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Annual Report

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2008

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**Eik Bank Danmark A/S**

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Registration no.: 25 98 50 28

Reg. no.: 6610

Established: 7 February 2001

Registered address: København

**Ownership**Eik Banki P/F, Faroe Islands, owns 100 per cent of the capital

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**Management**

Kim Michael Sandberg  
Chief Managing Director  
kim.sandberg@eikbank.dk

Jesper Clausen  
Managing Director  
jesper.clausen@eikbank.dk

**Board of Directors**

Marnar Jacobsen  
Chairman

Henrik Ørsted  
Vice Chairman

Knud Jørgen Strange

**Management's board membership  
of other Danish limited companies**

Henrik Ørsted  
Board member  
Second Holding A/S  
Board member  
Henrik Ørsted A/S  
Board member  
Oak Property Invest A/S

Knud Jørgen Strange  
Board member  
Tysk Ejendomsselskab A/S

**Auditors****Internal**

Sigmund Frederiksen  
Chief Auditor

**External**

Hans Laksá  
State Authorised Public  
Accountant

**Annual General Meeting**

16 March 2009

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## 5 Years Key Figures and Financial Ratios

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2004–2008

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## 5 Years Key figures and financial ratios

### Profit and Loss Account

DKK Million	2008	2007	2006	2005	2004
<b>Income Statement</b>					
Interest income	596	414	174	86	58
Interest expenses	377	260	75	29	19
<b>Net interest income</b>	<b>219</b>	<b>154</b>	<b>99</b>	<b>57</b>	<b>39</b>
Fee, commissions and dividend	52	54	25	36	23
Market value adjustments	-6	44	43	6	-3
Other operating income	2	5	0	0	0
<b>Profit on financial operations</b>	<b>267</b>	<b>257</b>	<b>167</b>	<b>99</b>	<b>59</b>
Staff costs, administrative expenses and other operating expenses	156	127	66	48	38
Depreciation and write-down of intangible and tangible assets	2	2	2	2	2
Impairments of loans and claims, etc.	353	19	6	7	9
Income from associated and subsidiary undertakings	0	0	1	0	0
<b>Profit before tax</b>	<b>-244</b>	<b>109</b>	<b>94</b>	<b>42</b>	<b>10</b>
Taxes	-63	27	27	11	3
<b>Net profit for the year</b>	<b>-181</b>	<b>82</b>	<b>67</b>	<b>31</b>	<b>7</b>

## 5 Years Key figures and financial ratios

### Selected Balance Figures

DKK Million	2008	2007	2006	2005	2004
<b>Balance Sheet</b>					
<b>Assets</b>					
Cash and claims on credit institutions and central banks	1,359	2,263	163	113	102
Loans and other claims	7,448	7,684	3,079	2,117	1,139
Securities	519	261	153	101	37
Tangible assets	2	3	3	2	1
Other assets	407	326	141	124	94
<b>Total assets</b>	<b>9,735</b>	<b>10,537</b>	<b>3,539</b>	<b>2,457</b>	<b>1,373</b>
<b>Liabilities</b>					
Debt to credit institutions and central banks	722	2,133	2,560	1,787	843
Deposits and other debt	7,847	7,126	475	346	308
Other liabilities	139	170	133	120	74
Subordinated debt	200	100	20	20	20
Equity	827	1,008	351	184	128
<b>Total liabilities</b>	<b>9,735</b>	<b>10,537</b>	<b>3,539</b>	<b>2,457</b>	<b>1,373</b>
<b>Contingencies</b>					
Total guarantees, etc.	328	280	228	76	48
Other commitments	8	7	2	2	1
<b>Total contingencies</b>	<b>336</b>	<b>287</b>	<b>230</b>	<b>78</b>	<b>49</b>

## 5 Years Key figures and financial ratios

### Ratios

	2008	2007	2006	2005	2004
Ratios 1)					
Solvency and capital ratios					
<b>Solvency ratio</b>	13.0%	13.8%	11.7%	10.3%	12.2%
Core capital ratio	9.6%	12.2%	11.1%	9.3%	10.5%
Earning ratios					
<b>Return on equity before tax</b>	-26.6%	16.1%	35.1%	26.8%	10.2%
Return on equity after tax	-19.8%	12.0%	25.1%	19.6%	7.2%
Income/cost ratio	0.52	1.74	2.27	1.76	1.17
Market risk					
<b>Interest rate risk</b>	2.1%	4.2%	2.0%	2.2%	2.3%
Foreign exchange position	5.3%	6.0%	16.8%	5.5%	11.1%
Exchange rate risk	0.3%	0.0%	0.1%	0.1%	0.1%
Liquidity ratios					
<b>Loans in percent of deposits</b>	98.9%	108.3%	653.5%	616.9%	374.4%
Excess liquidity cover relative to the statutory requirements	130.0%	132.9%	41.0%	46.3%	42.7%
Credit risk					
<b>Total amount of large exposures</b>	242.5%	254.5%	524.0%	580.7%	396.7%
Pct. of claims with reduced interest rate	4.4%	0.1%	0.0%	0.1%	0.0%
Depreciation ratio	3.9%	0.5%	0.7%	0.8%	1.0%
Depreciation ratio for the year	4.3%	0.2%	0.1%	0.2%	0.8%
Loans as % of equity	9.0	7.6	8.8	11.5	8.9
Growth in loans	-3.1%	149.6%	45.5%	85.8%	54.9%

#### Explanation of ratios

1) Prepared in accordance with the regulations issued by the Danish Financial Supervisory Authority.

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## Management's Review

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## Management's Review

### General comments

Eik Bank Danmark's acquisition of SkandiaBanken A/S in Denmark was recognised in the accounts as from 1 July 2007; the acquisition of Privestor and Tidsskriftet FinansNyt A/S was recognised in the accounts as from 7 August 2007. Hence, the financial statements' items and percentage changes are not directly comparable to 2007 and the previous years. The companies bought were merged with Eik Bank Danmark A/S as the continuing company at the end of 2007.

In 2008, the bank moved to a joint domicile and introduced a joint data central.

### Results

Eik Bank Danmark A/S's core earnings in 2008 were satisfactory; however, the accounting results were unsatisfactory and characterised by the increasing financial crisis during the second half of 2008, which resulted in increased write-down of loans and receivable.

The bank's core earnings before currency translation and market value adjustments, other operating expenses, write-down and tax were DKK 121.6 million against DKK 116 million anticipated at the beginning of the year.

The pre-tax performance is a deficit of DKK 244.3 million, compared to a profit of DKK 109.4 million in 2007. The result after tax is a deficit of DKK 181.2 million against a profit of DKK 81.9 million in 2007. The return on the average shareholders' equity of the year's pre-tax result is -26.6 % against 16.1 % in 2007.

Net interest and fee income amount to DKK 270.3 million, up from DKK 208.3 million 2007, which

corresponds to an increase of 29.8 %. The principal reason for this increase is the acquisition of companies in 2007.

Currency translation and market value adjustments amount to DKK -6.1 million against DKK 43.8 million in 2007, with market value adjustments of shares at DKK -9.5 million, of bonds DKK -0.7 million, and currency translation adjustments on currency and currency contracts etc. at DKK 1.9 million. Currency translation adjustments on loans at market value amount to DKK 2.2 million.

Costs increased in 2008 from DKK 126.8 million to DKK 149.3 million or 17.7 %. This increase is a consequence of the larger organisation following the acquisitions in 2007.

Other operating costs, DKK 7.2 million, are related to the guarantee premium paid under the Government guarantee package introduced in October 2008, cf. the separate section on this below.

The financial crisis and economic recession, which escalated during the second half of 2008, have significantly influenced the losses and write-downs on the bank's loans and credits. Losses and write-downs thus amount to DKK 352.6 million, corresponding to 4.3 % of total loans and guarantees. Of this amount, group write-downs accounted for DKK 18.6 million, and individual write-downs DKK 334.0 million. Out of the total losses and write-downs, DKK 74.6 million is related to the breakdown of one financial institution in Iceland. After this, the bank's exposure towards Iceland is down to DKK 2.2 million. Of the remaining losses and write-downs, DKK 100.9 is related to the bankruptcy of two major Danish property companies, and DKK 58.3 million is related to the bank's own portfolio of mortgage deeds.

## Management's Review

Henceforth, the bank's accumulated write-down account amounts to DKK 315.5 million, corresponding to an accumulated depreciation of 3.9 %.

### Balance sheet

The balance sheet is DKK 9,735 million, down from DKK 10,537 million at year-end 2007, which is a drop of 7.6 %. The principal reason for this is a DKK 1,411 million reduction of debt to financial institutions.

The bank's total loan portfolio at 31 December 2008 is DKK 7,448 million compared to DKK 7,684 million at year-end 2007. This corresponds to a drop of 3.1 %. The distribution of the bank's loan portfolio is approximately 47 % commercial customers and 53 % private customers. A little less than 10 % of the total loan book is related to site and property project financing of 15 property projects located in Denmark.

It has been the bank's deliberate strategy to reduce the volume of large exposures, including property exposures. Moreover, the subdued growth of the Danish economy has resulted in a stagnating development of loans.

In the course of 2008, the bank's total deposits increased by DKK 721 million; at 31 December 2008 they amounted to DKK 7,847, corresponding to a 10.1 % increase. Hence, deposits exceeded loans by DKK 399 million at year-end 2008.

### Capital and solvency

The bank's capital base was strengthened in December 2008 when a subordinate loan of DKK 100 million was raised from the bank's parent company, Eik Banki P/F.

After these developments, the bank's capital base is DKK 749.4 million, with a core capital of DKK 549.3 million.

The capital adequacy ratio is 13.0 % against 13.8 % at year-end 2007.

The core capital ratio is 9.6 % against 12.2 % at year-end 2007. The drop in core capital ratio is attributable to the year's deficit.

### New capital requirement regulations (BASEL II)

As from 1 January 2008, the bank uses the standardised ratings approach for credit and market risks and the basic indicator approach for operational risks.

### Liquidity

The bank's liquidity is good. The surplus cover in relation to the legal minimum requirements is 130.0 %.

During the year, the bank reduced its debt to financial institutions from DKK 2,133 million to DKK 722 million. Out of the total debt to financial institutions at year-end 2008, an amount of DKK 479 million is owed to the bank's parent company, Eik Banki P/F.

Moreover, reference is made to the Financial Statements' comments on liquidity risk.

### The Government guarantee package

Eik Bank Danmark A/S has accepted the Government guarantee package managed by the Danish Contingency Committee, which was adopted at the beginning of October 2008. As a result of the guarantee package, the bank's deposits and unsecured creditors are covered by an unlimited Government guarantee which will remain in force up to and including 30 September 2010. The bank pays a guarantee premium, so far amounting to approximately DKK 2.7 million per month, for the duration of the guarantee. In addition, as a result of the guarantee package, the bank must to some

## Management's Review

extent subsidise other Danish banks financially if they have problems complying with the capital adequacy requirement. This contingent liability, which at year-end 2008 amounted to DKK 77.4 million, can be claimed if the total relief requirement of the financial sector amounts to a minimum of DKK 35 billion. The bank does not expect that the full contingent liability claim will be asserted in respect of the bank. In 2008, the guarantee premium and write-downs under the guarantee package constitute a total encumbrance of DKK 12.9 million.

### Uncertainty regarding recognition and measurement

The statement of the value of certain assets and liabilities involves an estimate of how future events will influence the value of these assets and liabilities on the balance sheet date. The most important estimates are related to write-downs on loans and provisions for liabilities. The assessments are based on assumptions which the management deems to be sound, but which may inherently be uncertain. In addition, the bank is influenced by risks and uncertainties that may lead to a divergence between the actual results and the estimates. As regards write-downs on loans and receivable impairment, quantification of the risk that not all future payments will be received is subject to a significant estimate.

### The bank's management

As per 1 September 2008, Kim Michael Sandberg was appointed to the bank's Management Group. Until that date, Kim Michael Sandberg was responsible for the bank's Private Banking and Asset Management divisions. As per 1 January 2009, Kim Michael Sandberg was appointed Chief Managing Director when Brian Toft resigned from his position in the bank on 31 December 2008.

No further changes took place in the bank's Board of Directors or Management.

The bank's Board of Directors consists of Mærner Jacobsen, Chairman, Henrik Ørsted, Vice-Chairman, and Knud Jørgen Strange.

The Management consists of Kim Michael Sandberg, Chief Managing Director, and Jesper Clausen, Managing Director.

The Management and the Board of Directors hold the following managerial positions in other Danish limited liability companies:

Kim Michael Sandberg	None
Jesper Clausen	None
Mærner Jacobsen	None

Henrik Ørsted:  
Member of the Board of Directors of Second Holding A/S  
Member of the Board of Directors of Henrik Ørsted A/S  
Member of the Board of Directors of Oak Property Invest A/S

Knud Jørgen Strange:  
Member of the Board of Directors of Tysk Ejendomsselskab A/S

### Dividend

The Board of Directors recommends that no dividend is paid for the year 2008.

### The bank's disclosure obligation according to the Capital Requirement regulation, Annex 20

Reference is made to the risk report attached as an

## Management's Review

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annex to the Financial Statements on the bank's website: [www.eikbank.dk](http://www.eikbank.dk)

### Forecast for 2009

At the beginning of 2009, the global financial markets are characterised by market unrest due i.a. to the credit and liquidity crisis, falling share prices and property prices and an increase in unemployment rates. Hence, the bank expects 2009 to be a challenging year, also for the financial institutions.

As a consequence of this, the bank's budget assumes a minor reduction in the bank's balance sheet and lending volumes in 2009, as well as a profit before market value and currency translation adjustments, write-downs and tax of DKK 125 million. Due to the current economic trends, the bank's management points out that the budgeted profit for 2009 is subject to an unusually large uncertainty.

Also in 2009, the bank will focus on integration and development of the entire organisation in continuation of the bank's implemented shift to a joint data central and relocation to a joint domicile in 2008.

In February 2009, the Danish Parliament adopted the Act on State-Funded Capital Injections to Credit Institutions, offering Danish financial institutions, amongst others, the opportunity to obtain state-funded hybrid core capital. As regards Eik Bank Danmark A/S, the bank will, as a consequence of the adoption of the Act, be able to obtain hybrid core capital corresponding to 3 % of its weighted assets, which again corresponds to a total of approximately DKK 170 million at 31 December 2008. The bank's management intends to use this credit facility.

### Risk management

#### In general

The bank's management is aware that the bank is exposed to different types of risks. These risks are currently monitored and the object of reports so that it is possible to manage the risks in order to minimise the ensuing losses.

The most important risks for the bank are:

- Credit risks on the bank's loans: Risk of losses as a consequence of customers' inability and/or unwillingness to pay.
- Market risks: Risk of losses on assets or liabilities as a consequence of changes in the market situation.
- Operational risk: Risk of losses as a consequence of insufficient or defective internal procedures, human or system-based errors or external events.

#### Credit risk

With the acquisition of SkandiaBanken A/S in Denmark in 2007, Eik Bank Danmark A/S has achieved an adequate diversification of the bank's loan and guarantee portfolio, so that the portfolio had a distribution in terms of volume of 53 % private customers and 47 % commercial customers at year-end 2008.

The majority of the bank's loans and guarantees are related to the Danish market. Thus 15 % of the bank's total loan and guarantee portfolio is related to financing outside Denmark, primarily Sweden and Germany. The bank's foreign funding transactions are primarily related to the funding of investment properties which the bank evaluates as solid and stable cash flows.

The bank records all of its important exposures each quarter in order to ascertain the bank's total credit risk, and to evaluate its total loan diversification and

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## Management's Review

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the need to write down loans and to make provisions for guarantee debtors and unused credit facilities.

In addition to this quarterly recording of exposures, a credit assessment is made of all commercial exposures basically once annually, based on updated creditworthiness documentation of the bank's customers. Moreover, credit ratings are updated each year. The rating of the bank's commercial customers is seen as a supplement to individual credit ratings and used concurrently to establish the group write-downs on the bank's commercial customers.

The bank's ratings model ranks all commercial customers with loan commitments in seven classes according to credit risk: A+, A, A-, B+, B, B- and C, respectively, A+ being the highest rating and C the lowest. The ranking is based on the weighting of a number of underlying variables within four defined loan segments with uniform credit risks. All of the underlying variables are estimated to have a significant importance for the probability that an individual customer will default on its commitment with the bank.

The ratings awarded to the bank's commercial customers are basically made with a view to portfolio management and determination of group write-downs on this loan segment. All lending transactions with commercial and private customers, respectively, in the Private Banking segment are based on thorough individual credit assessments that are independent of the individual customer's rating.

At year-end 2008, 91.9 % of the bank's commercial customers were rated in the five highest rating classifications measured on volume.

As regards the credit rating of standard credits

without security for private customers in the Retail Bank, the bank uses a generic PD model combined with a solvency model. All lending activities related to real-estate are subject to a comprehensive individual assessment that takes the customers' solvency and the bank's assessment of the real-estate valuation into account.

As regards the bank's private customers, monthly follow-up reports are made on non-performing loans with regard to number, volume and write-down percentage. In addition, the bank measures the development in the number of reminders per product type on a monthly basis, so that any deterioration in the customers' payment patterns are quickly ascertained.

The bank generally undertakes quarterly adjustments of both individual write-down and group write-down. Furthermore, the bank closely monitors all exposures that have been subject to an individual write-down so that the bank is able to intervene quickly in case the individual exposures develop negatively. Moreover, the bank has drawn up internal action plans for all important exposures that have been subject to individual write-down.

### **Market risks**

The bank has market risks in relation to interest rates, currency, shares and liquidity. The bank's management has established a framework for placements in bonds, currency, shares, liquidity, etc. These risks are monitored on a daily basis and reported once a month to the Board of Directors. The bank constantly seeks to maintain a low risk profile regarding interest rate risk, currency risk, share risk and liquidity risk.

### **Interest rate risk**

The interest rate risk in relation to core capital after deductions is 2.1 %, down from 4.2 % at year-end 2007.

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## Management's Review

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### Currency risk

The currency risk is 0.3 % at 31 December 2008 against 0 % at year-end 2007.

### Share risk

The portfolio of shares is DKK 68.8 million at year-end 2008, down from DKK 74.9 million at year-end 2007. Of the year-end 2008 portfolio, DKK 49.4 million concerns unlisted shares. Capital investments in associated companies are DKK 28 million. The portfolio of unlisted shares and capital investments in associated companies is expected to be phased out over the next 1-3 years.

### Liquidity risk

Decisions regarding the bank's stand-by liquidity are based on the aim that the bank should always have a surplus cover of no less than 40 % in relation to the requirements of the Danish Financial Business Act. These decisions are made with a view to maintaining sufficient liquidity, liquid securities and sufficient credit facilities. In 2008, the bank saw a higher increase in deposits than in loans, and at year-end 2008 the bank's deposits outweighs its loans.

The bank's deposit base is primarily made up of core deposits.

The bank regularly evaluates alternatives in order to ensure that the bank's stand-by liquidity is at any given time satisfactory for the bank's future growth and for short-term and long-term liquidity requirements.

### Operational risk

In order to reduce losses as a consequence of operational risks, the bank has drawn up a number of policies. A central element is the security policy, which makes a number of demands on IT and staff.

Moreover, IT contingency plans have been prepared in order to limit losses in case of lack of IT facilities. In addition, written procedures have been established in order to avoid dependence on individuals. It is the bank's policy to constantly limit the operational risks with due regard to the costs involved.

### Principal activities

The bank's business areas include

- Retail Banking
- Private Banking
- Corporate Banking
- Capital Markets
- Treasury

### Retail Banking

The bank offers all the traditional banking products requested by private customers, both with regard to deposits and loans. In 2008, the bank concluded a cooperation agreement with the mortgage credit institution BRF Kredit for the arrangement of mortgage credit loans. Henceforth the bank will be able to offer the customers relevant products and counselling also within mortgage credit financing. In this connection, the strategy for real-estate financing was changed, so that the bank's primary target is no longer to offer the market's cheapest housing credit. Today, the strategy is to offer the customers a combination of mortgage credit loans and housing credits, subject to individual counselling.

In 2009, the bank will focus on additional sales to its existing customers. The bank can already today offer personal counselling within investment, pension and real-estate financing. Counselling is made available on-line, by telephone, and in some cases in personal meetings.

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## Management's Review

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The bank will continue to have a significant focus on optimisation of processes, including distribution via the bank's netbank. In December 2008, the bank started a project that will strengthen the bank's risk assessment and improve its sales tools. This project, which is expected to be completed in 2009, will strengthen the bank's efficiency and thus its earnings in the years to come.

The bank has more than 110,000 private customers and experienced a positive net influx of customers also in 2008. Despite keen competition for deposits, retail customer deposits dropped only 3 % to DKK 6,100 million. Loans to retail customers dropped 2 % to DKK 3,500 million, with 1st mortgage loans in owner-occupied homes accounting for approximately DKK 2,800 million.

### Private Banking

The bank's Private Banking concept offers comprehensive counselling to wealthy private customers. Based on integral counselling, the customers gain an overview of their overall economy and assets. The consequences of choosing different solutions are reviewed together with the customer.

Relevant Retail Banking customers are offered counselling by Private Banking. It is the plan to strengthen the counselling tools in 2009 in order to improve the efficiency for the customers as well as for the bank.

### Corporate Banking

The bank's principal activities within business credits can be divided into the following categories:

- Financing of investment properties
- Building and project financing
- Investment credits
- Financing of mortgage deeds

The bank's strategy for the financing of investment properties is typically concentrated on successfully leased commercial properties located in Denmark, Sweden and Germany. It is characteristic of the financed investment properties that they generate positive cash flows while featuring a modest interest rate risk.

The bank's portfolio of building and project financing is currently being reduced as more and more financed projects are being completed. Due to the difficult economic conditions at the beginning of 2009, the bank does not expect to conclude new financing contracts in this field over the next 1-3 years. The reason for this is that the bank does not wish to have any significant credit exposures in case of a major price correction, for instance as a consequence of significant changes in interest rates or other external factors beyond the bank's control.

The bank's strategy for establishing investment credits for the purchase of listed shares, listed bonds and mortgage deeds is based on individually concluded surplus cover contracts enabling the bank to realise pledged assets in case of the customer's incapacity to meet the agreed surplus cover.

In addition to the loan categories mentioned, the bank is to a smaller degree active within other commercial loans, whose combined volume is approximately 11 % of the bank's total loans and guarantees.

For strategic reasons the bank has decided to phase out all mortgage deed financing activities, both with regard to mortgage deeds held in its own portfolio and mortgage deed credits to customers. The bank expects these business segments to be fully phased out at the end of 2012.

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**Capital Markets**

This division deals with trading in securities, currency and financial products. Moreover, it provides counselling in connection with corporate takeovers and procurement of equity capital and loan capital on the financial markets. Moreover, Capital Markets has been extended to include Asset Management.

The financial turmoil in 2008 has resulted in increased volatility on the currency, interest rate and securities markets, which again, as the financial unrest has spread, has resulted in restraint in the investment customers' trading in securities and currency.

**Treasury**

This division is in charge of placing the bank's own portfolio, funding and liquidity.

**Transactions between closely related parties**

Transactions with closely related parties were made at arm's length.

**Events after the expiry of the financial year**

Between the balance sheet date and the Board of Directors' approval of the annual report no major events have occurred that are likely to have a material impact on the annual report.

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## The management's statement of responsibility for financial reporting

We have today reviewed and approved the annual report for the period 1 January – 31 December 2008 for Eik Bank Danmark A/S.

The annual report is prepared in accordance with the Danish Act on Financial Activities, including the Executive Order on the Presentation of Financial Statements for Banks and Other Financial Institutions.

In our view, the management's statement gives a true and fair view of the development of the bank's activities and financial performance and of the principal risks and uncertainties facing the bank.

In our opinion, the accounting policies applied are adequate, and the annual report gives a true and fair view of the bank's assets, liabilities, financial position and results.

### Eik Bank Danmark A/S

Copenhagen 19 February 2009

#### Managing Directors

Kim Michael Sandberg, Chief Managing Director

Jesper Clausen, Managing Director

#### Board of Directors

Mårner Jacobsen, Chairman

Henrik Ørsted, Vice Chairman

Knud Jørgen Strange  
Board member

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Annual Accounts

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2008

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## Annual Accounts 2008

### Profit and Loss Account

Note	DKK Million	2008	2007
<b>Profit and loss account</b>			
1	Interest income	596,124	414,008
2	Interest expenses	377,185	260,169
	<b>Net interest income</b>	<b>218,939</b>	<b>153,839</b>
	Dividends from shares etc.	2,277	2,654
3	Fees and commissions income	55,098	61,644
	Fees and commissions expenses	6,029	9,815
	<b>Net interest and fee income</b>	<b>270,285</b>	<b>208,322</b>
4	Market value adjustments	-6,050	43,750
	Other income	2,463	5,312
	<b>Profit on financial operations</b>	<b>266,698</b>	<b>257,384</b>
5	Staff costs and administrative expenses	149,341	126,762
	Depreciations and write-downs of intangible and tangible assets	1,847	1,690
	Other expenses	7,154	43
6	Impairment of loans and claims, etc.	352,647	19,445
	Income from associated and subsidiary undertakings	1	0
	<b>Profit before tax</b>	<b>-244,290</b>	<b>109,444</b>
7	Taxes	-63,045	27,576
	<b>Net profit for the year</b>	<b>-181,245</b>	<b>81,868</b>
<b>Allocation of profits</b>			
	Net profit for the year	-181,245	81,868
	<b>Total amount available for allocation</b>	<b>-181,245</b>	<b>81,868</b>
	Carried forward to next year	-181,245	81,868
	<b>Total allocation of the amount available</b>	<b>-181,245</b>	<b>81,868</b>

Annual Accounts 2008  
Balance sheet

Note	DKK Million	2008	2007
<b>Balance sheet</b>			
<b>Assets</b>			
	Cash and receiveable from central banks	532,273	54,868
8	Claims on credit institutions and central banks	827,175	2,207,938
9,10	Loans and other claims at current value	106,196	106,740
9,10	Loans and other claims at amortised cost	7,341,580	7,577,348
11	Bonds at fair value	422,200	185,553
12	Shares, etc.	68,828	74,891
13	Holdings in associated undertakings	28,025	0
14	Holdings in subsidiary undertakings	125	267
15	Intangible assets	210,102	216,048
	Land and buildings	525	675
16	Domicile property	525	675
17	Other tangible assets	1,766	2,592
	Current tax assets	6,000	6,527
18	Deferred tax assets	67,172	0
	Assets in temporary possession	2,322	5,113
19	Other assets	120,682	98,564
	Prepayments	135	138
	<b>Total assets</b>	<b>9,735,106</b>	<b>10,537,262</b>
<b>Liabilities</b>			
	<b>Debt to credit institutions and central banks</b>	<b>722,159</b>	<b>2,133,497</b>
20	Deposits and other debt	7,846,815	7,125,990
22	Issued bonds at fair value	602	602
23	Other liabilities	119,586	159,981
	Prepayments	826	199
	<b>Total debts</b>	<b>8,689,988</b>	<b>9,420,269</b>
18	<b>Provisions for deferred tax</b>	<b>13,149</b>	<b>7,521</b>
	Provisions for loss on collaterals	385	685
	Other liabilities provisions	5,005	825
	<b>Total liabilities provisions</b>	<b>18,539</b>	<b>9,031</b>
24	<b>Subordinated loans</b>	<b>200,000</b>	<b>100,000</b>
<b>Equity</b>			
	Share capital	122,500	122,500
	<b>Revaluation reserves</b>	<b>125</b>	<b>138</b>
	Other reserves	710,157	710,157
	Retained profit	-6,203	175,167
	<b>Total equity</b>	<b>826,579</b>	<b>1,007,962</b>
	<b>Total liabilities</b>	<b>9,735,106</b>	<b>10,537,262</b>
25	<b>Contingencies etc.</b>		
	Guarantees and other liabilities	328,344	279,818
	<b>Other liabilities</b>	<b>8,007</b>	<b>7,133</b>
	<b>Total contingencies etc.</b>	<b>336,351</b>	<b>286,951</b>

## Annual Accounts 2008

### Equity 2008

DKK Million	Share capital	Premium reserve	Revaluation of provisions	Other reserves	Retained profit	Total
<b>1 January 2008</b>	122,500	0	138	710,157	175,167	1,007,962
Income and expenses calculated directly on equity			-138			-138
Tax of equity postings						0
Profit for the period					-181,245	-181,245
Paid dividends on shares					0	0
Injection or reduction of capital						0
Other movements			125		-125	0
Own shares						0
<b>31 December 2008</b>	<b>122,500</b>	<b>0</b>	<b>125</b>	<b>710,157</b>	<b>-6,203</b>	<b>826,579</b>
<b>1 January 2007</b>	65,000			192,657	93,299	350,956
Income and expenses calculated directly on equity						0
Tax of equity postings						0
Profit for the period					81,868	81,868
Paid dividends on shares						0
Injection or reduction of capital	57,500	517,500				575,000
Other movements		-517,500	138	517,500		138
Own shares						0
<b>31 December 2007</b>	<b>122,500</b>	<b>0</b>	<b>138</b>	<b>710,157</b>	<b>175,167</b>	<b>1,007,962</b>

## Annual Accounts 2008 Solvency and Capital Ratios

DKK Million	2008	2007
<b>Solvency</b>		
Core capital less statutory deductions	549,305	791,776
Capital base	749,430	891,914
Weighted assets not included in trading portfolio	5,515,232	6,283,135
Weighted items with market risk	235,187	199,702
<b>Total weighted assets</b>	<b>5,750,419</b>	<b>6,482,837</b>
Solvency ratio purs. to FIL § 124, 2 no. 1	13.0%	13.8%
Core capital after deduction in percent of weighted assets	9.6%	12.2%
<b>Capital requirement</b>		
Capital requirement purs. to FIL §124, 2 no. 1	460,034	518,627
Core capital before deduction	826,579	1,007,824
Intangible assets	210,102	216,048
Tax assets	67,172	0
Core capital after deduction	549,305	791,776
Supplementary capital		
Subordinated debt	200,000	100,000
Revaluation reserves	125	138
Capital base	749,430	891,914

Annual Accounts 2008  
Notes

## Note

## Note review

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Note	DKK 1,000	2008	2007
<b>1</b>	<b>Interest income</b>		
	Claims on credit institutions and central banks	59,040	37,174
	Loans and other claims	524,802	364,026
	Bonds	15,410	13,709
	Derivatives in total	-3,474	-934
	Hereof:		
	Currency contracts	665	703
	Interest rate contracts	-4,139	-1,637
	Other interest income	346	33
	<b>Total interest income</b>	<b>596,124</b>	<b>414,008</b>
	No interest income belong from real buy- and sale-back businesses stated under respectively claims on credit institutions and central banks and loans and other claims		
<b>2</b>	<b>Interest expenses</b>		
	Credit institutions and central banks	68,961	112,468
	Deposits and other debt	301,635	143,866
	Issued bonds	36	22
	Subordinated loans	6,528	3,764
	Other interest expenses	25	49
	<b>Total interest expenses</b>	<b>377,185</b>	<b>260,169</b>
	No interest expenses belong from real buy- and sale-back businesses stated under respectively claims on credit institutions and central banks and loans and other claims		
<b>3</b>	<b>Fee and commission income</b>		
	Securities trading and custody	19,771	15,867
	Transfer of payments	8,277	3,909
	Loan fees	2,911	2,415
	Guarantee commission	2,479	3,296
	Other fees and commissions	21,660	36,157
	<b>Total fee and commission income</b>	<b>55,098</b>	<b>61,644</b>
<b>4</b>	<b>Market value adjustment</b>		
	Loans and other claims at current value	2,181	3,679
	Bonds	-652	35,938
	Shares etc.	-9,436	7,395
	Currency	-1,446	0
	Currency-, interest-, share-, raw materials and other contracts plus derivatives in total	3,315	-3,262
	Other assets	-12	0
	<b>Total market value adjustments</b>	<b>-6,050</b>	<b>43,750</b>

## Annual Accounts 2008

### Notes

Note	DKK 1,000	2008	2007
<b>5</b>	<b>Staff costs and administrative expenses</b>		
	<b>Remuneration of the Board of Directors and the Management of Directors</b>		
	Board of Management	4,583	8,418
	Board of Directors	788	788
	<b>Total remuneration of the Board of Directors and the Management</b>	<b>5,371</b>	<b>9,206</b>
	<b>Other administrative expenses</b>		
	Salaries	56,465	47,529
	Pensions	5,114	3,745
	Expenses for social security, etc.	23	431
	Duties calculated on numbers of full-time employees or total payroll	5,031	3,933
	<b>Total staff costs</b>	<b>66,633</b>	<b>55,638</b>
	<b>Other administrative expenses</b>	<b>77,337</b>	<b>61,918</b>
	<b>Total staff costs and administrative expenses</b>	<b>149,341</b>	<b>126,762</b>
	Average number employees converted in to full-time staff	104.0	100.0
	Average number employees converted in to full-time staff end of year	98.0	100.3
	<b>Audit fee</b>		
	Total fees to the accounting firm selected at the general meeting	1,054	974
	Fees for non-audit services included in preceding items	154	349
	<b>Program for incentive</b>		
	The bank has a program for incentive for the management and staff. This program is included in the staff costs with the following amount	1,190	18,600
<b>6</b>	<b>Impairment of loans and claims</b>		
	Individual impairments		
	Impairments beginning	26,430	29,622
	Impairments during the year	332,884	35,738
	Reversal of impairments during prior years	22,169	25,846
	Value adjustment of acquired assets	3,328	0
	Final loss, prior impairments	53,715	13,084
	<b>Total individual impairments of loans end of year</b>	<b>286,758</b>	<b>26,430</b>
	Valuation before impairment	481,515	66,647
	Valuation after impairment	194,757	40,217
	<b>Impairments for groups of loans</b>		
	Impairments beginning	9,768	0
	Impairments and value adjustments, respectively, during the year	21,796	9,768
	Reversal of impairments in previous financial years	3,140	0
	<b>Total impairments for groups of loans end of year</b>	<b>28,424</b>	<b>9,768</b>
	Definitive loss on loans with no specific impairments	23,197	536
	Payment into specific account written of	3,249	751
	Impairments during the year of claims on credit institutions and other claims	5,000	0
	Accumulated impairments of claims on credit institutions	5,000	0

Annual Accounts 2008  
Notes

Note	DKK 1,000	2008	2007
<b>7</b>	<b>Tax</b>		
	Profit before tax	-244,290	109,444
	Non taxable income and non tax-deductable expenses	468	-2,564
	Taxable depreciation on tangible and intangible assets	-23,939	-23,900
	Adjustment in calculated tax prior years	-2,112	-4,936
	<b>Taxable income</b>	<b>-269,873</b>	<b>78,044</b>
	Calculated tax of years profit and loss	-67,468	19,511
	Non taxable income and non tax-deductable expenses	117	-641
	Changes in deferred tax	6,513	8,840
	Adjustment of prior years calculated tax	-2,206	-134
	<b>Total tax</b>	<b>-63,045</b>	<b>27,576</b>
	<b>Effective taxrate</b>		
	Danish tax rate	25.0%	25.0%
	Non taxable income and non tax-deductable expenses	0.2%	2.3%
	Adjustment of tax concerning deferred tax	-2.7%	8.1%
	Adjustment of tax concerning prior years	0.9%	-0.1%
	Other	0.3%	0.0%
	<b>Effective taxrate</b>	<b>23.7%</b>	<b>35.3%</b>
<b>8</b>	<b>Claims on credit institutions and central banks</b>		
	Claims on central banks at notice	349,890	564,503
	Claims on credit institutions	477,285	1,643,435
	<b>Total claims on credit institutions on central banks</b>	<b>827,175</b>	<b>2,207,938</b>
	<b>Claims on credit institutions and central banks</b>		
	Claims at call	729,185	1,111,100
	Up to 3 months	2,073	1,096,838
	From 3 months to 1 year	95,917	0
	From 1 year to 5 years	0	0
	From 5 years	0	0
	<b>Total claims on credit institutions on central banks</b>	<b>827,175</b>	<b>2,207,938</b>
	<b>Hereof at Eik Banki P/F</b>	<b>169,885</b>	<b>594,642</b>

Annual Accounts 2008  
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Note	DKK 1,000	2008	2007
<b>9</b>	<b>Loans and other claims</b>		
	Loans and other claims at current value	106,196	106,740
	Loans and other claims at amortised cost	7,341,580	7,577,348
	<b>Total loans and other claims</b>	<b>7,447,776</b>	<b>7,684,088</b>
	Loans and other claims		
	Claims at call	0	64,370
	Up to 3 months	1,569,895	1,320,457
	From 3 month to 1 year	987,789	1,570,125
	From 1 year to 5 year	702,415	876,690
	From 5 years	4,187,677	3,852,446
	<b>Total loans and other claims</b>	<b>7,447,776</b>	<b>7,684,088</b>
	<b>Loans and claims with stopped interest calculation</b>	<b>353,042</b>	<b>6,630</b>
	Loans and other claims with stopped interest calculation in pct. of loans and guarantees	4.4%	0.0%
<b>10</b>	<b>Loan and other claims and guarantees by sector and industry</b>		
	<b>Public sector</b>	0	0
	<b>Corporate sector</b>		
	Agriculture, hunting and forestry	0	0
	Fishery	0	0
	Manufacturing industries, extraction of raw materials, utilities	0	0
	Building and constructions activities	3	8
	Trade, restaurants and hotels	1	4
	Transport, mail and telephone	0	0
	Credit, finance and insurance	10	7
	Property administration, purchase and sale and business services	24	27
	Other industries	9	8
	<b>Total corporate sector</b>	<b>47</b>	<b>54</b>
	<b>Retail customers</b>	<b>53</b>	<b>46</b>
	<b>Total loans, other claims and guarantees</b>	<b>100</b>	<b>100</b>
<b>11</b>	<b>Bonds at fair value</b>		
	Government guaranteed bonds	50,140	1,037
	Mortgage bonds	360,431	172,244
	Other bonds	11,629	12,272
	<b>Total bonds at fair value</b>	<b>422,200</b>	<b>185,553</b>
	Deposited bonds with Danmarks Nationalbank in connection with clearing, settlements etc. are included in bonds and shares for total of	99,329	0
<b>12</b>	<b>Shares, etc.</b>		
	Listed on OMX Nordic Exchange Copenhagen	12,531	24,385
	Listed on other stock exchanges	2,059	8,671
	Other shares	54,238	41,835
	<b>Total shares, etc.</b>	<b>68,828</b>	<b>74,891</b>

Annual Accounts 2008  
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Note DKK 1,000

## 13 Holdings in associated undertakings

	2008	2007
Total purchase price, beginning	0	0
Additions	28,025	0
<b>Total purchase price, end of year</b>	<b>28,025</b>	<b>0</b>
Revaluations and write-downs, beginning	0	0
Revaluations and write-downs, end of year	0	0
<b>Book value, end of period</b>	<b>28,025</b>	<b>0</b>
<b>Book value, beginning</b>	<b>0</b>	<b>0</b>

## 14 Holdings in subsidiary undertakings

	Hometown	Activity	Owner pct.	Equity part	Net profit part
Finansnyt II Komplementar ApS	Copenhagfen	Holding	100%	125	1
<b>Total FinansNyt II Komplementar ApS</b>				<b>125</b>	<b>1</b>
	2008	2007			
Total purchase price, beginning	267	0			
Additions purchase price	0	267			
<b>Total purchase price, end of year</b>	<b>267</b>	<b>267</b>			
Revaluations and write-downs, beginning	0	0			
Disposals	-142	0			
<b>Revaluations and write-downs, end of year</b>	<b>-142</b>	<b>0</b>			
<b>Book value, end of period</b>	<b>125</b>	<b>267</b>			
<b>Book value, beginning</b>	<b>267</b>	<b>0</b>			

Annual Accounts 2008  
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Note	DKK 1,000	2008	2007
<b>15</b>	<b>Intangible assets</b>		
	Total purchase price, beginning	226,204	10,258
	Additions	613	313,446
	Disposals	-6,255	-97,500
	<b>Total purchase price, end of year</b>	<b>220,562</b>	<b>226,204</b>
	Revaluations and write-downs, beginning	-10,156	-10,020
	Additions	-304	-136
	<b>Revaluations and write-downs, end of year</b>	<b>-10,460</b>	<b>-10,156</b>
	<b>Book value, end of year</b>	<b>210,102</b>	<b>216,048</b>
	<b>Book value, beginning</b>	<b>216,048</b>	<b>238</b>
<b>16</b>	<b>Domicile properties</b>		
	Reassessed value, beginning of period	675	537
	Value adjustment during the year included directly in equity	-138	138
	Value adjustment during the year included directly in profit and loss account	-12	0
	<b>Reestimated value, end of period</b>	<b>525</b>	<b>675</b>
	<b>Book value, beginning</b>	<b>675</b>	<b>537</b>
	External experts have assisted in the assesment of domicile properties		
<b>17</b>	<b>Other tangible assets</b>		
	Total cost price, beginning	5,626	4,176
	Additions including improvements	3,320	2,511
	Disposals	-2,601	-1,061
	<b>Total cost price, end of year</b>	<b>6,345</b>	<b>5,626</b>
	Depreciations, beginning	3,034	1,591
	Depreciations, for the year	3,919	1,554
	The years depreciation on devisions and equipment no longer in use	2,374	85
	The years value readjustments and total depreciations on assets sold or discontinued during the year	0	26
	Depreciations, end of year	4,579	3,034
	<b>Book value, end of period</b>	<b>1,766</b>	<b>2,592</b>
	<b>Book value, beginning</b>	<b>2,592</b>	<b>2,585</b>
<b>18</b>	<b>Deferred tax assets and tax liabilities</b>		
	Dererred tax	-7,521	-322
	Change in company tax rate	0	10
	Change in defered tax	61,544	-7,209
	<b>Net deferred tax assets and tax liabilities, end of year</b>	<b>54,023</b>	<b>-7,521</b>

Annual Accounts 2008  
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Note DKK 1,000

## 18 Deferred tax assets and tax liabilities continued

	Deferred		Net	Net
	Assets	Liabilities	2008	2007
	2008	2008		
Intangible assets	0	-12,799	-12,799	-6,382
Tangible assets	0	-954	-954	462
Loans	0	-1,305	-1,305	-1,601
Other	0	1,908	1,908	0
Taxable deficit	67,172	0	67,172	0
<b>Deferred tax, end of year</b>	<b>67,172</b>	<b>-13,149</b>	<b>54,023</b>	<b>-7,521</b>

## 19 Other assets

Positive market value financial assets etc.			59,105	24,619
Interest claims			37,815	6,879
Other assets			23,762	67,066
<b>Total other assets</b>			<b>120,682</b>	<b>98,564</b>

## 20 Debt to credit institutions and central banks

Debt to credit institutions			722,159	2,133,497
Debt to central banks			0	0
<b>Total debt to credit institutions and central banks</b>			<b>722,159</b>	<b>2,133,497</b>

<b>Hereof debt to Eik Banki P/F</b>			<b>478,528</b>	<b>1,818,772</b>
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## Debt to credit institutions and central banks

Demand deposits			721,777	228,595
Up to 3 months			382	1,702,290
From 3 months to 1 year			0	202,612
From 1 year to 5 years			0	0
Over 5 years			0	0
<b>Total debt to credit institutions and central banks</b>			<b>722,159</b>	<b>2,133,497</b>

## 21 Deposits and other debts

Debt payable on demand			3,431,823	5,516,257
On term of notice			783,267	420,402
Time deposits			2,368,602	69,339
Special deposits			1,263,123	1,119,992
<b>Total deposits and other debts</b>			<b>7,846,815</b>	<b>7,125,990</b>

## Deposits and other debts

Debt payable on demand			4,666,556	5,516,256
Up to 3 months			496,167	570,911
From 3 months to 1 year			685,282	209,179
From 1 year to 5 years			1,283,208	238,324
Over 5 years			715,602	591,320
<b>Total deposits and other debts</b>			<b>7,846,815</b>	<b>7,125,990</b>

## 22 Bonds at fair value

Over 5 years			602	602
<b>Total bonds at fair value</b>			<b>602</b>	<b>602</b>

## 23 Other liabilities

Negative market value financial assets			40,470	31,152
Owed interest and commission			17,365	10,331
Other liabilities			61,751	118,498
<b>Total other liabilities</b>			<b>119,586</b>	<b>159,981</b>

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Note DKK 1,000

## 24 Subordinated debt

Principal	Current interest rate	Date of payment	2008	2007
DKK 100.000.000 Variable payment of interest on permanent loan	6.85%	30.06.2015	100,000	100,000
DKK 100.000.000 Variable payment of interest on permanent loan	9.91%	30.06.2015	100,000	0
<b>Total subordinated debt</b>			<b>200,000</b>	<b>100,000</b>

Interest of subordinated debt included in profit and loss account	6,528	3,764
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## 25 Contingencies and similar

**Guarantees and other liabilities**

Financial guarantees	40,648	160,055
Loss guarantees for mortgage	0	70,350
Other guarantees	287,696	49,413
<b>Total guarantees and other liabilities</b>	<b>328,344</b>	<b>279,818</b>

**Other liabilities**

Other liabilities	8,007	7,133
<b>Other liabilities in total</b>	<b>8,007</b>	<b>7,133</b>

<b>Total contingencies and similar</b>	<b>336,351</b>	<b>286,951</b>
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**Liabilities for intragroup companies**

Eik Bank Danmark A/S is not liable for intragroup companies.

Residual payments for interminable tenancy agreement undtil 30. June 2009 for the office tenancy constitutes 31. December 2008 DKK 4,3 million.

Besides the securities mentioned in note 11 Eik Bank Danmark A/S has no further mortgages, securities similar.

## 26 Contingencies

Eik Bank Danmark A/S has no contingencies as of 31. December 2008

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Note DKK 1,000

## 27 Derivatives

	Nominal value	2008 Market- value	Nominal value	2007 Market value
<b>Currency, interest and share contracts</b>				
<b>Up to 3 months</b>				
Contracts and futures, buy	380,130	-4,911	188,670	-221
Contracts and futures, sale	1,675,628	29,808	191,192	-820
From 3 months to 1 year				
Contracts and futures, buy	0	0	0	0
<b>Contracts and futures, sale</b>	0	0	0	0
From 1 year to 5 years				
Contracts and futures, buy	0	0	0	0
Contracts and futures, sale	0	0	0	0
<b>From 5 years</b>				
Contracts and futures, buy	0	0	0	0
Contracts and futures, sale	0	0	0	0
Total				
Contracts and futures, buy	380,130	-4,911	188,670	-221
<b>Contracts and futures, sale</b>	1,675,628	29,808	191,192	-820
Net market value		24,897		-1,041
	Positive	Negative	Positive	Negative
Contracts and futures, buy	4,613	9,524	1,091	870
Contracts and futures, sale	38,529	8,721	1,615	796
<b>Total 1)</b>	43,142	18,245	2,706	1,666
1) Hereof market value of non guaranteed contracts	43,142	18,245	2,706	1,666
Average market value				
	Positive	Negative	Positive	Negative
<b>Contracts and futures, buy</b>	<b>4,357</b>	<b>8,126</b>	<b>1,595</b>	<b>1,336</b>
Contracts and futures, sale	21,325	11,377	1,583	1,367
Total	<b>25,682</b>	<b>19,503</b>	<b>3,178</b>	<b>2,703</b>

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Note	DKK 1,000	2008	2007
<b>28</b>	<b>Credit risk on derivatives</b>		
	Positive market value, counterpart with 0 pct. risk	8,739	0
	Positive market value, counterpart with 20 pct. risk	0	281
	Positive market value, counterpart with 100 pct. risk	0	2,409
	<b>Total credit risk on derivatives</b>	<b>8,739</b>	<b>2,690</b>
<b>29</b>	<b>Market risk</b>		
	<b>Interest rate risk by currency</b>		
	EUR	21,150	39,957
	SEK	3,373	4,171
	NOK	1,184	0
	CHF	1,175	0
	USD	812	0
	GBP	178	600
	Other currencies	1,844	2,572
	<b>Currency risk</b>		
	Assets in foreign currency	29,716	47,300
	Liabilities in foreign currency	131	65
	Currency indicator 1	29,716	47,300
	Currency indicator 1 in per cent of core capital after deductions	5.3	6.0
	Total interest risk on debt instruments	11,275	32,906
	<b>Interest rate risk by high risk currency</b>		
	DKK	6,611	28,991
	EUR	4,225	4,129
	CHF	219	-251
	USD	187	43
	SEK	48	-4
	GBP	-15	-2
	Other currencies	0	0
<b>30</b>	<b>Related parties</b>		
	Eik Bank Danmark A/S has had transactions with the parent company. All transactions were made at arms length. The transactions consisted of funding of loans granted by Eik Bank, placement of deposits with the parent company and guarantees received.		
	Interest income from parent company	11,116	3,414
	Interest income from subsidiary	0	4
	Interest expenses to parent company	66,890	89,928
	Interest expenses to subsidiary	8	10
	Guarantees granted to parent company	694	2,775
	Claims on parent company	169,885	594,642
	Claims on subsidiary	59	0
	Debt to parent company	478,529	1,818,772
	Debt to subsidiary	190	182
	Subordinated debt from parent company	200,000	100,000
	<b>Loans to management</b>		
	Board of directors	0	0
	Managing directors	0	911
	Total loans to management	0	911

Annual Accounts 2008  
Notes

Note	DKK 1,000	2008	2007
<b>31 Security</b>	There are no securities or agreed pension liabilities with board of directors or managing directors		
<b>32 Shareholders with more than 5 pct. of the companys share capital</b>	Eik Banki P/F Yviri Vid Strond 2 FO-100 Tórshavn Faroe Islands	100%	100%
<b>33 Hedging of risk</b>	Criteria for hedging of risk are not fullfilled		
<b>34 Intragroup relations</b>	Finansnyt II komplementar ApS, owned 100 pct. by Eik Bank Danmark A/S according note 14, general partner of Finansnyt II ApS.		
<b>35 Segment reporting 1)</b>			
	Retail Banking	123,065	65,885
	Corporate Lending	91,460	91,675
	Capital Markets	14,507	40,317
	Treasury	35,203	54,195
	<b>Total segment reporting</b>	<b>264,235</b>	<b>252,072</b>

1) Net interest and fee income and market value adjustments distributed on segments



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## Auditor's Report

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## Internal Auditor's Report

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### Internal Auditor's Report

We have audited the Annual Report of Eik Bank Danmark A/S for the financial year 1 January – 31 December 2008, which comprises the Statement of the Board of Executives, Profit and Loss Account, balance sheet, Capital Structure, notes and Statement of the Board of Directors. The Year Report has been prepared in accordance with the Danish Financial Statements Act and Executive Order on Financial Reports for banks issued by the Danish Financial Supervisory Authority.

### Basis of Opinion

We have conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Institutions etc. and Financial Groups and Danish auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the Year Report is free from material misstatement. Our audit has included all areas of materiality and risk and has been performed in accordance with the division of duties agreed with the external auditors in a way so that the external auditors can base their audit on the work conducted by the internal auditors.

The audit has been planned and conducted in the way, that we have assessed the procedures and internal controls established, including the risk management organised by Management relevant to the entity's reporting processes and significant business risks.

The 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 Year 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 the Year Report in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and Board of Executives, 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 procedures and internal controls established, including the risk management organised by Management relevant to the entity's reporting processes and significant business risks, are working satisfactorily.

Furthermore, in our opinion, the Annual Report gives a true and fair view of the Bank's financial position at 31 December 2009 and of its financial performance and its cash flows for the financial year 1 January – 31 December 2009 in accordance with the Danish Financial Statements Act on Financial Reports for banks.

Eik Bank Danmark A/S  
Copenhagen 19 February 2009

**Sigmund Frederiksen**  
Chief Internal Auditor

## External Auditor's Report

**To the Shareholder of Eik Bank Danmark A/S**

We have audited the Year Report of Eik Bank Danmark A/S for the financial year 1 January – 31 December 2008, which comprises the Statement of the Board of Directors and Board of Executives on the Year Report, Management's Review, accounting policies, Profit and Loss Account, balance sheet, statement of changes in equity for the year then ended and notes. The Year Report has been prepared in accordance with the Danish Financial Statements Act.

**The Board of Directors and Board of Executives' Responsibility for the Annual Report**

The Board of Directors and Board of Executives are responsible for the preparation and fair presentation of this Year Report in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Year 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 Year 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 that the Year 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 Year 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 the Year 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 the Board of Directors and Board of Executives, 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 Year Report gives a true and fair view of the Company's financial position on 31 December 2008 and of the results of its operations and its cash flows for the financial year 1 January - 31 December 2008 in accordance with the Danish Financial Statements Act.

Copenhagen 19 February 2009

Hans Laksá  
Statsaut.  
State Authorised



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# Accounting principles

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## Accounting principles

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### Accounting policies

The Financial Statements for Eik Bank Danmark A/S are presented in accordance with the Danish Financial Statements Act, the Danish Executive Order on the Presentation of Financial Statements for Banks and Other Financial Institutions as well as the guidelines issued by the Danish Financial Supervisory Authority.

The accounting policies are unchanged compared to last year.

### Recognition and measurement

Assets are recognized in the balance sheet when it is probable previous event-driven financial benefits will flow to the bank and value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when they involve a previous event-driven legal or actual liability, and it is probable that future financial benefits will flow from the financial institution, and the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value. However, intangible and tangible fixed assets are measured at cost on initial recognition. Subsequently, assets and liabilities are measured as described below for each individual item.

The recognition and measurement take into account anticipated losses and risks arising before the time of presentation of the Annual Report and confirming or invalidating conditions existing at the balance sheet date.

The income statement recognizes income as it is earned, whereas costs are recognized by the amounts that relate to the financial year. However, value in-

creases of domicile properties are recognized directly in equity.

The bank recognizes transactions at the time of their settlement.

### Accounting estimates

The statement of the book value of certain assets and liabilities comprises an estimate of how future events will influence the value of these assets and liabilities. The most important estimates are related to write-down on loans granted, warranty provisions and provisions for liabilities.

Estimates are based on assumptions deemed by the management to be sound but uncertain. In addition, the bank is influenced by risks and uncertainties that may result in the actual results deviating from the estimates.

### Mergers

The acquisition method is used for the purchase of new entities, and the identifiable assets and liabilities of the acquired entities are subsequently measured at fair value on the purchase date. Allowance is made for the tax effect of revaluations.

Positive differences (goodwill) between the cost of the acquired capital share and the fair value of the assets and liabilities acquired are recognized under intangible assets and written down in case of impairment.

### Foreign Currencies

Assets and liabilities in foreign currencies are recognized at the official rates of exchange at year-end. Income and expenditure in foreign currencies are translated at the rate of exchange on the date of transaction.

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## Accounting principles

**Income Statement****Interest, fees and commissions**

Interest income and interest expenses are recognized in the income statement for the relevant period. Commissions and fees that are an integral part of the actual interest rate of a loan are recognized as part of amortized costs and thus as an integral part of the financial instrument (loan) under interest income.

Commissions and fees that are part of a continued service are accrued over the life of the service. Other fees (such as start-up fees) are recognized in the income statement on the date of transaction.

**Staff costs and administrative expenses**

Staff costs comprise salaries and remunerations and social costs, pensions etc. for the bank's employees. Costs of employee benefits, including anniversary bonuses and severance pay, are recognized as the employees perform the functions entitling them to such benefits.

Costs of incentive programs are recognized in the income statement of the financial year to which the costs are attributable.

**Tax**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit/loss for the year.

**Balance sheet**

Dues from credit institutions and central banks  
Dues from credit institutions and central banks comprise dues from other credit institutions and time deposits in central banks.

Dues are measured at amortized fair value corresponding to the nominal value.

**Loans**

This item comprises of loans, paid directly to the borrower.

Publicly listed loans and loans that are part of a trade portfolio are measured at fair value. Other loans are measured at amortized cost, which is usually the nominal value less front-end fees etc. and write-down for losses incurred but not yet realized.

Write-downs on loans and dues are made individually and for groups of loans and dues. Write-downs of losses are made when there is an objective indication of impairment.

**Individual write-down**

Where there is an objective indication that the value of a loan or advance is impaired, these are evaluated individually. If it is estimated that one of the events behind the impairment indication has influenced the expected payment flow, the loan is written down. The following events will constitute an objective indication of value impairment:

- The borrower has severe financial difficulties
- There is a high probability that the borrower will go into bankruptcy or become subject to another type of financial reorganization
- The borrower's breach of contract, such as the inability to comply with the obligation to pay installments and interest
- The bank has granted an alleviation of the terms of the loan that would not have been considered, had the borrower not had financial difficulties

Significant loans, defined as loans of a considerable

## Accounting principles

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volume for the bank, are also assessed individually. These loans are written down if it is estimated that events have occurred that have influenced their expected payments.

Write-downs are calculated as the difference between the book value of the loan and the fair value of the expected payments. The expected payments include the potential realization value, and discounting is made at the loan's effective rate of interest.

Loans with no objective indicators of impairment and loans that are not written down individually are included in the group evaluation.

### Group write-downs

The bank has three models for group write-downs on the bank's portfolio of loans and credits, with models for group write-downs on private customers, business customers and mortgage debtors, respectively. The models for each customer segment are described in the following.

Loans and dues that are not individually written down are evaluated by groups to ascertain whether an objective indication of impairment has been incurred by the group.

### Private customers

Group evaluations are made for groups of loans and dues with similar credit risk characteristics. The bank has chosen to classify loans to private customers on groups of credit risks based on product type. The bank's loans to private customers are distributed on eight groups.

Group evaluation of private customers is based on a segmentation model developed by the association Local Financial Institutions (Lokale Pengeinstitutter),

which is in charge of current maintenance and development of the model. The segmentation model lays down the correlation within the individual groups between established losses and a number of significant explanatory macro-economic variables via a straight-line regression analysis. Among the explanatory macro-economic variables are unemployment, the price of housing, interest rates, number of bankruptcies/compulsory sales etc.

The macro-economic segmentation model is basically calculated on the basis of loss data for the entire banking sector. Hence, the bank has evaluated whether the model estimates should be adapted to the credit risk of the bank's own portfolio of loans granted.

This evaluation has led to an adjustment of the model estimates to the bank's situation, so that the adapted estimates constitute the basis for the calculation of group write-down on private customers. The resulting estimate for each group of loans and dues expresses the percentage impairment of a given group of loans and dues at the balance sheet date. When comparing this with the original loss risk of the original individual loan and its loss risk on the first date of the current accounting period the contribution of the individual loan to the group write-down can be determined. The write-down is calculated as the difference between the book value and the discounted value of the expected future payments.

### Industrial and commercial customers

To determine the group write-downs of the bank's industrial and commercial customers the bank's rating model is used, which is an integral part of the bank's credit processes and risk management. The bank's rating model and the write-down model for industrial and commercial customers has been

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## Accounting principles

developed by the bank in cooperation with external adviser.

The rating model ranks all industrial and commercial customers with non-defaulting loan commitments in seven classes according to credit risk. They are ranked according to a number of underlying variables all of which are evaluated to have a significant impact for the probability that the individual customer will default on its commitment with the bank. Downward changes in customer ratings imply an objective indication of impairment, and hence a need for group write-downs, whereas upward changes in customer ratings indicate the need to reverse an earlier depreciation, cf. sections §§51-53 of the Executive Order on Financial Reporting of banks, stock broking companies etc.

When customer ratings change, the changed expectations are calculated in respect of future payment series based on adjusted probabilities of default (PD) and losses given default (LGD). This change is reflected in the calculation of group write-downs on the bank's industrial and commercial customers and recognized in the income statement as expense or income.

### **Mortgage debtors**

The bank has developed a separate model to determine group write-downs on mortgage debtors. The reason for this is both a generally deviating and higher risk profile in the mortgage segment compared to the bank's other lending activities and the loss history data compiled by the bank in respect of this loan segment and considered by the bank to be useful in connection with the determination of the group write-down on its own portfolio of mortgage deeds.

The model is a so-called arrears model based on, respectively, the portfolio's actual share of outstanding arrears distributed by age groups and the loss so

far realized by the bank on mortgage debtors. The reason for the choice of this arrears model for the bank's portfolio of mortgage deeds is that there is a marked correlation between the outstanding arrears distributed by age in the homogeneous portfolio of mortgage deeds and the bank's actual realized losses on mortgage deeds.

In case of shifts in, respectively, the percentage of outstanding arrears or the loss history of this loan segment, the group write-down on mortgage debtors is changed, and the change is recognized in the income statement as expense or income.

### **Securities**

Securities listed on the Copenhagen Stock Exchange are recognized at closing prices on the balance sheet date. Securities listed on foreign stock exchanges are recognized at the officially listed prices on the last day of trading of the year, translated into Danish kroner according to the official exchange rates at year-end. Unlisted shares are recognized at market value.

All value adjustments on listed and unlisted securities are recognized in the income statement.

### **Investments in subsidiary and associated undertakings**

Investments in subsidiary and associated undertakings are recognized and measured according to the equity method. The income for the year from subsidiary and associated undertakings is recognized in the income statement under "profit (loss) on investments in subsidiary and associated undertakings" after elimination of group internal profit.

As the activities of the capital share are unimportant in relation to the bank, no group consolidation is undertaken.

## Accounting principles

### Intangible assets

Intangible assets (rights etc.) are measured at cost less accumulated amortization or at utility values, if lower. Amortization is made on a straight-line basis over the expected useful lives of the assets, however with a maximum of five years.

Goodwill acquired in connection with the purchase of companies is measured at cost and submitted to an annual impairment stress test. The stress test is based on the management's estimate of future cash-flows from the acquired entities. Influence from other factors such as technological development, customer behavior and the competitive situation is also considered when estimating the future cash-flow.

### Tangible assets

Tangible assets are measured at acquisition prices less accumulated depreciation or at utility values, if lower. Depreciation is made on a straight-line basis over the expected useful lives of the assets.

Expected useful lives are:

3-5 years for operating equipment, fixtures and fittings.

Other tangible assets are evaluated with regard to write-down when there is an indication of impairment, and written down to recovery value, which is the higher of net sales price or utility value.

On initial recognition, domicile properties are measured at reassessed value. Reassessment is made so frequently that the difference between the reassessed value and the fair price is not material. External experts are involved in the measurement of domicile properties.

Increases in the reassessed value of domicile proper-

ties are recognized under revaluation reserves in equity. Decreases in value are recognized in the income statement, unless previous revaluation is reversed. Amortization is made on the basis of the revaluation.

### Tax

Current liabilities and current tax assets respectively are recognized under the balance as calculated tax charge on the annual result adjusted for on account paid tax.

### Temporary owned assets

Temporary owned assets include assets owned following liquidation of customer contracts with the purpose to sell the assets as fast as possible. Assets taken over are calculated at fair value at takeover and subsequently calculated at expected realization value.

### Other assets

Other assets include among others claims on interests and fees and positive market value of derivatives.

### Prepayments and accrued income

Prepayments recognized under assets comprise costs paid in respect of subsequent financial years. Prepayments and accrued income are measured at cost.

### Debt to credit institutions and central banks, deposits and other debts and subordinated debt

Measurement is to amortized cost price, as referring to part "Derivatives" concerning hedging of risk.

### Other liabilities

Other liabilities include among others amounts due on interest and commission and negative market value of derivatives.

### Provisions for liabilities

Provisions for liabilities are calculated when the bank

## Accounting principles

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has a legal or actual liability and there is a probability, that an economic advantage must be given up to fulfill the liability.

Provisions for liabilities are calculated after the management best judgment of the amount to fulfill the liability.

### **Derivative financial instruments**

Derivative financial instruments are measured at fair value, which is generally based on listed market prices. In case of non-listed financial instruments the fair value is calculated according to generally accepted principles based on market parameters. Derivative financial instruments are recognised under other assets or other liabilities, respectively.

Changes in the fair value of derivative financial instruments classified as, and fulfilling the conditions for, hedging of the fair value of a recognized asset or a recognized liability are recognized in the income statement together with changes in the value of the hedged asset or the hedged liability.

Interest payments and forward premiums are recognized in the income statement under interest. Value adjustments are recognized under price adjustments.

For derivative financial instruments classified as but not complying with the requirements for hedging the fair value of a recognized asset or a recognized liability, the value adjustment of the financial instrument is recognized in the income statement under price adjustments. The hedged asset or the hedged liability is recognized at amortized cost.

### **Segment accounts**

The reporting comprises the business segments Retail Banking, Corporate Lending, Capital Market, Treasury

and Other Business. Retail Banking and Corporate Lending include private and corporate customers, respectively. Capital Market includes securities trading as well as trading in currencies and financial products, as well as counseling in connection with transfer of business enterprises and in connection with the provision of shareholders' equity and borrowed capital on the capital markets. Treasury includes yield on assets in the bank's own portfolio and allocated funding interest payments from other business segments. Where there are items designated as Other Business these include costs that cannot be allocated to the business segments.

### **Guarantees**

If it is estimated that a guarantee will not be fulfilled, a provision is made to cover the potential loss.

### **Key figures and financial ratios**

Key figures are stated and calculated in accordance with the instructions for presentation of financial statements for banks and other financial institutions, Appendix 6.

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Accounting principles

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