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Annual Report – Announcement

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Annual Report – Announcement

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Introduction

Continued increase in gross profit, but also bigger write-downs and a negative return on the investment portfolio

2007 was different from the previous 13 years with record results every year.

The year was characterized by continued growth in business volume due to a record net addition of 16,000 customers.

The increased business volume led to an increase in core earnings before write-downs of 30%.

After a number of years with modest write-downs, we increased the 2007 write-downs by DKK 266 million or 0.6% of our loans and guarantees.

The financial crisis in the second half of 2007 resulted in a 138 million negative return on the investment portfolio.

The net profit before tax of DKK 316 million returns 12.3 % p.a. on equity.

3,163 new shareholders in 2007 brought the total number of shareholders up to 32,543 – an increase of 11%.

The price of the Roskilde Bank share fell by 51% in 2007 from 657 to 323. The massive fall in the share price is due to the general fall on financial shares in particular in the wake of the financial crisis in the second half of 2007. The reason why the Roskilde Bank share value fell more than the financial shares in general, could be that the share value in the previous five years increased considerably more than the overall market (the value was multiplied eight times).

In the coming years, Roskilde Bank will increase its focus on credit and market risks, and expenses will be subject to strict control. We will continue to grow through additional sales to existing customers and by increasing the number of customers.

Core earnings are expected to reach the DKK 610-620 million range in 2008.

Strategy 2010

In Q4 2007, Roskilde Bank has established a new strategy for the period till 2010.

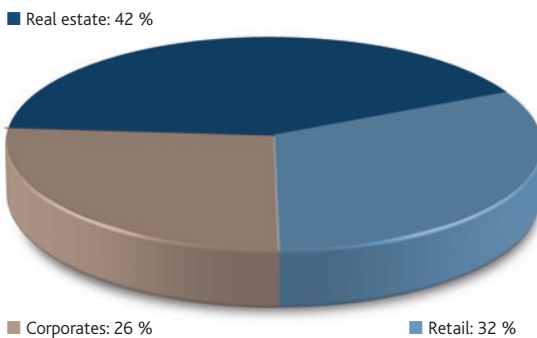
The strategy is to contribute to the achievement of our business goals and concurrently enhance the bank's professional skills in a number of areas.

Strategy features:

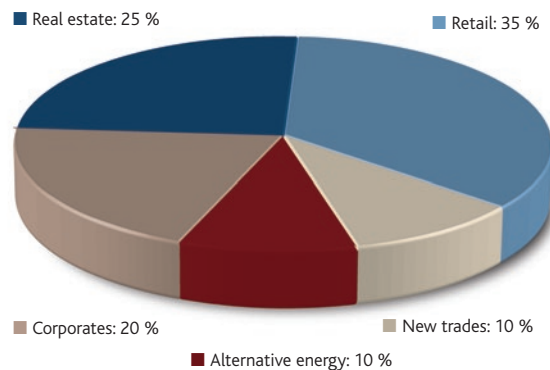
- **Best Practice** – we will standardize procedures and production processes in order to become more efficient through the application of the systems and tools at our disposal.
- **Risk Management** – a whole new focus area enabling us to live up to present and future legislation.
- **Management development** still in focus – we will establish a shared understanding of good management, and will consequently establish relevant training programmes.
- **Diversification** – of the corporate business volume on the growth industries of the future.
- **Competency enhancement** – all account managers will be certified and issued with a diploma for the key business areas: mortgage financing, pension schemes, and investments, as well as an overall account manager certification.
- **Investor Relations** are to be boosted in order for us to diversify our ownership to include major and institutional investors.

Loan Portfolio Diversification

2007



GOALS 2008-2013



Introduction

Main figures / key figures

(DKK million)	2007	2006	2005	2004	2003
Net interest and dividends	877	680	477	366	319
Net fees and commission	332	294	197	127	129
Market value adjustments *	40	32	29	23	20
Other operating income (net)	-1	6	10	0	0
Gross profit	1,248	1,012	713	516	468
Operating expenses	528	458	366	306	298
Core earnings before write-downs	720	554	347	210	170
Loan impairment write-downs etc.	266	-17	-44	36	58
Core earnings	454	571	391	174	112
Sale of financial strategic assets	0	43	0	29	94
Earnings on investment portfolio	-138	80	201	63	49
Net profit before tax	316	694	592	266	255
Tax	74	177	161	63	45
Net profit	242	517	431	203	210
* Including foreign exchange trading and strategic share holdings.					
Equity end of year	2,633	2,494	1,705	1,063	957
Balance sheet	41,983	30,052	18,621	12,616	9,798
Return on equity before tax (average) pct.	12	33	43	26	29
Core earnings in percent of equity (average)	18	27	28	17	13
Operating expenses in percent of gross profit	42	45	51	59	64

- Gross profit increased by DKK 236 million to 1,248 million (23%).
- Operating expenses increased by DKK 70 million to 528 million (15%).
- Operating expenses in per cent of gross profit fell from 45% to 42%.
- Write-downs on loans amounted to DKK 266 million against an income of DKK 17 million last year.
- Return on investments resulted in a deficit of DKK 138 million against a profit of DKK 80 million last year.
- Loans increased by 37% to DKK 33 billion, deposits by 41% to 17 billion.
- The capital adequacy ratio is 12%. The core capital ratio is 7%. The calculated capital adequacy requirement is 10.5%.
- The net profit before tax of DKK 316 million returns 12.3 % on equity.
- The board of directors proposes a dividend for 2007 of 30% (DKK 3 per 10 krone share)

Announcements and calendar

Important announcements

14 January 2008	Downgrade of the 2007 result
14 December 2007	Roskilde Bank A/S issues subordinated notes
14 November 2007	Early redemption of capital base bond (Capital Certificates)
25 October 2007	Quarterly Report Q3
9 August 2007	Interim Report – six months
29 June 2007	Roskilde Bank issues subordinated notes
29 June 2007	Roskilde Bank issues bonds (Hybrid Core Capital)
26 April 2007	Quarterly Report Q1
11 April 2007	Share issue fully subscribed
2 April 2007	Roskilde Bank has issued a bond for EUR 750 million
16 March 2007	The Board of Directors of Roskilde Bank
8 March 2007	Moody's has assigned ratings to Roskilde Bank
1 March 2007	Development of annual general meeting
28 February 2007	Announcement of prospectus
27 February 2007	Roskilde Bank takes over the SEB City Branch at Landemærket 8, Copenhagen
9 February 2007	Annual Report 2006

Financial calendar

27 February 2008	Ordinary shareholders' meeting
24 April 2008	Quarterly Report Q1
14 August 2008	Interim Report – six months
23 October 2008	Quarterly Report Q3

For further information, see the 2007 Annual Report at www.roskildebank.dk.

Commentary

Main Activity

The main activity of Roskilde Bank is to offer banking products to retail and corporate customers. The customers are primarily based in our market area which we have gradually expanded to cover large parts of Zealand and the Copenhagen area. We wish to offer our customers a wide range of products coupled with professional advisory services.

The 2007 result

Roskilde Bank's profit before tax fell from DKK 694 million in 2006 to 316 million in 2007 due to write-downs on loans and negative return on the securities portfolio, cf. our announcement of 14 January 2008.

Core earnings increased in 2007 by DKK 236 million in consequence of the 16,000 new customers in our books and the increase in our business volume.

Core earnings before write-downs increased by 30% from DKK 554 million in 2006 to 720 million in 2007.

The net profit before tax of DKK 316 million returns 12.3% on equity against 33% in 2006.

The net profit after tax of DKK 242 million returns 9.4% on equity.

Core earnings of DKK 454 million

Core earnings fell by only DKK 117 million to DKK 454 million in spite of write-downs of DKK 266 million.

This result is due to the increase in gross profit of DKK 236 million and to the fact that operating expenses increased less than last year.

The net profit returns 18 % on equity.

Gross profit increased by 23%

Due to the growth in business volume, the gross profit increased by DKK 236 million to 1,248 million.

Net interest and dividends increased by DKK 197 million to 877 million. The 29% increase is entirely due to the increase in loans and deposits as the margin fell during the year, among other things due to the increased cost of funding in the wake of the financial crisis.

Net fees and commission increased by DKK 38 million to 332 million. The 13% increase is due to an increase in guarantees and increased income from securities trading on behalf of the customers.

Net fees and commission

(DKK million)	2007	2006
Securities trading and safe custody accounts	130	123
Mortgage handling	40	44
Mortgage guarantees	129	101
Payments services	22	17
Other fees and commission	2	-1
Total	323	284
Market value adjustments	9	10
Total	332	294

The increase of DKK 7 million on securities trading and portfolio management is due to the general increase in trading by our customers.

Guarantee commission increased by DKK 28 million. The increase has to a great extent been achieved by increasing the business volume and by the continued increase in mortgages loans.

Commentary

Treasury activities gave a negative return of DKK 138 million

Price adjustments of foreign exchange and strategic share holdings increased by DKK 8 million to 40 million (25%).

Return on the securities portfolio fell from DKK 80 million in 2006 to -138 million in 2007. The fall is primarily due to the turbulence on the securities markets in the second half of the year which particularly influenced the bank's holdings of structured bonds adversely.

In the past four years, the bank has booked value gains of DKK 260 million on structured bonds.

Treasury activities and return on investments

(DKK million)	2007	2006	Change 2006/2007
Treasury activities under core earnings			
Foreign exchange trading	29	14	15
Strategic share holdings	10	16	-6
Subsidiaries	1	2	-1
Total	40	32	8
Return on investments			
Bonds	-150	25	-175
Shares	4	32	-28
Currency	8	23	-15
Total	-138	80	-218

In December 2007, Roskilde Bank reduced the risk on structured bonds considerably, and further risk reduction will be effected in April 2008.

Other ordinary items

Other net ordinary items of DKK -1 million include income from real estate operations and expenses of moving branches to new premises.

Operating expenses increased less than core earnings

Total operating expenses increased by DKK 70 million from 458 million to 528 million. This is considerably less than the increase in core earnings of DKK 236 million. Operating expenses increased less than budgeted and a good DKK 20 million less than in 2006.

In consequence of this favourable development, our cost percentage fell from 45% to a very satisfactory 42%.

Operating expenses

(DKK million)	2007	2006	Change 2006/2007
Wages and salaries	329	277	19 %
Hardware/software etc.	67	52	29 %
Other expenses	132	116	14 %
	528	445	19 %
Employee shares	0	13	-
Total	528	458	15 %

Write-downs on loans etc.

In 2007, the bank increased write-downs on loans by DKK 266 million equal to 0.6% of the bank's loans and guarantees. The accumulated write-downs amount to 1.2%.

The write-downs have been made because the bank has established an objective indication of impairment on a number of corporate accounts. The individual write-downs are distributed on the following types of business

- Real estate 64 %
- Other corporate accounts 18 %
- Retail accounts 18 %

In terms of money, write-downs on real-estate accounts with projects that have not been launched, and consequently weigh heavily on liquid funds, are domi-

Commentary

nant. In terms of number of accounts, however, small craftsman and service enterprises are dominant as the requirement for write-downs was increased for these types of accounts in 2007.

Due to the continued uncertain economy growth prospects, the requirement for write-downs is expected to be DKK 150 million in 2008.

Return on equity – 12.3%

The profit before tax of DKK 316 million produces a return on equity of 12.3%.

Net result of the year

The after tax profit was DKK 242 million.

Loans and guarantees

Loans increased in 2007 by DKK 8.8 billion to 33 billion. The 37% increase reflects the many new retail and corporate customers and a sizeable increase in off shore loans.

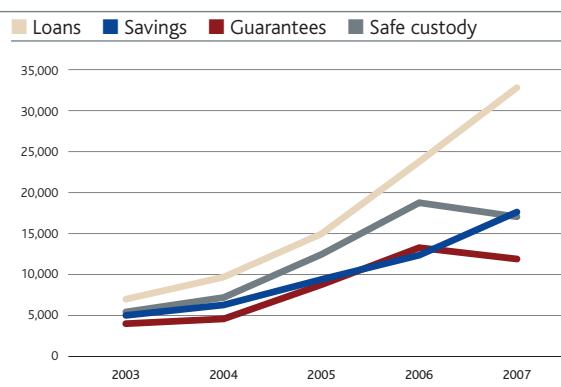
Total guarantees fell by DKK 1.4 billion to 11.9 billion, reflecting the release of most of our guarantee obligations on mortgage loans.

Loans and guarantees are distributed on 28% consumer accounts and 72% corporate accounts.

Deposits increased by 41%

Deposits increased by DKK 5 billion to 17.4 billion at the end of 2007. The increase is the result of new as well as existing accounts.

Loans, deposits, guarantees and safe custody
(DKK million)



Total business volume increased by 16%

The sizeable growth has made the business volume increase by DKK 10.7 billion to 78.9 billion.

Liquidity Development

At the start of 2007, a decision was made to upgrade the overall management of the bank's liquidity and to strengthen the liquidity position of the Bank. As part of this new policy an approach was made to a leading rating agency to receive an external rating and to a leading Arranger of public note issuances to establish an EMTN funding programme. Both steps were taken in order to broaden the potential investor base of the Bank. The Bank achieved three important milestones in April 2007:

1. The Bank was the first regional bank in Denmark to receive an external rating from Moody's.

Rating – Moody's

Long term deposit	A1
Short term deposit	P1
Capital base	A2
Hybrid core capital	A3
Financial strength	C

Commentary

2. The Bank was the first regional bank in Denmark to establish an EMTN programme.
3. An inaugural issuance was made under the EUR 2 Billion EMTN programme receiving an overwhelming positive response and the guidance pricing was tightened to 26 bps and an amount of EUR 750 million was issued with a 5 year maturity.

On June 1, a Capital Markets department was established to manage the strategic funding position of the Bank and Debt Investor relations. This department's responsibility also includes the day to day management of the Bank's liquidity position, the Bank's liquidity portfolio, overall contact to our correspondent banking network as well as contact to external rating agencies.

Other important developments with a liquidity effect were the establishment of relations with a number of liquidity broker companies increasing the Bank's overall access to short term liquidity.

Steps have been taken to establish a Commercial Paper programme early in 2008 further increasing the banks access to short term liquidity and diversity of its funding base.

New liquidity management tools have been implemented enabling a closer monitoring of the Bank's liquidity position.

As most of the strategic funding requirements for 2007 were met in the first half of the year the Bank has only to a limited extent been influenced by the effects of the international financial crisis affecting the banking markets.

At the end of 2007, the bank's surplus capital adequacy ratio compared to the statutory requirement was 69% against 46% at the end of 2006. The surplus cover corresponds to a surplus liquidity of DKK 3.3 billion. Total cash reserves amount to DKK 8.2 billion.

Capital and solvency

The share capital of the bank amounts to DKK 125 million.

The equity increased by DKK 139 million. DKK 242 million are the profit of the year, 63 million from revaluation of domicile property. Dividends of DKK 33 million were deducted. A deduction of DKK 133 million was made for the capital issue and trading in own shares.

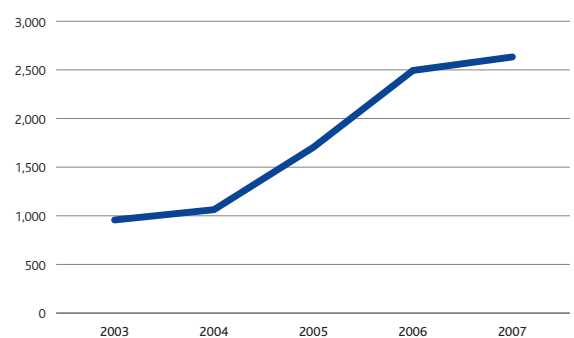
The capital base of Roskilde Bank after deductions amounts to DKK 5,097 million at the end of 2007 against 4,541 million the year before.

The capital adequacy ratio was 12% at the end of 2007, and the core capital ratio was 7%. The individual requirement of the bank has been set at 10.5%.

Roskilde Bank has chosen the so-called netting off model in connection with its agreement with Totalkredit as from 1 July 2007. Thereby, Roskilde Bank's guarantees in favour of Totalkredit amounting to about DKK 2.5 billion lapsed as from 1 July 2007. Thereby, our solvency has been relieved by 0.4 percentage points.

The calculation of capital adequacy and core capital percentage is based on the interim provisions of the Executive Order on Capital Adequacy from the FSA. In 2008, we shall implement the standard method for calculating the credit risk. We expect this step to enhance the capital adequacy and core capital ratios further.

Equity (DKK million)



Commentary

Subsidiaries

Roskilde Bank has the following wholly owned subsidiaries: Ejendomsselskabet Hersegade A/S and VICH 6320 A/S. Furthermore, Roskilde Bank owns 52% of BOLIGmægleren A/S.

Ejendomsselskabet Hersegade A/S previously managed the building activities at the head office. The company now manages the sublet premises of the bank.

VICH 6320 A/S is inactive.

The purpose of BOLIGmægleren A/S is to provide services for the 18 associated real estate agents and to secure a business foundation for their activities.

Management and staff

In 2007, Roskilde Bank had an average of 609 employees (full time). This is an increase of 83 compared with 2006. The increased number of employees is due to new and expanding branches. At the end of 2007, we were 656 employees (full time).

Incentive package

In 2007, the staff received free shares corresponding to 4% of their annual salary as a bonus for the above-target 2006 result according to our incentive programme. The amount was included in the 2006 Annual Report.

We intend to allot further free shares for 2007, 2008 and 2009 if the bank maintains its high performance position in the sector.

Inclusion and assessment

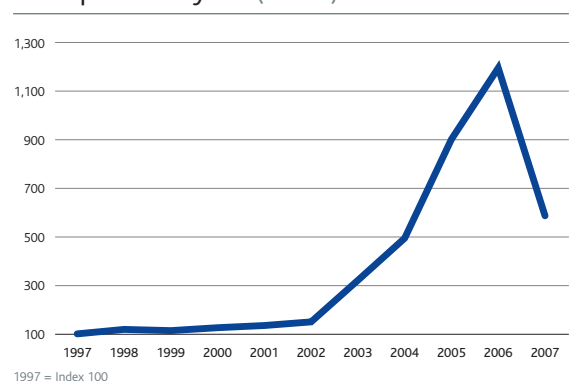
The most important uncertainty factor in connection with inclusion and assessment is write-downs on loans, etc., in particular write-downs on homogenous groups of loans. In the spring of 2007, the bank increased the number of rating categories for corporate customers from five to eight. The change in categories has had a negative impact on the profit and loss account of about DKK 1.2 million. As from 1 October 2007, the bank has chosen an IT-based technology to handle the write-downs of homogeneous groups of loans. The technology allows the use of backtests in future enabling us to adjust the loss percentages applied in the rating categories. Any remaining uncertainties regarding lost percentages are considered to be insignificant to the annual report.

There are no other uncertainties in connection with inclusion and assessment.

Dividend and share prices

The Board of Directors proposes that the dividend be 30% (DKK3 per 10-krone share).

Share price – 10 years (indexed)



Commentary

Events after the closing of the fiscal year

No events have occurred from the balance date till today that may influence the evaluation of the Annual Report.

Forecast 2008

We expect moderate economic growth in 2008 and continued, intense competition in the financial sector.

We expect an increase in our total business volume of about 10% in 2008.

We expect a continued increase in core earnings after booking write-downs amounting to DKK 150 million, in part due to an increase in business volume.

Core earnings are expected to reach the DKK 610-620 million range in 2008.

Accounting principles

The 2007 Annual Report of Roskilde Bank has been prepared in accordance with the Financial Business Act and the executive order on financial statements for financial institutions etc. The report also meets particular requirements for disclosure by companies quoted on the stock exchange.

The principles applied are unchanged compared with the 2006 Annual Report and is presented in their entirety in the Annual Report at www.roskildebank.dk.

Disclaimer

In case of any discrepancies between the Danish and the English version of the financial report, the Danish version shall prevail.

Main figures

(DKK million)	2007	2006	2005	2004	2003
Profit and loss account					
Net interest and dividends	851	659	475	357	324
Net fees and commission	323	284	190	121	124
Securities and foreign exchange trading	-65	184	237	130	163
Other operating income (net)	-1	6	10	0	0
Staff and administration	514	438	337	287	279
Depreciation and write-off of intangible and tangible assets	14	20	29	19	19
Loan impairment write-downs etc.	266	-17	-44	36	58
Capital shares in affiliated enterprises	2	2	2	0	0
Net profit before tax	316	694	592	266	255
Tax	74	177	161	63	45
Net profit	242	517	431	203	210
Balance sheet					
Loans	32,551	23,765	14,962	9,688	6,991
Deposits	17,376	12,360	9,405	6,290	5,019
Subordinated capital	2,526	2,121	999	700	450
Equity	2,633	2,494	1,705	1,063	957
Share capital	125	114	114	98	103
Balance	41,983	30,052	18,621	12,616	9,798
Guarantees	11,895	13,275	8,756	4,590	4,004
Safe custody accounts	17,050	18,763	12,453	7,199	5,436
Business volume (Loans, deposits, guarantees and safe custody accounts)	78,872	68,163	45,576	27,767	21,450
Average number of employees (full time)	609	526	443	404	378
Other figures for comparison (percent)					
Earnings					
Return on equity before tax	12.3	33.0	42.8	26.4	28.7
Return on equity after tax	9.4	24.6	31.1	20.1	23.8
Earnings per krone expenses	DKK 1.40	2.57	2.37	1.72	1.72
Yield					
Profit per share after tax (DKK 100 each)	DKK 209.1	465.9	431.4	217.2	220.8
Book value per share (DKK 100 each)	DKK 2,239	2,186	1,577	1,160	1,026
Price per share (DKK 100 each)	DKK 3,230	6,570	4,960	2,720	1,770
Price/earning per share (DKK 100 each)	DKK 15.4	14.1	11.5	12.5	8.0
Price/book value per share (DKK 100 each)	DKK 1.44	3.00	3.14	2.34	1.73
Dividend per share (DKK 100 each)	DKK 30	30	25	25	20
Average number of outstanding shares (million shares)	11.6	11.1	10.0	9.3	9.6
Market risk					
Interest rate risk	-1.4	-0.6	0.4	1.2	3.9
Foreign exchange position	3.8	9.7	8.3	6.6	7.1
Foreign exchange risk	0.0	0.1	0.1	0.1	0.2
Credit risk					
Accumulated write-downs on loans etc.	1.2	0.7	1.2	2.2	2.6
Write-downs on loans etc. of the year	0.6	0.0	-0.1	0.3	0.6
Total major accounts	186.5	186.6	308.8	238.1	179.6
Percentage of loan assets at reduced interest rate	0.2	0.1	0.2	0.6	0.5
Increase in lending	37.0	58.7	54.4	38.2	12.6
Loans/equity	12.4	9.5	8.8	9.1	6.7
Liquid funds					
Loans and write-downs on loans etc./deposits	190.2	194.2	160.2	156.8	142.2
Coverage over and above the statutory requirement for liquid funds	69.3	46.3	28.9	59.9	105.7
Solvency and capital					
Capital adequacy ratio	11.9	12.8	11.5	12.2	12.9
Core capital percentage	7.0	7.9	8.3	8.6	8.6

The comparative figures for 2003 have not been recalculated, cf. the interim provisions

Main figures quarterly

(DKK million)	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Year 2007
Core earnings						
Net interest and dividends	222	228	218	209	188	877
Net fees and commission	84	80	88	80	88	332
Market value adjustments *	6	12	11	11	7	40
Other operating income (net)	1	0	-2	0	2	-1
Gross profit	313	320	315	300	285	1,248
Operating expenses	142	125	136	125	145	528
Loan impairment write-downs etc.	228	22	15	1	9	266
Core earnings	-57	173	164	174	131	454
Earnings on investment portfolio	-111	-94	57	10	92	-138
Net profit before tax	-168	79	221	184	223	316
Tax	-41	19	46	50	60	74
Net profit	-127	60	175	134	163	242
* Including foreign exchange trading and strategic share holdings.						
Profit and loss account						
Net interest and dividends	213	219	218	201	179	851
Net fees and commission	82	78	85	78	86	323
Securities and foreign exchange trading	-95	-71	70	31	109	-65
Other operating income (net)	1	0	-2	0	2	-1
Staff and administration	145	119	130	120	138	514
Depreciation and write-off of intangible and tangible assets	-3	6	6	5	7	14
Loan impairment write-downs etc.	228	22	15	1	9	266
Capital shares in affiliated enterprises	1	0	1	0	1	2
Net profit before tax	-168	79	221	184	223	316
Tax	-41	19	46	50	60	74
Net profit	-127	60	175	134	163	242
Balance sheet						
Loans	32,551	30,058	28,389	26,934	23,765	32,551
Deposits	17,376	17,821	17,378	15,214	12,360	17,376
Subordinated capital	2,526	2,658	2,649	2,124	2,121	2,526
Equity	2,633	2,684	2,656	2,467	2,494	2,633
Share capital	125	125	125	114	114	125
Balance	41,983	41,580	42,632	33,765	30,052	41,983
Guarantees	11,895	11,574	13,643	13,300	13,275	11,895
Safe custody accounts	17,050	18,249	19,703	18,860	18,763	17,050
Business volume	78,872	77,702	79,113	74,308	68,163	78,872
(Loans, deposits, guarantees and safe custody accounts)						
Other figures for comparison						
Return on equity before tax (average) pct. p.a.	-25.3	12.0	34.5	29.6	41.1	12.3
Core earnings in percent of equity (average) p.a.	-8.5	26.0	25.6	28.0	24.0	17.7
Operating expenses in percent of gross profit	45.5	38.9	43.1	41.8	51.3	42.3
Average number of outstanding shares (m. shares)	11.6	11.8	11.5	11.3	11.0	11.6
Profit per share outstanding after tax (DKK 100 each)	DKK -107.7	51.1	151.5	118.3	147.9	209.1
Share price (DKK 100 each)	DKK 3,230	4,280	6,400	6,280	6,570	3,230
Book value per share outstanding (DKK 100 each)	DKK 2,239	2,279	2,244	2,196	2,186	2,239
Capital adequacy ratio	11.9	13.2	13.2	11.9	12.8	11.9
Core capital percentage	7.0	7.8	7.8	7.4	7.9	7.0
Average number of employees (full time)	651	627	588	570	555	609

Segment report

Core earnings before loan impairment write-downs etc.

(DKK million)	2007	2006	2005	2004	2003
Retail banking					
Gross profit	625.8	480.9	377.4	286.1	272.8
Operating expenses	322.0	311.9	273.0	231.2	210.0
Core earnings before loan impairment write-downs	303.8	169.0	104.4	54.9	62.8
Allocated capital	1,220.4	836.7	592.8	389.5	352.0
Core earnings in per cent p.a. of allocated capital	24.9	20.2	17.6	14.1	17.8
Operating expenses in per cent of gross profit	51.5	64.9	72.3	80.8	77.0
Corporate banking*					
Gross profit	476.1	361.5	223.9	160.6	136.2
Operating expenses	49.5	50.3	40.2	32.8	31.7
Core earnings before loan impairment write-downs	426.6	311.2	183.7	127.8	104.5
Allocated capital	1,140.8	777.8	407.8	270.1	230.5
Core earnings in per cent p.a. of allocated capital	37.4	40.0	45.0	47.3	45.3
Operating expenses in per cent of gross profit	10.4	13.9	18.0	20.4	23.3
Liquidity management					
Gross profit	9.5	93.5	67.8	47.1	42.2
Operating expenses	21.4	21.6	20.7	18.4	18.3
Core earnings before loan impairment write-downs	-11.9	71.9	47.1	28.7	23.9
Allocated capital	336.8	232.9	173.8	116.9	77.6
Core earnings in per cent p.a. of allocated capital	-3.5	30.9	27.1	24.6	30.8
Operating expenses in per cent of gross profit	225.3	23.1	30.5	39.1	43.4
Other items	1.5	1.5	12.2	-2.1	-20.7
Total core earnings before loan impairment write-downs etc.	720.0	553.6	347.4	209.3	170.5

* Accounts with Team Erhverv, Roskilde.

Each segment includes a share of the equity corresponding to 7.5% of the average, risk weighted items.

As from 2007, the margin on overdraft facilities in foreign currencies is no longer registered under liquidity management, but rather under Retail banking and Corporate banking, respectively, wherever the other accounts of the customer are registered. For previous years, the figures are insignificant so they have not been adapted.

Comments on the segment report

Net profit before loan impairment write-downs etc.

The segment report shows the net profit before loan impairment write-downs etc. distributed on 4 segments.

- Retail banking includes the private retail customers and small business customers.
- Corporate banking includes major business customers and bridge financing
- Liquidity management includes securities and foreign exchange trading
- Other items include the property management company and joint activities that may not be attributed to the other segments.

The total net profit before loan impairment write-downs increased by DKK 166 million to 720 million in 2007 (30%).

The net profit in retail banking increased by DKK 135 million to 304 million (80%). The increase is due to the fact that our new branches are increasing their profit. We expect the trend to continue in 2008.

The net profit in corporate banking continues to increase. Increased market share and increased business volume have contributed to the increase in the net profit from DKK 311 million in 2006 to DKK 427 million in 2007 (37%). We expect that the corporate banking segment will continue at the high level of activity and profit in 2008.

The liquidity management segment suffered from the financial turbulence on the markets in the second half of 2007 which led to the increase in the price of funding, as reflected in the result.

Change in the retail and corporate segments

(DKK million)	2007	2006	2006/2007 Change
Retail banking			
Net interest and dividends	428	328	30%
Net fees and commission	191	151	26%
Loans	14,652	9,872	48%
Deposits	9,034	7,608	19%
Guarantees	6,726	8,126	-17%
Safe custody accounts	12,055	12,451	-3%
Business volume	42,467	38,057	12%
Corporate banking (Team Erhverv, Roskilde)			
Net interest and dividends	385	287	34%
Net fees and commission	79	75	5%
Loans	16,143	12,871	25%
Deposits	5,025	4,369	15%
Guarantees	5,127	5,044	2%
Safe custody accounts	4,993	6,309	-21%
Business volume	31,288	28,593	9%

Segment report quarterly

Core earnings before loan impairment write-downs etc.

(DKK million)	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Year 2007
Retail banking						
Gross profit	174.5	160.3	152.9	138.1	135.3	625.8
Operating expenses	85.2	72.7	83.9	80.2	98.8	322.0
Core earnings before loan impairment write-downs	89.3	87.6	69.0	57.9	36.5	303.8
Allocated capital	1,388.1	1,295.6	1,136.8	1,066.9	988.7	1,220.5
Core earnings in per cent p.a. of allocated capital	25.7	27.0	24.3	21.7	14.8	24.9
Operating expenses in per cent of gross profit	48.8	45.4	54.9	58.1	73.0	51.5
Corporate banking*						
Gross profit	126.4	119.8	116.4	113.5	104.9	476.1
Operating expenses	15.0	10.4	12.4	11.7	19.2	49.5
Core earnings before loan impairment write-downs	111.4	109.4	104.0	101.8	85.7	426.6
Allocated capital	1,211.6	1,166.6	1,110.1	1,074.4	962.7	1,140.9
Core earnings in per cent p.a. of allocated capital	36.8	37.5	37.5	37.9	35.6	37.4
Operating expenses in per cent of gross profit	11.9	8.7	10.7	10.3	18.3	10.4
Liquidity management						
Gross profit	-24.2	2.6	11.3	19.8	25.0	9.5
Operating expenses	6.3	4.7	5.5	4.9	8.0	21.4
Core earnings before loan impairment write-downs	-30.5	-2.1	5.8	14.9	17.0	-11.9
Allocated capital	402.9	354.0	303.2	289.5	244.4	336.8
Core earnings in per cent p.a. of allocated capital	-30.3	-2.4	7.7	20.6	27.8	-3.5
Operating expenses in per cent of gross profit	-26.0	180.8	48.7	24.7	32.0	225.3
Other items	0.5	0.4	0.5	0.1	0.4	1.5
Total core earnings before loan impairment write-downs etc.	170.7	195.3	179.3	174.7	139.6	720.0

* Accounts with Team Erhverv, Roskilde.

Each segment includes a share of the equity corresponding to 7.5% of the average, risk weighted items.

As from 2007, the margin on overdraft facilities in foreign currencies is no longer registered under liquidity management, but rather under Retail banking and Corporate banking, respectively, wherever the other accounts of the customer are registered.

For Q4 2006, the figures are insignificant so they have not been adapted.

Profit and loss account

(DKK 1,000)	2007	2006
Interest receivable	2,295,575	1,224,420
Interest payable	1,455,012	572,340
Net interest income	840,563	652,080
Dividend on shares etc.	10,251	6,692
Fees and commission receivable	361,393	322,254
Fees and commission payable	38,337	37,788
Net interest and fee income	1,173,870	943,238
Price adjustments of securities and foreign exchange	-65,279	183,958
Other operating income	1,606	7,307
Staff and administrative expenses	513,866	438,187
Depreciation of intangible and tangible assets	14,210	19,960
Other operating expenses	2,098	1,577
Write-downs on loans etc.	265,581	-17,499
Net profit from holdings in affiliated companies	1,458	1,519
Profit before tax	315,900	693,797
Tax	73,665	176,721
Profit after tax	242,235	517,076
Distribution of the profit including proposed dividend		
Proposed dividend	37,644	34,222
Transferred to equity	204,591	482,854
Total	242,235	517,076

Balance sheet

(DKK 1,000)	2007	2006
Assets		
Cash in hand and claims at call on central banks	540,858	679,599
Claims on credit institutions and central banks	5,134,791	3,056,695
Loans and other outstanding debts at amortized cost price	32,551,150	23,764,809
Bonds at market value	2,175,782	1,363,568
Bonds at amortised cost price	423,066	412,491
Shares etc.	391,677	437,997
Holdings in associated enterprises	0	10,000
Holdings in affiliated enterprises	27,356	11,168
Intangible assets	5,494	3,397
Total land and buildings, domicile premises	165,541	98,808
Other tangible assets	41,699	38,262
Current tax assets	106,189	0
Temporary real-estate assets	312	0
Other assets	403,728	165,071
Prepayments and accrued income	15,543	9,842
Total assets	41,983,186	30,051,707
Liabilities		
Debts		
Debt to credit institutions and central banks	11,563,629	11,211,515
Deposits and other liabilities	17,375,742	12,360,108
Bonds issued at amortized cost price	7,303,655	1,357,650
Current tax liabilities	0	59,182
Other liabilities	520,480	368,294
Accruals and deferred payments	1,290	1,857
Total debts	36,764,796	25,358,606
Provisions		
Pension schemes and similar obligations	7,800	10,400
Deferred taxes	19,600	34,500
Guarantees	31,751	32,837
Total provisions	59,151	77,737
Subordinated capital	2,526,108	2,121,435
Equity		
Share capital	125,481	114,073
Write-up provisions	48,278	0
Statutory reserves	129,597	126,210
Profit brought forward	2,292,131	2,219,424
Proposed dividend	37,644	34,222
Total equity	2,633,131	2,493,929
Total liabilities	41,983,186	30,051,707
Contingent liabilities		
Guarantees, etc.	11,895,471	13,275,250
Other contingent liabilities	0	0
Total contingent liabilities	11,895,471	13,275,250

Cash flow analysis

(DKK 1,000)	2007	2006
Net profit after tax	242,235	517,076
Adjustments with no effect on liquid funds:		
Net accruals	-6,268	-1,179
Depreciation of tangible and intangible assets	14,210	19,960
Write-down on loans etc.	265,581	-17,499
Value adjustment on capital interests	8,729	-11,425
Net corporate tax	-180,271	-19,902
Other adjustments	-90,157	-189,445
Net profit adjusted for non-cash operating items	254,059	297,586
Change in operating capital:		
Loans and outstanding accounts against credit institutions	-9,189,907	-8,606,633
Deposits and debts to credit institutions	11,313,753	9,658,812
Securities, not liquid	6,104	-292,517
Total change in operating capital	2,151,838	759,662
Cash flow from operating activities	2,384,009	1,057,248
Cash flow from investment activities:		
Intangible and tangible fixed assets	-38,511	-25,877
Profit from sale of financial strategic assets	0	43,276
Total from investment activities	-38,511	17,399
Cash flow from financing activities:		
Capital supply	-133,019	299,142
Subordinated capital	404,673	1,122,620
Dividend	-33,209	-27,013
Total from financing activities	238,445	1,394,749
Total cash flows	2,583,943	2,469,396
Liquid funds beginning of year	5,666,040	3,196,644
Liquid funds end of year	8,249,983	5,666,040
Liquid funds beginning of year:		
Cash in hand and funds on call	679,599	414,289
Outstanding accounts against credit institutions and central banks	2,980,206	547,257
Securities (bonds and shares)	2,006,235	2,235,098
Total liquid funds beginning of year	5,666,040	3,196,644
Liquid funds end of year:		
Cash in hand and funds on call	540,858	679,599
Outstanding accounts against credit institutions and central banks	4,929,039	2,980,206
Securities (bonds and shares)	2,788,808	2,006,235
Total liquid funds end of year	8,249,983	5,666,040

Equity and solvency

Equity statement

(DKK million)	2007	2006
Equity beginning of year	2,494	1,705
Net profit	242	517
Additions/disposals of own shares	-471	299
Capital issue	339	0
Revaluation of property	63	0
Dividend	-33	-27
Equity end of year	2,633	2,494

The nominal share capital amounts to DKK 125.5 million distributed on (DKK 10) 12,548,052 shares.
Number of shares outstanding is 11,760,361.

Solvency

(DKK million)	2007	2006
Core capital (incl. hybrid core capital of DKK 448 million) after deductions	2,981	2,806
Subordinated capital after deductions	2,116	1,735
Capital base	5,097	4,541
Weighted assets not included in the portfolio	31,976	22,825
Off balance sheet weighted assets	8,325	9,083
Weighted assets with counterpart and market risk in the portfolio	2,381	3,363
Total weighted assets	42,682	35,271
Capital adequacy ratio	11.9	12.8
Core capital ratio	7.0	7.9
Statutory capital adequacy requirement	8.0	8.0

Core earnings and earnings on investment portfolio as well as the official statement of accounts

(DKK million)	2007				2006			
	Core earnings	Return on investments	Profit from sale ¹	Total ²	Core earnings	Return on investments	Profit from sale ¹	Total ²
Net interest income	875.6	-35.0	0.0	840.6	678.7	-26.6	0	652.1
Dividend on capital shares	0.9	9.4	0.0	10.3	1.0	5.7	0	6.7
Fees and commission (net)	332.0	-9.0	0.0	323.0	294.3	-9.8	0	284.5
Net interest and fees	1,208.5	-34.6	0.0	1,173.9	974.0	-30.7	0.0	943.3
Market value adjustments including subsidiaries	40.1	-103.9	0.0	-63.8	31.2	111.0	43.3	185.5
Other operating income (net)	-0.5	0.0	0.0	-0.5	5.7	0.0	0	5.7
Operating expenses	528.1	0.0	0.0	528.1	458.1	0.0	0	458.1
Write-downs on loans etc.	265.6	0.0	0.0	265.6	-17.4	0.0	0	-17.4
Net profit before tax	454.4	-138.5	0.0	315.9	570.2	80.3	43.3	693.8

¹ Profit from sale of strategic assets (Totalkredit)

² The official statement of accounts by the FSA in summary.

Core earnings are defined as total earnings less earnings on investment portfolio. Core earnings include the yield from sale of financial strategic assets and from capital shares in affiliated enterprises as well as foreign exchange trading on behalf of customers. Earnings on investment portfolio includes the portfolio of bonds, shares and financial instruments and price adjustments on own foreign exchange trading. The result has been calculated with the deduction of funding and other expenses.