,528	2010	2013	a,b,c,d	0	0	122,662	0	0	122,662	0	221	a,b
Total		7,797				38,435	158,127	151,244	4,003	0	305,368			

Assumptions – calculation of fair value

Share price	169.5
Volatility	21.67%
Non-risk interest	4.65%-4.66%
Time to maturity	Middle window

Principle – exercise potentials

- a) First exercise window: from publication of preliminary announcement of financial statements in the calendar year mentioned under "First year" and four weeks ahead. b) Capital changes will lead to changes in the calendar year mentioned under "Last year" and four weeks ahead. c) May be exercised for four weeks from publication of preliminary announcement of financial statements in the period between the first and the last exercise windows. d) May be exercised for four weeks from the publication of the quarterly reports in the period between the first and the last exercise windows.

Principle – calculation of fair value

- a) Dividend payments are deducted on an ongoing basis

Comments:

- The market capitalisation is based on Black & Scholes formula for The measurement of European Call options.
- The costs to option incentive scheme are included in salaries to the Executive Board and staff.
- The objective of the allotted options is to create added value growth in Forstædernes Bank and to retain key employees.
- Final vesting is acquired via employment with Forstædernes Bank A/S at the time of exercise; or if the termination of employment is due to the employee's own resignation, then upon transition to approved pension; or the Bank's dismissal of the employee is not due to breach of contract on the part of the employee.

(DKK 1,000)

2007

2006

7 Tax

Profit/loss before tax	359,030	491,235
Deduction of financial fixed assets exchange income	-25,051	-178,121
Addition of non-deductible expenses and deduction of non-taxable income, net	8,014	-31,179
Profit/loss before tax after addition and deduction	341,993	281,935
Computed 25 % tax on the year's income (2006: 28 %)	85,498	78,942
Deferred tax	-1,906	6,796
Readjustment of tax for previous years	0	95
Tax in group enterprises	34	43
Total tax	83,626	85,876
Effective tax rate	23.3 %	17.5 %
Effective tax rate (less financial fixed assets)	25.0 %	27.4 %

8 Due from credit institutions and deposits with central banks

Deposits with central banks	599,504	2,096,942
Due from credit institutions	498,031	587,842
Total due from credit institutions and deposits with central banks	1,097,535	2,684,784

Term to maturity after remaining life

On demand	473,031	239,137
3 months and below	624,504	2,445,647
Total due from credit institutions and deposits with central banks	1,097,535	2,684,784

(DKK 1,000)

2007

2006

9 Loans/advances and other receivables

Loans/advances and other receivables at amortised cost	25,386,490	20,287,963
Total loans/advances and other receivables	25,386,490	20,287,963

Term to maturity after remaining life

On demand	13,664,050	7,528,360
3 months and below	1,948,776	2,569,203
Over 3 months to 1 year	2,116,101	2,681,543
Over 1 year to 5 years	5,181,788	4,356,733
Over 5 years	2,475,775	3,152,124
Total loans/advances and other receivables	25,386,490	20,287,963

The Bank's loan portfolio is distributed by the above times to maturity and furthermore evenly distributed on credits and loans/advances. By far the majority of the Bank's loans/advances are floating-rate ones in DKK Loan terms etc. follow the general terms and conditions which apply to credit intermediation in the market. A substantial part of the Bank's portfolios relate to investment portfolios and property-related business, and the distribution of total loans/advances and guarantees distributed by trade appear from supplementary Note 27.

The risk on the loan portfolio is reduced wherever it is customary according to market terms or wherever it is agreed individually with the client subject to collateral in the form of charges on assets. These collaterals mainly consist of charges on immovable property and securities. The Bank continuously assesses the value of these collaterals.

10 Impairments on loans/advances etc.

Individual impairments		
Impairment losses, at beginning of period	222,186	213,926
Impairments and value adjustments, respectively, for the period	108,139	123,037
Reversal of impairments made in previous financial year(s)	44,967	77,994
Other movements	-6,945	6,078
Definitively lost, formerly impaired	26,653	42,861
Impairment losses, at end of period	251,760	222,186

Impairments by group

Impairment losses, at beginning of period	2,445	2,677
Impairments and value adjustments, respectively, for the period	2,018	2,911
Reversal of impairments made in previous financial year(s)	2,104	3,143
Impairment losses, at end of period	2,359	2,445

Total

Impairment losses, at beginning of period	224,631	216,603
Impairments and value adjustments, respectively, for the period	110,157	125,948
Reversal of impairments made in previous financial year(s)	47,071	81,137
Other movements	-6,945	6,078
Definitively lost, formerly impaired	26,653	42,861
Impairment losses, at end of period	254,119	224,631
Definitively lost, not previously impaired	1,980	1,956
Interest income on impaired receivables	6,557	8,100
Paid in against receivables formerly impaired	9,967	6,759

Notes

(DKK 1,000)

2007

2006

Loans/advances and receivables written down, objective indication having occurred due to impairment

Measurement before impairments	3,197,925	607,109
Measurement after impairments	2,943,806	382,478

In 2007 the Bank has changed the number of credit risk groups from 8 to 15, and consequently, the number of credit risk groups pooled for depreciation has increased. The increased number of groups has only had an insignificant effect on the the Bank's total depreciation by pooling.

11 Bonds at fair value

Government bonds	774,517	369,587
Mortgage credit bonds	3,398,539	4,370,811
Other bonds	1,674,002	1,375,023
Total bonds at fair value	5,847,058	6,115,421
Bonds deposited with the Danish central bank and the Værdipapircentralen (The Danish Securities Centre) in connection with the clearing and settlement comes to a total of	853,532	449,953

12 Shares, etc.

Shares/investment trust shares quoted at the Copenhagen Stock Exchange	61,531	78,517
Shares/investment trust shares quoted at other stock exchanges	44,864	67,793
Other shares	309,349	257,619
Total shares, etc.	415,744	403,929

13 Financial fixed assets

Cost, beginning of year	146,209	156,721
Additions during year	33,616	23,410
Disposals during year	0	33,922
Cost, end of year	179,825	146,209
Revaluations and impairments, beginning of year	104,515	30,180
Revaluations and impairments during year	25,051	178,121
Reversal of revaluations and impairments	0	-103,786
Revaluations and impairments, end of year	129,566	104,515
Book value, end of year	309,391	250,724

14 Holdings in subsidiary undertakings

FB Ejendomme A/S, København		
Activity: There has been no activity in 2007, and no further forward-looking activity is expected.		
Ownership interest	100 %	100 %
Balance sheet total	5,079	25,058
Equity	4,408	24,306
Result	102	103

(DKK 1,000)

2007**2006****15 Land and buildings, company domiciles**

Revalued value, beginning of year	1,983	860
Revalued value before the year's changes	1,983	860
Depreciation	-20	-17
Changes in value during the year recognised directly in equity	-263	1,140
Changes in revalued value during the year	-283	1,123
Revalued value, end of year	1,700	1,983

The revalued value corresponds to the price at which the property is offered for sale by an estate agent.

16 Other tangible assets

Total cost at beginning of year	183,843	164,831
Addition, including improvements	42,546	47,110
Disposals	8,672	28,098
Total cost at end of year	217,717	183,843
Depreciation and impairments	87,219	80,521
Depreciation of the year	35,682	31,614
Year's reversals of earlier years' impairments and depreciation on assets disposed of	4,929	24,916
Depreciation and write-downs at end of year	117,972	87,219
Carrying amount, end of year	99,745	96,624

17 Deferred tax assets and tax liabilities

Deferred tax at beginning of year (asset)	1,388	8,572
Change in corporate income tax rate	-149	0
Change in deferred tax	2,161	-7,184
Deferred tax at end of year (asset)	3,400	1,388

	Deferred tax assets		Deferred tax liabilities		Deferred tax net	Deferred tax net
	2007	2006	2007	2006		
Intangible assets	1,445	250	6,513	5,455	-5,068	-5,205
Property, plant and equipment	1,557	2,510	283	388	1,274	2,122
Loans/advances	4,772	6,033	0	100	4,772	5,933
Employee commitments	1,214	1,213	0	0	1,214	1,213
Others	5,036	2,004	3,828	4,679	1,208	-2,675
Total	14,024	12,010	10,624	10,622	3,400	1,388
Deferred tax at end of year (asset)					3,400	1,388

Notes

(DKK 1,000)

2007

2006

18 Other assets

Positive market value of derivative financial instruments	340,952	183,627
Various debtors	15,673	5,793
Interest and commission due	161,942	156,844
Other assets	21,769	20,536
Total other assets	540,336	366,800

19 Due to credit institutions and central banks

Due from credit institutions	11,192,513	10,803,301
Total due to credit institutions	11,192,513	10,803,301

Term to maturity after remaining life

On demand	1,430,022	754,897
3 months and below	1,120,947	1,324,068
Over 3 months to 1 year	1,446,528	944,162
Over 1 year to 5 years	4,995,319	4,671,640
Over 5 years	2,199,697	3,108,534
Total due to credit institutions	11,192,513	10,803,301

20 Deposits and other debt

On demand	13,075,757	11,592,022
At notice	963,588	703,459
Time deposits	1,693,785	1,082,239
Special deposits	1,168,430	916,625
Total deposits and other debts	16,901,560	14,294,345

Term to maturity after remaining life

On demand	13,322,115	11,849,461
3 months and below	2,561,798	1,551,221
Over 3 months to 1 year	153,033	239,975
Over 1 year to 5 years	222,651	173,781
Over 5 years	641,963	479,907
Total deposits and other debts	16,901,560	14,294,345

21 Issued bonds at amortised cost

Term to maturity after remaining life		
Over 1 year to 5 years	1,433,827	1,399,143
Over 5 years	7,511	0
Total issued bonds	1,441,338	1,399,143

22 Other liabilities

Various creditors	203,521	205,624
Negative market value of derivative financial instruments	285,352	136,127
Accrued interest and commission	155,231	119,633
Other liabilities	4,265	6,697
Total other liabilities	648,369	468,081

(DKK 1,000)

2007 **2006****23 Provisions**

Provisions for pensions etc.	4,856	4,332
Provisions for loss on guarantees	11,428	2,526
Other provisions	11,887	0
Total provisions	28,171	6,858

The year's provisions for losses on guarantees are recognised in the item 'Impairments on loans/advances etc. in the income statement.

24 Subordinated debt

Subordinated loan capital represents debts in the form of loan stock and hybrid core capital, the repayment of which is postponed to the payment of other creditors if the bank is liquidated or goes bankrupt. Subordinated capital investments are included in the core capital, etc. in pursuance of Sections 124, 132 and 136 of the Danish Act on Financial Services.

Subordinated loan capital

Nominal value	Applicable interest rate	Maturity date 1)		
DKK 100,000,000	6.89 % p.a.	Redeemed 12.09.2007	0	100,175
DKK 100,000,000	7.41 % p.a.	24.09.2013	100,000	100,000
DKK 75,000,000	7.39 % p.a.	29.03.2014	75,000	75,000
DKK 100,000,000	4.88 % p.a.	07.04.2012	98,193	98,136
DKK 150,000,000	6.12 % p.a.	29.10.2012	150,000	150,000
DKK 150,000,000	4.11 % p.a.	06.05.2013	144,400	144,506
DKK 200,000,000	5.82 % p.a.	01.11.2014	200,000	200,000
DKK 200,000,000	6.12 % p.a.	30.09.2014	200,000	200,000
EUR 10,000,000	5.60 % p.a.	31.10.2015	74,566	74,560
NOK 125,000,000	6.65 % p.a.	29.09.2014	115,981	112,599
Portfolio of treasury bonds			0	-52
Total subordinated loan capital			1,158,140	1,254,924

Hybrid core capital

Nominal value	Applicable interest rate	Maturity date		
DKK 150,000,000	6.32 % p.a.	Indefinite life	145,830	150,304
DKK 100,000,000	6.51 % p.a.	Indefinite life	100,000	100,000
Total hybrid core capital			245,830	250,304

Total subordinated debt			1,403,970	1,505,228
Subordinated debt that can be recognised in the total capital base and supplementary capital			1,402,980	1,505,228
Interest expenses for subordinated debt 2007 (2006)			83,547	67,445
Initial expenses related to borrowings and payable on redemption of borrowings on subordinated debt 2007 (2006)			0	37

1) According to general practice the Bank redeems subordinate loan capital three years before maturity date.

All the Bank's subordinated debt is in the form of bullet loans

Notes

(DKK 1,000)	2007	2006
25 Share capital		
No. of units, beginning	4,140,000	4,140,000
Change of the unit size from DKK 100 to DKK 25	12,420,000	0
Additions and disposals of the year	2,110,000	0
No. of units, end	18,670,000	4,140,000
Unit size (DKK)	25	100
Share capital	466,750	414,000
Treasury shares		
The Bank's portfolio of treasury shares, no. of units	854,182	105,003
Nominal value	21,355	10,500
Percentage share of share capital	4.6 %	2.5 %
Acquisition and sale of treasury shares during the year:		
No, of units purchased	4,585,000	1,161,594
No, of units sold	3,835,821	1,080,026
Nominal value of total acquisition	140,378	116,159
Nominal value of total sale	129,523	108,003
Total purchase price	1,216,796	910,345
Total sales price	1,115,990	843,687
Total acquisition relative to share capital as at the end of the year	24.6 %	28.1 %
Total sale relative to share capital as at the end of the year	20.5 %	26.1 %
Market value, end	144,784	90,828

The Bank acquires and sells treasury shares pari passu with the supply and demand, as the Bank functions as the market maker of this share. Liabilities relative to the option schemes of the Executive Board and the executives are covered by purchasing Forstædernes Bank shares in the market.



(DKK 1,000)

2007

2006

26 Contingent liabilities

Guarantees, etc.		
Financial guarantees	4,434,355	4,374,100
Other contingent liabilities	2,151,176	4,104,641
Total contingent liabilities	6,585,531	8,478,741

Other contingent liabilities

Other commitments	557,200	522,050
Total other commitments	557,200	522,050

Securities provided see note 11.

The item 'Other liabilities' comprises rental obligations in connection with the formation of irrevocable lease contracts of a total of DKK 512m. The non-cancellation terms are from 6 months up to 18 years and amount can be distributed as follows: <1 year: DKK 43m, 1-5 years: DKK 136m and >5 years: DKK 333m. (If the amount of DKK 512m is discounted, the present value will be DKK 318m). Furthermore the item comprises the VP Securities Services liability of DKK 45m.

Owing to its size and business volume, Forstædernes Bank is occasionally a party to various lawsuits. In the Bank's opinion, none of these are sufficiently significant as to warrant disclosure in the Management's review.

The company is jointly taxed with the subsidiary and is jointly and severally liable for payment of any corporation tax.

Supplementary notes**27 Credit risks**

Loans, advances and guarantees by sector and industry (% end of year)		
Public sector	0 %	0 %
Agriculture, hunting and forestry	1 %	1 %
Fisheries	0 %	0 %
Manufacturing industries	2 %	2 %
Building and construction	4 %	4 %
Trade, hotels and restaurants	6 %	6 %
Transport	1 %	1 %
Credit, finance and insurance	11 %	9 %
Property administration, purchase and sale	29 %	27 %
Others	14 %	12 %
Total business sector	68 %	62 %
Total personal customers	32 %	38 %
Receivables with suspended calculation of interest at end of year come to	155,751	131,540
Credit risk on derivate financial instruments		
Positive market value, counterparty with risk weighting of 20 %	127,216	47,231
Positive market value, counterparty with risk weighting of 100 %	182,945	134,627

Supplementary notes

(DKK 1,000)

28 Hedge accounting

On an ongoing basis Forstædernes Bank hedges the interest rate risk on fixed-rate assets and liabilities. The effectiveness of the hedging is measured on an ongoing basis. The following are covered by the hedging:

2007	Nominal value	Change in fair value	Interest rate risk
Assets			
Loans/advances	136,560	-1,436	3,865
Total assets	136,560	-1,436	3,865
Liabilities			
Bonds issued	280,530	-5,918	-7,803
Subordinated debt	400,000	5,501	-12,195
Total liabilities	680,530	-417	-19,999
Derivative financial instrument			
Interest swaps	837,222	1,050	16,646
Total derivative financial instruments	837,222	1,050	16,646
Net		-804	513

2006	Nominal value	Change in fair value	Interest rate risk
Assets			
Loans/advances	165,104	-6,258	5,490
Total assets	165,104	-6,258	5,490
Liabilities			
Bonds issued	271,530	1,830	-9,826
Subordinated debt	500,000	6,878	-16,338
Total liabilities	771,530	8,708	-26,164
Derivative financial instruments			
Interest swaps	953,919	-2,101	20,875
Total derivative financial instruments	953,919	-2,101	20,875
Net		349	201

2007 **2006**

29 Market risk

Total interest-rate risk on debt instruments, etc.	77,081	55,796
Interest rate risk (according to size) broken down by currency		
DKK	55,496	34,266 (DKK)
EUR	17,032	22,498 (EUR)
USD	4,846	-886 (CHF)
CHF	-240	-282 (USD)
GBP	225	156 (SEK)
TRY	-127	112 (BRL)
Other currencies	-151	-68

(DKK 1,000)

2007

2006

Currency exposure, distributed by main currencies (net)

CHF	156,014	-88,030 (EUR)
EUR	-139,697	37,406 (NOK)
GBP	34,042	27,553 (JPY)
USD	-29,565	8,170 (CHF)
NOK	-26,263	5,994 (USD)
JPY	12,996	5,570 (SEK)
SEK	-11,760	-5,299 (GBP)
CAD	-616	-983 (CAD)
Other currencies	-3,846	-17,927

Foreign exchange risk

Total assets in foreign currency	8,149,286	6,732,316
Total liabilities in foreign currency	11,497,388	10,622,472
Exchange rate indicator 1	214,427	116,519
Exchange rate indicator 1 as percentage of core capital	9.0 %	6.1 %
Exchange rate indicator 2	2,519	1,536
Exchange rate indicator 2 as percentage of core capital	0.1 %	0.1 %

Derivative financial instruments	3 months and below		Over 3 months to 1 year		Over 1 year to 5 year		Over 5 years		Total in 2007	
	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value
2007										
Currency contracts										
Forwards/futures bought	38,792,080	24,350	1,216,130	-4,960	0	0	0	0	40,008,210	19,390
Forwards/futures sold	36,809,342	44,458	640,873	7,877	5,151	-133	0	0	37,455,366	52,202
Swaps	0	0	904,447	-3,055	3,198,956	-8,157	0	0	4,103,404	-11,212
Options bought	10,182,664	47,014	271,420	1,152	0	0	0	0	10,454,084	48,166
Options sold	10,368,917	-47,392	271,420	-1,152	0	0	0	0	10,640,338	-48,544
Interest rate contracts										
Forwards/futures bought	332,037	-582	0	0	0	0	0	0	332,037	-582
Forwards/futures sold	106,356	875	0	0	0	0	0	0	106,356	875
Forward Rate Agreements										
bought	100,000	106	26,945	-28	26,945	-29	0	0	153,890	49
sold	359,431	-45	28,292	42	28,292	40	0	0	416,015	37
Swaps	5,612,140	-1,111	72,000	426	762,368	-271	699,558	-5,324	7,146,067	-6,280
Options bought	68	391	0	0	0	0	0	0	68	391
Options sold	68	-391	0	0	0	0	0	0	68	-391
Equity contracts										
Forwards/futures bought	394	-3,407	0	0	0	0	0	0	394	-3,407
Forwards/futures sold	394	3,371	0	0	0	0	0	0	394	3,371
Options bought	595	2,107	36	98	0	0	0	0	630	2,205
Options sold	595	-2,107	36	-98	0	0	0	0	630	-2,205
Total		67,637		302		-8,550		-5,324		54,065

Supplementary notes



(DKK 1,000)

Derivative financial instruments	3 months and below		Over 3 months to 1 year		Over 1 year to 5 year		Over 5 years		Total in 2006	
	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value	Notional amount	Net market value
2006										
Currency contracts										
Forwards/futures bought	13,040,753	31,698	661,535	3,136	0	0	0	0	13,702,288	34,834
Forwards/futures sold	10,765,740	50,403	729,608	5,490	5,250	85	0	0	11,500,598	55,978
Swaps	0	0	168,804	0	2,515,768	-48,717	8,854	0	2,693,426	-48,717
Options bought	1,441,921	4,195	802,304	2,641	0	0	0	0	2,244,225	6,836
Options sold	1,017,117	-4,553	802,304	-2,641	0	0	0	0	1,819,421	-7,194
Interest rate contracts										
Forwards/futures bought	472,910	-215	2,825	7	0	0	0	0	475,735	-208
Forwards/futures sold	415,164	4,690	1,472	-10	0	0	0	0	416,636	4,680
Forward Rate Agreements										
bought	51,040	-76	74,240	-110	55,680	-80	0	0	180,960	-266
sold	51,365	-18	47,514	63	68,208	127	0	0	167,087	172
Swaps	6,018,000	1,197	132,500	215	957,511	-2,312	526,110	1,727	7,634,121	827
Equity contracts										
Forwards/futures bought	34	112	0	0	0	0	0	0	34	112
Options bought	22	54	0	100	0	0	0	0	22	154
Options sold	15	-80	0	-100	0	0	0	0	15	-180
Total		87,407		8,791		-50,897		1,727		47,028

(DKK 1,000)

Total	Total 2007		Total 2006		2007 Average market value ¹⁾		2006 Average market value ¹⁾	
	Positive market value	Negative market value	Positive market value	Negative market value	Positive	Negative	Positive	Negative
Currency contracts								
Forwards/futures bought	91,747	72,357	62,950	28,116	88,663	65,967	81,992	24,250
Forwards/futures sold	104,024	51,822	81,028	25,050	117,483	57,193	108,659	47,891
Swaps	42,027	53,239	8,965	57,682	33,195	40,476	4,325	31,287
Options bought	48,166	0	6,836	0	40,824	0	27,747	0
Options sold	0	48,544	0	7,195	0	39,913	0	27,754
Interest rate contracts								
Forwards/futures bought	27	609	151	359	208	804	429	405
Forwards/futures sold	877	2	4,690	10	1,706	291	1,906	113
Forward Rate Agreements bought	106	57	0	265	76	134	0	445
Forward Rate Agreements sold	94	57	222	50	139	42	310	37
Swaps	14,510	20,790	16,724	15,898	17,696	22,676	22,674	19,716
Options bought	391	0	0	0	98	0	0	0
Options sold	0	391	0	0	0	98	0	0
Equity contracts								
Forwards/futures bought	1,311	4,718	112	0	2,549	1,368	28	0
Forwards/futures sold	4,676	1,305	0	0	1,221	3,659	0	0
Options bought	2,205	0	180	26	1,037	19	89	6
Options sold	0	2,205	0	180	103	1,062	0	89
Total	310,161	256,096	181,858	134,830	304,998	233,702	248,158	151,993

1) Average market values are calculated on the basis of quarterly statements,

Outstanding spot transactions

	Nominal amount		Net market value		Positive market value		Negative market value	
	2007	2006	2007	2006	2007	2006	2007	2006
Foreign exchange transactions bought	238,609	68,650	-6,354	-116	1,259	1	7,613	117
Foreign exchange transactions sold	355,566	51,734	6,425	4	8,153	5	1,728	1
Interest rate transactions bought	783,677	208,677	3,655	399	3,950	558	295	159
Interest rate transactions sold	1,296,370	452,557	-4,686	-391	388	215	5,074	606
Equity transactions bought	72,529	574,893	-10,783	1,948	1,975	2,523	12,758	575
Equity transactions sold	68,892	573,909	13,278	-1,908	15,066	626	1,788	2,534
Total	2,815,643	1,930,420	1,535	-64	30,791	3,928	29,256	3,992

Supplementary notes

(DKK 1,000)	2007	2006
30 Solvency		
Core capital, less statutory deductions	2,385,320	1,905,014
Total capital base and supplementary capital, less statutory deductions	3,543,847	3,159,443
Weighted items subject to credit, counterparty, dilution and delivery ¹⁾	27,585,896	23,303,468
Weighted items subject to settlement and market risks ²⁾	3,971,648	2,855,277
Total weighted items	31,557,544	26,158,745
Solvency ratio - based on core (tier 1) capital alone	7.6 %	7.3 %
Solvency ratio according to Section 124 of the Danish Act on Financial Services	11.2 %	12.1 %

1) As at 31.12.2006 the items was termed "Weighted items outside trading portfolio"

2) As at 31.12.2006 the items was termed "Weighted items with market risk, etc."

31 Capital requirement

The capital base must constitute the bigger amount of EUR 5m or 8 % of the risk weighted items corresponding to:	2,524,604	2,092,700
Equity	2,207,657	1,718,622
Revaluation reserves	-1,377	-1,640
Proposed dividend	-37,340	-41,400
Intangible fixed assets	-26,050	-19,484
Tax assets	-3,400	-1,388
The reduced core capital	2,139,490	1,654,710
Hybrid core capital	245,830	250,304
Core capital, less statutory deductions	2,385,320	1,905,014
Subordinate loan capital	1,157,150	1,252,789
Revaluation reserves	1,377	1,640
Total supplementary capital	1,158,527	1,254,429
Total capital base and supplementary capital, less statutory deductions	3,543,847	3,159,443





32 Related parties

Related parties include subsidiary undertakings, the Bank's Executive Board, Board of Directors and group enterprise. Transactions between related parties, including credit facilities, are made on market-based terms. There have not been any significant and/or exceptional transactions with related parties.

The volume of loans to plus security or guarantee with details about the most important conditions provided for the below members of the management.

(DKK 1,000)

	2007		2006	
	Volume	Average interest rate	Volume	Average interest rate
Executive Board				
Loan	0	-	0	-
Security	0	-	0	-
Board of Directors				
Loan	18,611	5.70 %	8,942	4.82 %
Security	1,823	-	2,777	-

In addition to this there are undrawn credit card facilities to an insignificant extent relating to both the Executive Board and the Board of Directors. The average interest rate here is 10.25%.

Salaries and remuneration to Executive Board, Board of Directors and Committee of Representatives can be seen in note 6.

Supplementary notes

(DKK 1,000)

33 Core and portfolio earnings

2007	Core Earnings ¹⁾	Portfolio Earnings ²⁾	Total
Basic and portfolio earnings made up according to the official balance sheet layout			
Net interest income	737,621	-83,701	653,920
Dividend from shares, etc.	0	3,384	3,384
Fee and commission income and paid	349,893	4,338	354,231
Net interest and fee income	1,087,514	-75,979	1,011,535
Securities and foreign exchange income	48,215	18,975	67,190
Other operating income	764	0	764
Staff costs and administrative expenses	602,130	25,210	627,340
Depreciation	42,157	599	42,756
Provisions for bad and doubtful debts	50,499	0	50,499
Income from associates and group enterprises	0	136	136
Profit before tax and before profit from sale of Totalkredit	441,707	-82,677	359,030

2006	Core Earnings ¹⁾	Portfolio Earnings ²⁾	Total
Basic and portfolio earnings made up according to the official balance sheet layout			
Net interest income	583,865	-41,692	542,173
Dividend from shares, etc.	0	10,271	10,271
Fee and commission income and paid	309,541	5,497	315,038
Net interest and fee income	893,406	-25,924	867,482
Securities and foreign exchange income	35,590	104,031	139,621
Other operating income	2,147	0	2,147
Staff costs and administrative expenses	525,111	11,455	536,566
Depreciation	36,393	517	36,910
Provisions for bad and doubtful debts	40,512	0	40,512
Income from associates and group enterprises	0	146	146
Profit before tax	329,127	66,281	395,408

Notes

1) Core earnings express the Bank's aggregate result from ongoing business with the client.

2) Portfolio earnings express the net result of the Bank's own investment portfolio and foreign-exchange reserves.

Quality accounts note

The quality accounts of Forstædernes Bank constitute our report card which shows our clients' assessment of the Bank. The Quality Accounts have been commented on earlier in this report.

The questions are given in order of priority depending on the clients' assessment of their importance.

Business clients	Agree		Neutral		Disagree	
	2007	2006	2007	2006	2007	2006
1 Relationship marked by mutual trust	93	92	5	6	2	2
2 Good interpersonal chemistry with consultant	95	94	4	5	1	1
3 Professionally competent consultants	88	89	8	7	4	4
4 Contact with decision-makers whenever required	92	91	6	5	3	4
5 Responds promptly and efficiently	82	79	11	12	7	8
6 Individual solutions that match the case	77	82	19	13	4	4
7 Interested in the client's undertaking	92	89	7	9	1	2
8 Open dialogue independently of financial fluctuations	88	88	10	11	1	1
9 Webbank covers my requirements	77	79	17	16	6	5
10 Prices are OK relative to services	45	46	42	38	13	16
11 Expresses expectations of the client's undertaking	62	62	34	33	4	5
The Bank is worth recommending	87	84	8	13	5	3

Private banking clients with a consultancy requirement	Agree		Neutral		Disagree	
	2007	2006	2007	2006	2007	2006
1 Trust in personal consultant	86	84	10	12	4	4
2 Qualified advice when needed	87	84	7	9	6	6
3 Responds promptly and efficiently	83	81	10	13	7	6
4 Consultant competent to decide	82	81	15	16	3	4
5 Good interpersonal chemistry with consultant	86	82	10	14	4	4
6 Webbank is easy to use	83	80	14	16	3	4
7 The banker knows the client	80	74	14	16	6	9
8 No problems due to change of consultant	50	53	26	24	24	23
9 Prices are OK relative to services	35	36	46	49	19	16
10 I am contacted about financial openings	62	60	26	27	12	13
The Bank is worth recommending	77	77	16	17	6	7

Youths and students	Agree		Neutral		Disagree	
	2007	2006	2007	2006	2007	2006
1 FB Webbank functions as required	95	94	2	2	3	5
2 FB Webbank is easy to use	93	93	5	3	2	4
3 Fees and interest correspond to what was promised	66	58	28	34	6	8
4 FB has attractive prices	63	71	29	22	8	7
5 Qualified advice when needed	61	57	30	33	9	9
6 Trust in personal consultant	49	45	41	46	11	9
7 Consultant shows personal respect	52	51	41	42	7	7
8 Easy contact to consultant	54	48	29	37	17	14
9 Respects that time is important to the client	50	48	39	42	10	10
10 No problems due to change of consultant	55	49	22	29	23	22
11 Good interpersonal chemistry with consultant	38	29	53	63	9	8
The Bank is worth recommending	72	76	21	17	6	7





b Århus



b Hillerød

b Helsingør

b Hørsholm

b Birkerød

b Lyngby

b Værløse

b Charlottenlund

b Hellerup

b Herlev

b Ballerup

b Østerbro

b Rødovre

b City

b Frederiksberg

b Taastrup

b Glostrup

b Bryggen

b Amager

b Greve

Headquarter

Kalvebod Brygge 47
1560 København V
Tel +45 33 52 52 52

Amager Business and Finance Centre

Amagerbrogade 38
2300 København S
Tel +45 33 52 52 00

Ballerup Business and Finance Centre

Centrumgaden 15
2750 Ballerup
Tel +45 33 52 52 02

Birkerød Business and Finance Centre

Hovedgaden 2-4
3460 Birkerød
Tel +45 33 52 52 04

Bryggen Business and Finance Centre

Kalvebod Brygge 47
1560 København V
Tel +45 33 52 52 52

Charlottenlund Business and Finance Centre

Jægersborg Allé 14
2920 Charlottenlund
Tel +45 33 52 52 06
*From April 2008:
Charlottenlund
Stationsplads 7*

City Business and Finance Centre

Ny Østergade 25
1101 København K
Tel +45 33 52 52 08

Frederiksberg Business and Finance Centre

Gl. Kongevej 159
1850 Frederiksberg C
Tel +45 33 52 52 12

Glostrup Business and Finance Centre

Hovedvejen 108
2600 Glostrup
Tel +45 33 52 52 14

Greve Business and Finance Centre

Jerismosevej 3
2670 Greve
Tel +45 33 52 52 16

Hellerup Business and Finance Centre

Hellerupvej 8
2900 Hellerup
Tel +45 33 52 52 18

Helsingør Business and Finance Centre

Stengade 63
3000 Helsingør
Tel +45 33 52 52 20

Herlev Business and Finance Centre

Herlev Hovedgade 119
2730 Herlev
Tel +45 33 52 52 34

Hillerød Business and Finance Centre

Markedsstræde 12
3400 Hillerød
Tel +45 33 52 52 22

Hørsholm Business and Finance Centre

Hovedgaden 55A
2970 Hørsholm
Tel +45 33 52 52 26

Lyngby Business and Finance Centre

Nørgaardsvej 1
2800 Lyngby
Tel +45 33 52 52 28

Rødovre Business and Finance Centre

Rødovre Centrum 108
2610 Rødovre
Tel +45 33 52 52 30

Taastrup Business and Finance Centre

Taastrup Hovedgade 50
2630 Taastrup
Tel +45 33 52 52 36

Værløse Business and Finance Centre

Bymidten 110
3500 Værløse
Tel +45 33 52 52 38

Østerbro Business and Finance Centre

Kristianiagade 1
2100 København Ø
Tel +45 33 52 52 40

Århus Business and Finance Centre

Nørreport 26
8000 Århus
Tel +45 33 52 52 42

47 Kalvebod Brygge · DK-1560 København V · Tel.: +45 33 52 52 52 · CVR no.: 52 96 98 16
www.forbank.dk · E-mail: webredaktionen@forbank.dk · SWIFT-address: FBBKDKKK



forstædernes bank
Enriching advice