

# **ARTICLES OF ASSOCIATION**

of

VESTJYSK BANK A/S

Central Business Register (CVR) No. 34 63 13 28

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This document has been prepared in a Danish language and an English language version. In the event of discrepancies, the Danish version shall prevail.

## ARTICLES OF ASSOCIATION

### **1 NAME**

1.1 The name of the bank is Vestjysk Bank A/S.

1.2 The bank also carries on business under the following secondary names:

- A/S Nordvestbank
- Holstebro Landmandsbank A/S
- Lemvig Bank A/S
- Lemvig Folkebank A/S
- Lokalbank Lemvig A/S
- Lokalbank Vestjylland A/S
- Vestbank A/S
- Vestjysk Lokalbank A/S
- Aktieselskabet Ringkjøbing Bank
- Bonusbanken A/S
- Aarhus Lokalbank Aktieselskab
- Aarhus Lokalbank A/S
- Aros Bank Aktieselskab
- Byens Bank Aktieselskab
- Hadsten Bank Aktieselskab
- Jyllands Bank Aktieselskab
- Langå Bank A/S

### **2 OBJECT**

2.1 The object is to carry out banking operations.

2.2 Temporarily, the bank may carry on other business to secure or settle any commitments previously entered into, and for the purpose of participating in the restructuring of business enterprises.

2.3 The bank may carry on other business ancillary to the banking operations.

2.4 The bank may carry on other financial business through subsidiary companies.

### **3 CAPITAL OF THE BANK**

3.1 The share capital of the bank is DKK 85,981,689 divided into shares of DKK 1 each, or any multiples thereof.

3.2 By resolution by the annual general meeting on 26 March 2013, the bank's share capital was decreased by nominally DKK 551,599,902 from DKK 612,888,780 to DKK 61,288,878 at par value with allocation of the reduction amount to a special reserve, cf. section 188(1)(3) of the Danish Companies Act. The special reserve is an undistributable reserve and can only be used to cover losses or to be converted into share capital in the bank, including in connection with conversion of state-funded capital injections into share capital. The special reserve shall remain a part of the bank's equity capital (with the exception of any decreases of the special reserve to cover losses etc.).

Notwithstanding the above limitation in the use of the special reserve, the bank's shareholders may at a general meeting with the majority required to amend the articles of association resolve to distribute the reduction amount to the bank's shareholders or to transfer the amount to retained profit or losses (i.e. distributable reserves). However, such resolution cannot be passed until such time when the bank does not have any outstanding loans in the form of state-funded capital injections or any senior loans covered by individual state guarantee.

3A. LOAN BY WAY OF HYBRID CORE CAPITAL CONVERTIBLE INTO SHARES IN THE BANK

3A.1 According to a resolution passed at the extraordinary general meeting of the bank held on 19 August 2009, the bank has raised a loan with a principal amount of DKK 1,438,000,000 as hybrid core capital pursuant to the Danish Act on State-Funded Capital Injections into Credit Institutions (the "Capital Injection"). The Capital Injection has been raised at par without any right for the bank's shareholders to subscribe a proportionate share.

3A.2 The Capital Injection is divided into two tranches, of which tranche 1 constitutes DKK 1,115,743,000 and tranche 2 DKK 322,257,000. Tranche 1 is raised against issuance of capital certificates which – in certain cases – the bank may request be converted into shares in the bank ("Capital Certificates with Voluntary Conversion"). Tranche 2 is raised against issuance of capital certificates which – in certain cases – the bank may request be converted into shares in the bank and which the bank is under an obligation to allow to be converted into shares in the bank pursuant to the Danish Act on State-Funded Capital Injections into Credit Institutions ("Capital Certificates with Voluntary and Mandatory Conversion"). The specific requirements for the bank's agreement to raise tranche 1 of the Capital Injection and the issuance of Capital Certificates with Voluntary Conversion are set out in [Appendix 1](#), which forms an integral part of the bank's Articles of Association. The specific requirements for the bank's agreement to raise tranche 2 of the Capital Injection and the issuance of Capital Certificates with Voluntary and Mandatory Conversion are set out in [Appendix 2](#), which also forms an integral part of the bank's Articles of Association.

3A.3 In accordance with Appendices 1 and 2, it applies to the Capital Certificates with Voluntary Conversion as well as to the Capital Certificates with Voluntary and Mandatory Conversion that they are undated subordinated bullet loans in compliance with the specific rules laid down in the Danish Financial Business Act and related regulation (hybrid core capital), that they carry a *per annum* interest rate which constitutes 10.190% per annum including coupon conversion commission and conversion commission for the period up to 24 August 2014 on the borrowing date, after which date the conversion commission of 0.4% per annum will terminate, and that the interest rate may be increased relative to future dividend distributions within the framework of the specific requirements for loan terms set out in Appendices 1 and 2, respectively, that the capital certificates may not be terminated on the part of the bank for an agreed specific time period expiring on 24 August 2012, that the capital certificates will be payable if (i) the bank enters into liquidation, (ii) a bankruptcy order is made against the bank or (iii) the Danish Financial Supervisory Authority withdraws the bank's licence to operate as a bank and approves winding up of the bank, except for winding up through merger, under section 227 of the Danish Financial Business Act, and that the capital certificates shall be issued in book-entry form through VP Securities A/S with no restrictions on the transferability of the capital certificates.

- 3A.4 The Capital Certificates with Voluntary and Mandatory Conversion must be converted into shares in the cases defined in the Danish Act on State-Funded Capital Injections and in accordance with the requirements for loan terms set out in Appendix 2, if the Danish Financial Supervisory Authority issues an order to such effect (mandatory conversion). The conversion shall take place in accordance with the terms set out in paragraph 12 of Appendix 2 and may take place during the period from the date of issuance and up to the date on which the capital certificates have been redeemed. The conversion price will be fixed as the market value of the bank's shares immediately after the announcement of the conversion as calculated by an independent state-authorised public accountant in accordance with the rules set out in paragraph 12.4 of Appendix 2. As a minimum, the conversion price shall be par.
- 3A.5 During the period up to 24 August 2014 and in accordance with the specific requirements for loan terms set out in Appendices 1 and 2, respectively, the bank may request that the Capital Certificates with Voluntary and Mandatory Conversion and the Capital Certificates with Voluntary Conversion (plus any accrued, unpaid coupon based on corporate law) be converted into shares, if the bank's hybrid core capital ratio exceeds 35 (voluntary conversion). The conversion price will be fixed as the market value of the bank's shares immediately after the announcement of the conversion as calculated by an independent state-authorised public accountant in accordance with the rules set out in paragraph 11.7 of Appendices 1 and 2, respectively. The conversion may only take place, if, as a minimum, the price is par.
- 3A.6 If the bank's solvency ratio will be less than 110% of the solvency requirement (meaning the higher of (i) the solvency requirements set out in the Danish Financial Business Act and (ii) an individual solvency requirement fixed by the Danish Financial Supervisory Authority pursuant to the Danish Financial Business Act) upon payment in whole or in part of the coupon, payment of the coupon shall be in the form of issue of shares or delivery of existing treasury shares to holders of Capital Certificates in accordance with the rules set out in paragraph 5 of Appendices 1 and 2, respectively (coupon conversion). Coupon conversion can take place until the capital certificates have been redeemed, see paragraph 8 of Appendices 1 and 2, respectively. Generally, the conversion price will be fixed on the basis of the market price, see paragraph 5.4 of Appendices 1 and 2, respectively.
- 3A.7 Events of capital increases, capital reductions, issues of warrants, issues of new convertible bonds and/or debt instruments or dissolution of the bank, including in relation to merger or demerger of the bank, before conversion has taken place, shall be dealt with in accordance with Appendices 1 and 2.
- 3A.8 It shall apply to new shares issued on a mandatory conversion, see Article 4A.4 of the Articles of Association, or a voluntary conversion, except for conversion of accrued, unpaid coupon, see Article 3A.5, that the lowest nominal amount of new shares that can be subscribed on the conversion is DKK 0, and the highest nominal amount is DKK 322,257,000 on a mandatory conversion, DKK 1,438,000,000 on a voluntary conversion, that the shares are issued without any pre-emption rights to existing shareholders, that no restrictions shall apply to the pre-emption rights of the shares in the event of future capital increases, that the shares are not subject to transferability restrictions, that the shares will be issued through a central securities depository in denominations of DKK 1 each or multiples thereof, that the shares shall be issued to named holders and shall be registered in the name of the holder in the

bank's register of shareholders, that the shares shall rank *pari passu* with, and be identical to, the existing shares of the bank at the time of the conversion, that the shares shall be eligible for dividends from the time of registration of the capital increase with the Danish Commerce and Companies Agency and that other rights shall accrue from such time, and that the costs pertaining to the issue of new shares to be defrayed by the bank are expected to constitute DKK 100,000 per capital increase. The Board of Directors is authorised to make any amendments to the Articles of Association necessitated by the conversion.

- 3A.9 A total of DKK 287,600,000 of the Capital Injection, corresponding to DKK 287,600,000 of tranche 2, was converted into shares in accordance with the terms and conditions outlined in Appendix 2 on 20 February 2012. On 22 October 2013 a total of DKK 287,600,000, corresponding to DKK 34,657,000 of tranche 2 of the Capital Injection and DKK 252,943,000 of tranche 1 of the Capital Injection, was converted into shares in accordance with the terms set out in Appendices 1 and 2. Consequently, DKK 862,800,000 of tranche 1 and DKK 0 of tranche 2 of the Capital Injection remain.
  
- 3B.0 In connection with the merger between Vestjysk Bank A/S and Aarhus Lokalbank A/S adopted on 29 March 2012, Vestjysk Bank A/S entered an agreement concerning a state-funded capital injection raised by Aarhus Lokalbank A/S. In this context, Vestjysk Bank A/S has entered an agreement with the Danish State represented by the Danish Ministry of Business and Growth concerning an amendment to and specification of the state-funded capital injection. The agreement is attached as Appendix 6 to these Articles of Association. The terms governing the transferred state-funded capital injection are outlined in this clause 3B and in Appendices 3-6.
  
- 3B.1 The General Meeting has decided that the bank may, without pre-emption right to the bank's shareholders, enter a final agreement for the raising of a loan from the State for DKK 177,750,000 as hybrid core capital, cf. Act no. 67 of 3 February 2009 on State-funded Capital Injections in banks as amended, cf. Consolidated Act no. 876 of 15 September 2009 (the "Act"), and against the issue of capital certificates of DKK 0.01 (the "Capital Injection").
  
- 3B.2 The capital injection shall be raised on 31 December 2009 at the latest which is also the closing date of the subscription period. The terms governing the Capital Injection are stipulated in an agreement concerning state-funded capital injection with ancillary terms and conditions for the capital certificates. The framework terms governing the share certificates are set out in Appendices 3-5 (jointly the "Loan Terms") to these Articles of Association. The final agreement will be entered with the Danish State represented by the Danish Ministry of Economics and Business Affairs.
  
- 3B.3 The capital injection is entered at par in two tranches with different interest and conversion terms applying. One tranche of DKK 150,200,000 is issued against capital certificates that shall be converted into shares in the bank if so demanded by the bank ("capital certificates with voluntary conversion"). The other tranche of DKK 27,550,000 is issued against capital certificates that in certain circumstances may be converted into shares in the bank upon demand by the bank, and that the bank in certain circumstances is obliged to convert into shares in the bank ("capital certificates with voluntary and mandatory conversion").
  
- 3B.4 The capital injection may be converted into shares in the bank at market price made up in connection with the conversion in compliance with the Loan Terms.
  
- 3B.5 The Capital Injection is a standing subordinated loan with no date of expiry according to the provisions in the Danish Financial Business Act (hybrid core capital).

- 3B.6 Interest shall be payable on the Capital Injection at an annual effective interest rate as determined by the State in accordance with the provisions governing the determination of interest rates set out in Executive Order no. 228 of 26 March 2009 on application requirements, interest calculation and coverage of the State's administrative expenses, etc. in connection with state-funded capital injections or underwriting (the "Executive Order"). The annual effective interest rate shall be determined as the total amount of (i) a reference rate in the form of the Danish State's five-year zero-coupon rate on the last day of trading before concluding the loan agreement; (ii) with the addition of a fixed risk premium of 6 percentage points; and (iii) also with the addition of a premium of 2.25 percentage points determined individually for the bank. Conversion commission will be added to this amount (in the period up to 5 years from the issue) of 0.4 % per annum and an interest conversion commission of 0.1 % per annum. Moreover, the interest rate may be increased in relation to future dividend payments in accordance with the Loan Terms.
- 3B.7 The Capital Injection may, three years after it was raised, be redeemed by the Bank under conditions specified in the Loan Terms. The Capital Injection shall be redeemed in the event of the Bank's insolvent liquidation.
- 3B.8 The capital certificates shall be issued as bearer notes and as dematerialised securities through VP Securities A/S. No restrictions apply to the negotiability of the capital certificates.
- 3B.9 If, after having paid interest in full or in part on the loan, the bank's solvency falls below 110 % of the insolvency requirement, the payment of interest shall according to the Loan Terms take place by providing own shares or issuing shares by way of conversion of debt, cf. section 33a of the Danish Public Companies Act.
- 3B.10 The Loan Terms include provisions to the effect that if the Bank's hybrid core capital constitutes more than 35% of the core capital, inclusive of the hybrid core capital, cf. the Danish Financial Business Act, the Bank may for a period of up to five years from the issue demand that the Capital Injection or portions thereof be converted into shares on terms in accordance with the Act and the Executive Order. In the period up to the redemption of the Capital Injection, Capital Certificates with voluntary and mandatory conversion shall be converted in whole or in part into shares on such terms stipulated in accordance with the Act and the Executive Order if so demanded by the Danish Financial Supervisory Authority.
- 3B.11 The largest amount by which the share capital may be increased by way of a conversion is DKK 177,750,000 and the lowest amount DKK 1.
- 3B.12 According to the Loan Terms, no adjustment will take place in the event of a capital increase, capital decrease, issue of warrants, issue of new convertible debt instruments or dissolution, including merger and demerger, until a conversion has taken place.
- 3B.13 To the extent that dividend is payable on the bank's shares, cf. the Act and Executive Order no. 875 of 15 September 2009 on financial stability, the new shares shall, for dividend purposes, be at a par with the bank's other shares from the time of registration of the capital increase with the Danish Commerce and Companies Agency. Any other rights, including voting rights, shall be reckoned from the same point in time. The shares shall be subject to the same rules governing pre-emption rights as the existing shares and shall, in respect of rights, redeemability and negotiability, be on a par with the bank's other shares.

- 3B.14 The Board of Directors is authorised to negotiate terms and enter into agreements concerning the raising of the Capital Injection as resolved by the general meeting pursuant to the Act and the Executive Order and within the framework conditions stipulated in article 3B and Appendices 3-5.
- 3B.15 The Board of Directors is authorised to make any amendments to the Articles of Association necessitated by any increase of the share capital by means of conversion.
- 3B.16 A total of DKK 142,200,000 of the Capital Injection, corresponding to DKK 114,650,000 of tranche 1 and all of tranche 2, was converted into shares in accordance with the Loan Terms by way of resolution of 25 February 2011. On 22 October 2013 DKK 35,550,000 (nominal amount registered with VP Securities A/S: DKK 35,549,996.88) of tranche 1 of the Capital Injection was converted into shares in accordance with the terms set out in Appendix 4. Consequently, DKK 0 of tranche 1 and DKK 0 of tranche 2 of the Capital Injection remain.

#### **4 SHARES OF THE BANK**

- 4.1 The shares shall be registered in the names of the holders and shall be entered in the bank's register of shareholders. The bank's register of shareholders shall be kept by VP INVESTOR SERVICES A/S, CVR no. 30201183, which has been appointed to keep the register on behalf of the bank. The shares shall be issued through VP SECURITIES A/S, CVR-nr. 21599336 in accordance with the statutory provisions governing the issue of dematerialised securities.
- 4.2 Any transfer shall be registered by the bank in order to be valid at the bank. It is a condition for registering a share in the name of the holder in the register of shareholders that the bank has received notification of such registration from the VP SECURITIES A/S. The bank will not guarantee the correctness of the notification received from the VP SECURITIES A/S.
- 4.3 The shares shall be freely negotiable. No shareholder will be required to have his shares redeemed in whole or in part.
- 4.4 No shares shall carry any special rights.

#### **5 MANAGEMENT OF THE BANK**

- 5.1 The affairs of the bank will be managed by:
1. the general meeting;
  2. the board of directors; and
  3. the executive board.

#### **6 GENERAL MEETINGS: TIME, VENUE AND NOTICE**

- 6.1 The annual general meeting shall be held each year in February or March in the Region of Central Jutland (Region Midtjylland). The date of the General Meeting shall be announced on the bank's website no later than eight weeks before the Meeting.
- 6.2 Extraordinary general meetings shall be held when deemed appropriate by the board of directors or the auditor. An extraordinary general meeting to transact any particular business shall be convened within two weeks of receipt of a written request to that effect from shareholders representing at least 5% of the share capital.
- 6.3 The general meeting shall be presided over by a chairman appointed by the board of directors.

- 6.4 The chairman shall preside over the meeting and decide all matters relating to the transaction of business and voting.
- 6.5 General meetings shall be convened by the Board of Directors giving no more than five and no less than three weeks' notice on the bank's website. Notice shall also be given in writing to each registered shareholder having so requested.
- 6.6 The notice convening the General Meeting shall set out the time and place of the meeting, the agenda of the Meeting, and the essential substance of any proposed amendments to the Articles of Association. If any resolution to amend the Articles of Association under sections 77(2), 92(1), 92(5), 107(1) or 107(2) of the Companies Act is proposed, the notice of the General Meeting shall include the wording of the proposal in full. The notice shall contain also: 1) a description of the amount of share capital and shareholder's voting rights; 2) a clear and precise description of the producers for shareholders to follow in order to participate in and vote at the General Meeting, see section 97(2) of the Companies Act; 3) the date of registration, see section 84(1) of the Companies Act, explaining the implications of it from a shareholder's perspective; 4) instructions on where and how to obtain the full and unabridged text of documents to be produced on the General Meeting, including the agenda and the full text of proposals; and 5) the Internet address from which the information referred to in Article 6.7 above will be available.
- 6.7 No later than three weeks before the General Meeting, the following documents shall be published on the bank's website: 1) The notice of the General Meeting; 2) the total number of shares and voting rights as per the date of the notice; 3) the documents to be produced at the Meeting, including – in the case of annual General Meetings – the audited annual report; 4) the agenda of the Meeting and the full text of the proposals; and 5) forms to be used in case of voting by letter or proxy.
- 6.8 The General Meetings shall be open to the press.
- 6.9 The board of directors may, when it is considered technically justifiable, decide to allow the shareholders electronic attendance at general meetings which are otherwise held with physical attendance. The shareholders may then electronically attend, give their opinion and vote at general meetings. If the board of directors decides to allow electronic attendance, additional information will be made available at the website of the bank: [www.vestjyskbank.dk](http://www.vestjyskbank.dk).

## **7 GENERAL MEETINGS: AGENDA**

- 7.1 The agenda of the annual general meeting shall include:

1. the board of directors' oral report on the activities of the bank during the past year;
2. presentation and adoption of the audited annual report;
3. resolution on the distribution of the profit or loss recorded in the annual report adopted by the general meeting;
4. approval of remuneration to the Board of Directors in the current financial year;
5. election of members of the board of directors;
6. election of auditor(s);
7. any proposals from the board of directors or the shareholders.

- 7.2 Any shareholder shall be entitled to have a certain matter considered at the General Meeting if it has been submitted in writing to the Board of Directors no later than six weeks prior to the Meeting. If submitted later than six weeks prior to the Meeting, the Board of Directors

will decide if the matter may be included on the agenda. The date of the General Meeting shall be announced on the bank's website no later than eight weeks before the Meeting.

## **8 GENERAL MEETINGS: VOTING RIGHTS AND RESOLUTIONS**

- 8.1 Any person who no later than one week before the date of the General Meeting is registered or has made a request to the bank for registration as shareholder in the register of shareholders is entitled to attend and vote at the General Meeting, provided that the request has reached the bank. For such person to attend the General Meeting, he must also obtain an admission card from the bank no later than three days before the date of the Meeting.
- 8.2 Each share of DKK 1 will carry one vote.
- 8.3 Each shareholder may attend general meetings by proxy or together with an adviser. Any proxy must produce evidence of his right to attend the general meeting in the form of an admission card and a written and dated instrument of proxy. If issued to the board of directors, however, an instrument of proxy shall be valid for a particular general meeting only, the agenda for which must be known in advance and cannot be granted for more than 12 months. An instrument of proxy given for a general meeting at which the required quorum is not present will remain valid for a potential second general meeting, unless otherwise specified in the instrument of proxy.
- 8.4 Shareholders with voting rights under Article 8.1. above shall be allowed to vote by letter. Forms to be used in case of voting by letter shall be available on the bank's website no later than three weeks before the General Meeting. Votes by letter must reach the bank no later than 12 noon one business day before General Meeting.
- 8.5 Unless otherwise required by statute or the articles of association, all resolutions at a general meeting shall be passed by a simple majority of votes.
- 8.6 A ballot shall be held if required by a shareholder.
- 8.7 In the event of an equality of votes, the decision shall be made by lot.
- 8.8 Any resolution to amend the articles of association or to dissolve the bank will only be valid if at least half of the share capital is represented at the general meeting and the resolution is passed by not less than two thirds of both the votes cast and of the voting share capital represented at the general meeting.
- Where half of the share capital is not represented at the general meeting but the resolution is passed by two thirds of both the votes cast and of the voting share capital represented at the general meeting, the board of directors shall within two weeks convene a new general meeting at which the resolution may be passed by two thirds of the votes cast without regard to the size of the capital represented.
- In the case of any amendments to the articles of association proposed by the board of directors, there will be no requirement that half of the share capital is represented.
- 8.9 Any amendments and additions required by the authorities pursuant to statute in order for any amendments to the articles of association to be approved or registered may be made by the board of directors without the consent of the general meeting.

- 8.10 Minutes shall be kept of the proceedings at general meetings, which shall be signed by the chairman of the Meeting. The minutes of the General Meeting and the results of the votes shall be available on the bank's website no later than two weeks after the Meeting.

## **9 BOARD OF DIRECTORS**

- 9.1 The board of directors shall consist of not fewer than four and not more than eight directors elected by the general meeting. The directors shall be elected for one year at a time. The directors will be eligible for re-election.

To the extent that the bank has outstanding senior debt, covered by an individual state guarantee issued by the Danish Financial Stability Company on behalf of the Danish State, and the Danish State does not have a controlling interest in the bank, cf. Sections 5a and 5b of the Financial Business Act, the Financial Stability Company is entitled to appoint an additional 2 members to the board of directors. The members appointed accordingly by the Financial Stability Company shall resign as soon as the conditions for the Financial Stability Company to appoint such members are no longer satisfied.

Moreover, the employees of the bank may be entitled to elect employee representatives in accordance with the provisions of the Companies Act.

- 9.2 The board of directors shall elect its own chairman and deputy chairman.

To the extent that the bank has outstanding senior debt, covered by an individual state guarantee issued by the Danish Financial Stability Company on behalf of the Danish State, and the Danish State does not have a controlling interest in the bank, cf. sections 5a and 5b in the Financial Business Act, the election of the chairman is subject to the prior consent of the Financial Stability Company.

- 9.3 A director shall retire from office at the next annual general meeting following his/her 70th birthday.

- 9.4 If as a result of vacancies the number of directors is reduced to less than four, the board of directors shall convene an extraordinary general meeting for the purpose of increasing the number of directors to at least four.

- 9.5 The board of directors shall adopt rules of procedure governing the performance of its duties.

- 9.6 The board meeting shall constitute a quorum when more than half of the directors are present. The matters considered by the board of directors shall be decided by a simple majority of votes. In the case of equality of votes, the chairman or, in his absence, the deputy chairman shall have the casting vote.

- 9.7 Minutes shall be kept of the proceedings at board meetings, which shall be signed by all directors.

- 9.8 The board of directors may grant joint power of procuration to sign for the bank.

- 9.9 The board of directors may appoint a board of representatives to promote the interests of the bank and assist the board of directors in its work in the service of the bank.

- 9.10 Until 26 March 2018, the board of directors are authorised to increase the bank's share capital in one or more issues by up to DKK 6,128,888 at market price without pre-emptive

subscription rights for the bank's shareholders. The board of directors may decide that all or part of the capital increase can take place by other means than cash payment, including by debt conversion or acquisition of an existing business. The new shares shall be negotiable instruments and shall be issued in the name of the holder. No restrictions shall apply to the transferability of the new shares.

- 9.11 Until 26 March 2018, the board of directors are authorised to increase the bank's share capital in one or more issues by up to DKK 6,128,888 at minimum par value with pre-emptive subscription rights to the bank's shareholders. The new shares shall be negotiable instruments and shall be issued in the name of the holder. No restrictions shall apply to the transferability of the new shares.
- 9.12 The authorisations set out in articles 9.10 and 9.11 can together be used to increase the share capital by a maximum of nominally DKK 6,128,888.
- 9.13 The authorisation in article 9.10 to increase the bank's share capital has been partly exercised on 22 October 2013 upon completion of an increase of the bank's share capital 16 October 2013 by increase of the bank's share capital by nominally DKK 1,122,426 by conversion of debt. Consequently, nominally DKK 5,006,462 of the authorisation remains.

## **10 EXECUTIVE BOARD**

- 10.1 The board of directors shall appoint an executive board consisting of 1-3 managers to be in charge of the day-to-day management of the bank.
- 10.2 The executive board shall attend the meetings of the board of directors but shall have no voting rights.

## **11 POWER TO BIND THE BANK**

The bank will be bound by the joint signatures of:

1. the chairman or deputy chairman and another member of the board of directors;
2. one member of the board of directors and one member of the executive board;
3. two members of the executive board;
4. all members of the board of directors.

## **12 AUDITORS**

Subject to the legislation in force at any time, the auditing shall be carried out by one or two public accounts, of which at least one must be state-authorised. The auditors will be eligible for re-election.

## **13 FINANCIAL YEAR; DISTRIBUTION OF PROFIT**

- 13.1 The financial year of the bank shall be the calendar year.
- 13.2 Upon recommendation of the board of directors, the general meeting shall resolve on the distribution of any profits after the bank has made the transfers to reserves required according to the bank's financial position.
- 13.3 The dividend for the year shall be paid through VP Securities A/S in accordance with the applicable statutory provisions.

**14 ELECTRONIC COMMUNICATION**

- 14.1 All communications from the bank to the individual shareholders may be sent electronically by e-mail, and general information will be accessible to the shareholders on the bank's website, [www.vestjyskbank.dk](http://www.vestjyskbank.dk), unless otherwise provided by the Danish Companies Act. The bank may at any time choose to communicate by regular post.
- 14.2 Thus, notices convening annual and extraordinary General Meetings, including the full text of proposed amendments to the Article of Association, the agenda, subscription lists, annual reports, company information, admission card and other general information from the bank to the shareholders may be sent electronically from the bank to the shareholders, including by e-mail. Except for admission cards for the General Meeting, the above documents will be available on the bank's website, [www.vestjyskbank.dk](http://www.vestjyskbank.dk).
- 14.3 The bank shall ask registered shareholders to provide an e-mail address to which notices etc. may be sent. Each shareholder will be responsible for ensuring that the bank has received the correct e-mail address. All communications from shareholders to the bank may take place electronically by e-mail to [investorrelations@vestjyskbank.dk](mailto:investorrelations@vestjyskbank.dk).
- 14.4 Additional information about system requirements and the procedure for electronic communications are available to shareholders on the bank's website, [www.vestjyskbank.dk](http://www.vestjyskbank.dk).

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Updated by the board of directors on 22 October 2013 following resolution by the board of directors on 24 September 2013.

## Appendix 1 – Capital certificates with voluntary conversion

The requirements for the agreement on a state-funded capital injection as set out herein were determined in accordance with a resolution passed by the shareholders in general meeting on 19 August 2009, see Article 4A of the Articles of Association. The conditions set out in this Appendix 1 apply to the part of the agreement relating to the raising of a capital injection against issuance of capital certificates with voluntary conversion (tranche 1).

### 1 DEFINITIONS

The following definitions are used and have the following meaning in these Conditions (with voluntary conversion):

"Shares" mean shares issued by the Issuer.

"Danish Public Companies Act" means Consolidating Act no. 649 of 15 June 2006, as amended.

"Alternative Coupon Payment Event" has the meaning set out in paragraph 5.1.

"Subordinated Loan Capital" means loan capital which meets the requirements set out in section 136 of the Danish Financial Business Act and any other loan capital designated as being subordinated to other unsubordinated capital (except for Hybrid Core Capital or debt designated as ranking *pari passu* with Hybrid Core Capital).

"Number of Capital Certificates" means the number of Capital Certificates outstanding from time to time.

"Business Day" means any day on which banks are generally open for business in Denmark.

"Calculation Period" means the period in which the Coupon Conversion Price is fixed in accordance with paragraphs 5.4.1.

"Conditions (with voluntary conversion)" mean these Terms and Conditions of the Capital Certificates (with voluntary conversion).

"Dividends Declared" mean the sum of dividends as calculated on a VDS Calculation Date and resolved by the Issuer's shareholders in general meeting or Board of Directors in the period from the latest VDS Calculation Date or, with respect to the first VDS Calculation Date, the period from 1 October 2010 to the relevant VDS Calculation Date and either (i) paid by the Issuer during such period or (ii) scheduled for payment during the period after the VDS Calculation Date on which the dividends are calculated. If it has been resolved to declare dividends denominated in a currency other than DKK, the amount will be translated into DKK based on the price published by Danmarks Nationalbank on the date of the resolution to declare dividends.

"Partial Redemption" has the meaning set out in paragraph 8.6.

"DKK" means Danish kroner.

"Effective Rate of Interest" means the effective rate of interest equal to the sum of the Coupon Conversion Commission, Conversion Commission (where relevant) and the Annual Effective Rate of Interest.

"Fixed Coupon" has the meaning set out in paragraph 4.2.

"Stock Exchange" means Nasdaq OMX Copenhagen A/S, CVR no. 19042677.

"Distributable Reserves" means the distributable reserves which appear from the Issuer's latest audited annual report approved by the Issuer's shareholders in general meeting.

"Early Redemption Amount" means an amount the payment of which on the Date of Redemption will imply that the Capital Certificate has generated an overall return equal to the Effective Rate of Interest calculated during the period from the Date of Issuance to the Date of Redemption.

"Trading Day" means any day on which trading can take place on the Stock Exchange.

"Principal in Excess of Market Capitalisation" means the Outstanding Principal on a VDS Calculation Date divided by the Market Capitalisation.

"Hybrid Core Capital" means loan capital which meets the requirements set out in section 132 of the Danish Financial Business Act.

"Hybrid Core Capital Ratio" means the Issuer's Hybrid Core Capital from time to time as a percentage of the Issuer's Core Capital from time to time.

"Date of Redemption" means the date of redemption of the Capital Certificates or part thereof under paragraph 8.

"Capital Certificates" have the meaning set out in paragraph 2.1.

"Capital Certificates with Mandatory Conversion" mean capital certificates issued under the Terms and Conditions of the Capital Certificates (with voluntary and mandatory conversion) of the same date as the Conditions (with voluntary conversion) and other capital certificates with mandatory conversion issued under the Danish Act on State-Funded Capital Injections.

"Capital Certificates without Mandatory Conversion" mean the Capital Certificates and other capital certificates with voluntary conversion issued under the Danish Act on State-Funded Capital Injections.

"Capital Certificate Holder" means a natural or legal person registered with VP as a holder of one or more Capital Certificates.

"Capital Requirement" means the higher of the Solvency Requirement and the minimum capital requirement, see section 127 of the Danish Financial Business Act.

"Core Capital" means core capital as defined in section 5(7)(iv) of the Danish Financial Business Act.

"Conversion Price" has the meaning set out in paragraph 11.7.

"Conversion Notification" has the meaning set out in paragraph 11.3.

"Conversion Period" has the meaning set out in paragraph 11.1.

"Conversion Commission" is fixed at a maximum of 0.4% per annum

"Coupon" means the sum of the Fixed Coupon and the Variable Dividend Supplement.

"Price-Sensitive Information" means information on (i) the Issuer, including the Issuer's activities, assets, liabilities, conditions (financial or other), financial results and operations, (ii) the Shares and (iii) market conditions relating to (i) and/or (ii), which information ((i)-(iii)) will, or may reasonably be expected to, individually or jointly with other information, affect the price of the Shares, or which a rational investor may reasonably be expected to include in the estimation of the value of the Shares. The issuer will be deemed to hold Price-Sensitive Information if a member of its Board of Directors, executive board, management or other key employees holds such Price-Sensitive Information.

"Danish Financial Business Act" means Consolidating Act no. 897 of 4 September 2008 and executive orders issued in pursuance thereof, all as amended.

"Danish Act on State-Funded Capital Injections" means Act no. 67 of 3 February 2009 and executive orders issued in pursuance thereof, all as amended.

"Market Capitalisation" means the value of the company determined at the signing of the agreement on a state-funded capital injection plus any net cash proceeds from a cash share capital increase in the Issuer effected in the period from the Date of Issuance until a VDS Calculation Date.

"Nominal Rate of Interest" means the nominal rate of interest equal to the Effective Rate of Interest on semi-annual payments of the Fixed Coupon.

"New Shares" have the meaning set out in paragraph 11.1.

"Volume-Weighted Average Price" with respect to the Shares means the volume-weighted average price calculated on the basis of the period from 9.00 a.m. CET on the first day of the Calculation Period to 5.00 p.m. CET on the last day of the Calculation Period, as published in the column "Bloomberg VWAP" on Bloomberg's page VJBA DC <equity> VAP (or similar page).

"Nominal Value" means DKK 0.01.

"Coupon Conversion Shares" have the meaning set out in paragraph 5.1.

"Date of Coupon Conversion Notification" has the meaning set out in paragraph 5.2.

"Coupon Conversion Date" has the meaning set out in paragraph 5.1.

"Coupon Conversion Price" has the meaning set out in paragraph 5.4.

"Coupon Conversion Notification" has the meaning set out in paragraph 5.2.

"Coupon Conversion Commission" is fixed at a maximum of 0.1% per annum.

"Coupon Conversion Valuation Expert" has the meaning set out in paragraph 5.4.2.

"Interest Addition Date" means 1 May and 1 November of any year.

"Company Resolution" means dividend and any other distribution of cash or other assets to the Issuer's shareholders, capital increase or capital reduction, issuance of warrants, share options, convertible bonds or other convertible instruments, other rights to subscribe for or purchase Shares, share split or share consolidation, merger, demerger and any other resolution by the Issuer which affects the capital structure of the Issuer.

"Solvency Requirement" means the higher of (i) the solvency requirement, see section 124(2) of the Danish Financial Business Act, and (ii) any individual solvency requirement determined by the Danish Financial Supervisory Authority, see section 124(5) of the Danish Financial Business Act.

"Total Amount of the Issuances" means the Total Amount of the Issuance plus the Total Amount of the Issuance as defined in the Terms and Conditions of the Capital Certificates (with voluntary and mandatory conversion) of the same date as the Conditions (with voluntary conversion).

"Outstanding Principal" means the Number of Capital Certificates multiplied by the Nominal Value.

"Total Amount of the Issuance" has the meaning set out in paragraph 2.1.

"Date of Issuance" means the date of issuance of the Capital Certificates fixed at the date of signing of the agreement, however, not later than on 31 December 2009.

"Issuer" means Vestjysk Bank A/S, Torvet 4, 7620 Lemvig, Denmark, CVR no. 34631328.

"Issuer's Conversion Option" has the meaning set out in paragraph 11.1.

"Variable Dividend Supplement" has the meaning set out in paragraph 4.3.

"VP" means VP Securities A/S, CVR no. 21599336.

"VDS Calculation Date" has the meaning set out in paragraph 4.3.

"Valuation Expert" has the meaning set out in paragraph 11.7.1.

"Valuation Report" has the meaning set out in paragraph 11.7.4.

"Annual Effective Rate of Interest" means the effective rate of interest per annum, determined as the sum of the five-year government zero-coupon rate on the last trading day before the signing of the agreement on a state-funded capital injection plus a fixed margin of 6% plus an individual margin for Vestjysk Bank. The individual margin of the bank is capped at 2.25%.

"Fixed Annual Coupon" means the sum of the Fixed Coupon accruing on the Capital Certificates in a one-year period from 1 May of any one year to 1 May of the next year.

## **2 FORM AND NOMINAL VALUE**

2.1 Capital Certificates. Under these Conditions (with voluntary conversion), the Issuer will issue a number of capital certificates (individually referred to as a "Capital Certificate" and collectively referred to as the "Capital Certificates") in denominations of DKK 0.01 each, in total corresponding to the amount of tranche 1 of the capital injection raised under Article 4A of the Articles of Association (the "Total Amount of the Issuance").

2.2 Registration with VP. The Capital Certificates are issued in book-entry form through VP. Unless otherwise provided in these Conditions (with voluntary conversion), interest etc. must be calculated and paid in accordance with the rules of VP applicable from time to time.

## **3 STATUS**

3.1 Status. The Capital Certificates constitute Hybrid Core Capital. The Capital Certificates rank pari passu with other Hybrid Core Capital of the Issuer and any other debt designated as ranking pari passu with Hybrid Core Capital. The Capital Certificates rank senior to the Issuer's share capital and debt designated as being subordinated Hybrid Core Capital, in all respects, including in respect of the right to receive periodic payments and the right to receive payment in connection with the Issuer's bankruptcy or liquidation.

3.2 Subordination. The Capital Certificates are subordinated to any unsubordinated debt of the Issuer and any Subordinated Loan Capital of the Issuer.

## **4 INTEREST**

4.1 Payment of Coupon. The Issuer must pay Coupon to the Capital Certificate Holders in accordance with this paragraph 4.

4.2 Fixed Coupon. The Issuer must pay the Nominal Rate of Interest on the Outstanding Principal ("Fixed Coupon"). The Fixed Coupon is payable semi-annually on each Interest Addition Date. The calculation of the Fixed Coupon must comply with actual/actual (ICMA) and the rules of VP applicable from time to time.

4.3 Variable Dividend Supplement. Furthermore, the Issuer must pay a variable dividend supplement ("Variable Dividend Supplement") to be calculated as the higher amount of:

- (i) DKK 0; and
- (ii) (Dividend Declared x 1.25 x Principal in Excess of Market Capitalisation) – Fixed Annual Coupon.

The Variable Dividend Supplement is calculated five Business Days before 1 May of any year (the "VDS Calculation Date"). If the Issuer's shareholders in general meeting or

Board of Directors has resolved to declare dividends on a later date in April of the relevant year, such date will be deemed to be the VDS Calculation Date. The Variable Dividend Supplement will be payable each year on 1 May, beginning on 1 May 2012.

## **5 ALTERNATIVE COUPON PAYMENT**

**5.1 Alternative Coupon Payment Event.** If the solvency ratio of the Issuer will be less than 110% of the Solvency Requirement upon payment in whole or in part of the Coupon ("Alternative Coupon Payment Event"), the payment of Coupon must be effected through issuance of new Shares or delivery of existing treasury Shares ("Coupon Conversion Shares") to the Capital Certificate Holders relative to their holdings of Capital Certificates on the relevant Interest Addition Date or on such later date as may be determined under paragraph 5.4.1 (the "Coupon Conversion Date").

**5.2 Notification of Alternative Coupon Payment Event.** In the event of an Alternative Coupon Payment Event, the Issuer must notify the Capital Certificate Holders and the public ("Coupon Conversion Notification") not later than three Trading Days and not earlier than five Trading Days before the Coupon Conversion Date ("Date of Coupon Conversion Notification"). Notwithstanding the above, the Issuer may publish any notification of an Alternative Coupon Payment Event at an earlier date if the Issuer has an obligation to do so under applicable law or the rules of the Stock Exchange. However, in all events, the Issuer must publish a Coupon Conversion Notification not later than three Trading Days and not earlier than five Trading Days before the Coupon Conversion Date. The Coupon Conversion Notification must be published before the opening of the Stock Exchange on the Date of Coupon Conversion Notification. The Issuer must notify the Capital Certificate Holders and the public of the Coupon Conversion Price on or before the Coupon Conversion Date and before the conversion of the Coupon. All notifications under this paragraph must be given in accordance with the rules of VP applicable from time to time, the rules of the Stock Exchange and applicable law.

**5.3 Number of Coupon Conversion Shares.** Coupon converted as a result of an Alternative Coupon Payment Event will be converted into a number of Coupon Conversion Shares according to the following formula:

Number of Coupon Conversion Shares = Coupon converted, divided by the Coupon Conversion Price, see, however, paragraph 11.6.

**5.4 Coupon Conversion Price.** The price at which the Coupon is converted into New Shares ("Coupon Conversion Price") is calculated in DKK per Share pursuant to the rules set out in paragraphs 5.4.1 and 5.4.2.

**5.4.1 Market Price.** The Coupon Conversion Price is calculated in accordance with the following formula:

The average of (i) the Volume-Weighted Average Price of the Shares calculated over a period of three consecutive Trading Days immediately preceding the Date of Coupon Conversion Notification (exclusive) and (ii) the Volume-Weighted Average Price of the Shares calculated over a period of three consecutive Trading Days, beginning on the Date of Coupon Conversion Notification (inclusive).

If the Issuer holds Price-Sensitive Information, notification of such information must be given to the public pursuant to applicable law on or before the Date of Coupon Conversion Notification. If the Issuer believes or predicts, after having performed reasonable

examinations of the Issuer's activities, assets, liabilities, conditions (financial or other), financial results and operations, that it will come into possession of Price-Sensitive Information within the first ten consecutive Trading Days after the Date of Coupon Conversion Notification, the Date of Coupon Conversion Notification may be the date of publication of such Price-Sensitive Information at the earliest.

- 5.4.2 Coupon Conversion Valuation Expert. If (i) the Shares have not been traded on one or more Trading Days during the Calculation Period or (ii) the Danish government so requests, the Coupon Conversion Price will be fixed by an independent investment bank or a state-authorized public accountant designated by the Danish government upon consultation with the Issuer (the "Coupon Conversion Valuation Expert"). The Coupon Conversion Price fixed by the Coupon Conversion Valuation Expert is binding. The Issuer shall pay all costs for the Coupon Conversion Valuation Expert. The conversion of the Coupon must be effected as soon as possible after the Coupon Conversion Valuation Expert has informed the Issuer and the Capital Certificate Holders of the Coupon Conversion Price. This paragraph 5.4.2 will cease to apply if the Danish government ceases to be a Capital Certificate Holder.

- 5.5 Conditions. Conversion of Coupon under this paragraph 5 is subject to:

- (i) the Issuer's shareholders in general meeting having passed all the necessary resolutions to issue the Coupon Conversion Shares against conversion of Coupon at the Coupon Conversion Price and on the other terms and conditions of the Conditions (with voluntary conversion);
- (ii) the Issuer providing a legal opinion at the date of implementation of the conversion in a form and with a content which is satisfactory to the Danish government, confirming (i) the fulfilment of the above and that the Coupon Conversion Shares will rank *pari passu* with, and be identical to, the Issuer's existing Shares at the date of implementation of the conversion;
- (iii) the Issuer's Articles of Association not containing any restrictions in respect of ownership, voting rights or negotiability, etc.;
- (iv) the Issuer being licensed to operate as a bank, not having suspended its payments or entered into liquidation or having been declared bankrupt;
- (v) the Shares having been, and the Coupon Conversion Shares being admitted to trading on the Stock Exchange or another regulated market; and
- (vi) no Company Resolution having been passed (or implemented), being pending or published within a period of five consecutive Trading Days before the Date of Coupon Conversion Notification and during a period of ten consecutive Trading Days after the Date of Coupon Conversion Notification (inclusive) or, if the Coupon Conversion Price is fixed in accordance with paragraph 5.4.2, within the relevant period in which the Coupon Conversion Valuation Expert is to fix the Coupon Conversion Price.

- 5.6 No adjustment. The Coupon Conversion Price will not be separately adjusted in the event of the Issuer's increase or reduction of the share capital, issuance of warrants or convertible instruments, merger, demerger or other dissolution.

- 5.7 Similar application. Paragraphs 11.6, 11.8, 11.9, 11.11 and 11.12 apply subject to any necessary amendments with respect to an Alternative Coupon Payment Event or issuance of Coupon Conversion Shares.

## **6 CANCELLATION OF COUPON**

- 6.1 Conditions. Coupon is payable on the due date, see paragraphs 4.2 and 4.3, unless:

- (i) the Issuer either does not fulfil the Capital Requirement before payment of Coupon or, after payment of Coupon, the Issuer will not fulfil the Capital Requirement;
  - (ii) the Coupon exceeds the Distributable Reserves, see section 132(1)(vii) of the Danish Financial Business Act; or
  - (iii) The Danish Financial Supervisory Authority has announced that, in the assessment of the Financial Supervisory Authority, the Issuer either does not fulfil the Capital Requirement before payment of Coupon or, after payment of Coupon, will not fulfil the Capital Requirement, or if the authority assesses that the payment of Coupon will adversely affect the Issuer's financial position to the effect that the Issuer is likely not to fulfil the Capital Requirement.
- 6.2 **Partial payment.** If either of the exceptions in (i) or (ii) set out in paragraph 6.1 applies, the Issuer must pay Coupon in any such smaller amount as may be paid without triggering the application of the exceptions in (i) and (ii) in paragraph 6.1. In the event of partial payment of Coupon under this paragraph 6.2, the amount payable in respect of the Capital Certificates must constitute a proportionate share of the total amount available for payment of Coupon calculated as such share of the sum of the Issuer's total Hybrid Core Capital as represented by the Outstanding Principal on the due date.
- 6.3 **Lost Coupon.** Any Coupon not paid in whole or in part under paragraph 6.1 or 6.2 will be lost, and no claim for such interest may be made at any subsequent time.
- 6.4 **Resumption of obligation to pay Coupon.** The addition of Coupon will be resumed, and the obligation to pay Coupon will apply again from such date as the exceptions in paragraph 6.1 no longer apply.
- 6.5 **Notification.** The Issuer shall immediately notify the Capital Certificate Holders when the Issuer becomes aware that the full Coupon cannot be paid on the due date under this paragraph 6.
- 7 WRITE-DOWN OF PRINCIPAL AND UNPAID COUPON**
- 7.1 **Write-down of the Capital Certificates.** The Issuer may at an annual or extraordinary general meeting resolve to write down, in whole or in part, the Outstanding Principal and any accrued, unpaid Coupon if the Issuer's equity is lost and the Issuer's share capital has been written down to zero. In the event of a partial write-down of the Outstanding Principal, such write-down must be effected by a proportionate write-down of the Issuer's total Hybrid Core Capital.
- 7.2 **Conditions for write-downs.** The Outstanding Principal and any accrued, unpaid Coupon may be written down in accordance with paragraph 7.1 only if (i) additional capital is subsequently contributed to the Issuer to the effect that the Capital Requirement is fulfilled, or (ii) the Issuer discontinues its activities without any loss to the unsubordinated creditors. Write-downs may only be effected by an amount approved in advance by the Issuer's external auditor(s) and the Danish Financial Supervisory Authority.
- 7.3 **Notification.** The Issuer shall immediately, or, where possible, in advance, notify the Capital Certificate Holders of a notice to convene a general meeting with a view to passing resolutions of the nature specified in paragraph 7.1.

## **8 REDEMPTION OF THE CAPITAL CERTIFICATES**

- 8.1 No maturity date. The Capital Certificates have no maturity date, are not payable in whole or in part at any fixed time and no claim for repayment in whole or in part may be made unless expressly provided in these Conditions (with voluntary conversion).
- 8.2 Redemption. The Capital Certificates may not be redeemed in whole or in part before the expiry of a period specified on the signing of the agreement on a state-funded capital injection, which period will expire on 31 December 2012, at the latest. If the Capital Certificates are redeemed by the Issuer in whole or by Partial Redemption before the expiry of a period specified on the signing of the agreement on a state-funded capital injection, which period will expire on 31 December 2012, at the latest, such redemption will be subject to the fulfilment of the conditions of section 132(4) of the Danish Financial Business Act.
- 8.3 Redemption price in the fourth and fifth year from the Date of Issuance. During a period specified on the signing of the agreement on a state-funded capital injection, which period runs from 1 January 2012, at the earliest, to 31 December 2014, at the latest, the Issuer may redeem the Capital Certificates, in whole or by Partial Redemption, plus any due, unpaid Coupon, at an amount per Capital Certificate corresponding to the higher of
- (a) the Nominal Value; and
  - (b) the Early Redemption Amount;
- plus
- (i) as regards (a) above, any Fixed Coupon accrued during the period from the latest Interest Addition Date until the Date of Redemption; and
  - (ii) as regards both (a) and (b) above, any Variable Dividend Supplement accrued from the latest VDS Calculation Date until the Date of Redemption.
- 8.4 Redemption price in the sixth year from the Date of Issuance. During a period specified on the signing of the agreement on a state-funded capital injection, which period runs from 1 January 2014, at the earliest, to 31 December 2015, at the latest, the Issuer may redeem the Capital Certificates, in whole or by Partial Redemption, plus any due, unpaid Coupon, at an amount per Capital Certificate corresponding to 105% of the Nominal Value, plus
- (a) 5% of the Nominal Value if the Coupon is lost in whole or in part in the period from the Date of Issuance until the Date of Redemption, see paragraph 6.3;
  - (b) Fixed Coupon accrued in the period from the latest Interest Addition Date until the Date of Redemption; and
  - (c) Variable Dividend Supplement accrued in the period from the latest VDS Calculation Date until the Date of Redemption.
- 8.5 Redemption price in and after the seventh year from the Date of Issuance. From a date specified on the signing of the agreement on a state-funded capital injection, however, not earlier than from 1 January 2015, the Issuer may redeem the Capital Certificates, in whole or by Partial Redemption, plus any due, unpaid Coupon, at an amount per Capital Certificate corresponding to 110% of the Nominal Value, plus

- (a) Fixed Coupon accrued in the period from the latest Interest Addition Date until the Date of Redemption; and
  - (b) Variable Dividend Supplement accrued in the period from the latest VDS Calculation Date until the Date of Redemption.
- 8.6 Partial Redemption. Notwithstanding paragraph 8.1 to 8.5, the Issuer may only redeem part (and not all) of the Capital Certificates ("Partial Redemption") on the following conditions:
- (a) the Issuer may effect a maximum of three Partial Redemptions before full redemption of all Capital Certificates must be effected;
  - (b) at least 20% of the Total Amount of the Issuance must be redeemed through Partial Redemption;
  - (c) the Outstanding Principal must represent at least 30% of the Total Amount of the Issuance after a Partial Redemption; and
  - (d) the selection of Capital Certificates to be redeemed through Partial Redemption must be made in accordance with the rules of VP applicable from time to time.
- 8.7 Redemption (capital and tax event). From a date specified on the signing of the agreement on a state-funded capital injection, however, not earlier than from 1 January 2012, the Issuer may, subject to prior written consent from the Danish Financial Supervisory Authority and notwithstanding the provisions set out in paragraphs 8.2 and 8.6, redeem any Capital Certificates, plus any due, unpaid Coupon, (a) which can no longer fully form part of the Issuer's Hybrid Core Capital due to changes in relevant legislation, (b) in respect of which the Issuer may no longer (in whole or in part) make tax deductions for Coupon. The redemption amount per Capital Certificate, see this paragraph 8.7, will be fixed in accordance with paragraphs 8.3 to 8.5. Paragraph 8.3 applies from a date specified on the signing of the agreement on a state-funded capital injection, however, not earlier than from 1 January 2012.
- 8.8 Obligation to redeem convertible Hybrid Core Capital. Capital Certificates without Mandatory Conversion may not be redeemed in whole or by Partial Redemption before such time as the Issuer has redeemed, written down or converted all Capital Certificates with Mandatory Conversion.
- 8.9 Notification. The Issuer shall notify the Capital Certificate Holders of redemption under this paragraph 8 not later than 15 days and not earlier than 60 days before the redemption may be effected.
- 8.10 Approval by the Danish Financial Supervisory Authority. Both full redemption and Partial Redemption are subject to the prior approval of the Danish Financial Supervisory Authority, see the Danish Financial Business Act.
- 9 PAYMENTS**
- 9.1 Currency. All payments to the Capital Certificate Holders under these Conditions (with voluntary conversion) must be made in DKK.
- 9.2 Time. All payments in respect of the Capital Certificates must be made on or before the due date for the relevant payment and be at the free disposal of the Capital Certificate Holders on

such date. All payments must be made through VP and in accordance with the rules of VP applicable from time to time.

- 9.3 Non-Business Day. If an Interest Addition Date falls on a day which is not a Business Day, payment of Coupon will be deferred until the next Business Day. Deferral of payment of Coupon under this paragraph 9.3 will not give rise to any additional payments.

## **10 OBLIGATIONS OF THE ISSUER**

- 10.1 Obligations of the Issuer. The Issuer shall fulfil all obligations set out in this paragraph 10.1 from the Date of Issuance until the Capital Certificates have been fully written down, see paragraph 7, redeemed, see paragraph 8, or converted, see paragraph 11. Paragraphs 10.1.2 and 10.1.5 to 10.1.7 will, however, cease to apply on expiry of the Conversion Period.
- 10.1.1 Capital reduction and treasury Shares. The Issuer may not (i) effect a capital reduction for any purpose other than to cover losses or to carry out write-downs under paragraph 7.1, (ii) purchase treasury Shares, including the implementation of buy-back programmes for treasury Shares, if such purchase is in contravention of the Danish Act on State-Funded Capital Injections, or (iii) dispose of treasury Shares on terms other than market terms.
- 10.1.2 Issuance of share options etc. The Issuer may only issue share options, warrants, convertible debt instruments or similar instruments on market terms, unless such issuance forms part of a general employee plan.
- 10.1.3 Dividend and repayment of subordinated debt. The Issuer may not declare dividends, repay or buy back debt which is subordinated to or ranks *pari passu* with the Capital Certificates or other Hybrid Core Capital if (i) any due Coupon has not been paid in whole or in part, or if (ii) the Coupon is lost under paragraph 6 and no full payment of Coupon has been made on two consecutive Interest Addition Dates after the date when the Coupon is lost. Notwithstanding the above, the Issuer may, however, buy back debt which is subordinated to the Capital Certificates, or which ranks *pari passu* with the Capital Certificates or other Hybrid Core Capital, for its trading portfolio with a view to fulfilling applications from the Issuer's customers in connection with the Issuer's market maker function.
- 10.1.4 Liquidation. The shareholders of the Issuer may not adopt any resolution to liquidate the Issuer, unless such liquidation is required by law.
- 10.1.5 Merger and demerger. The Issuer may not enter into (i) a merger plan, and the shareholders of the Issuer may not approve such merger if the valuation experts under section 134 c of the Danish Public Companies Act declare that the consideration for the Shares is not reasonable, (ii) a demerger plan, and the shareholders of the Issuer may not approve such demerger if such demerger may have a significant adverse impact on the interests of the Capital Certificate Holders.
- 10.1.6 Listing. The Issuer may not apply for delisting of the Shares from the Stock Exchange.
- 10.1.7 Other provisions. The Issuer may not implement any Company Resolutions entailing that the value of the total number of Coupon Conversion Shares received in the event of an Alternative Coupon Payment Event, see paragraph 5, or New Shares received in connection with a conversion, see paragraph 11, would be lower than the value of such Shares had the Company Resolution not been implemented.

## **11 ISSUER'S CONVERSION OPTION**

- 11.1 **The Issuer's Conversion Option.** During a period from the Date of Issuance up to and including 31 December 2014 (the "Conversion Period"), the Issuer may at any time request that the Capital Certificates plus any accrued, unpaid Coupon be converted into new Shares in the Issuer ("New Shares") if the Issuer's Hybrid Core Capital Ratio exceeds 35 (the "Issuer's Conversion Option"). The Issuer's Conversion Option may not be exercised if the Danish Financial Supervisory Authority has ordered a conversion of all or part of the Capital Certificates with Mandatory Conversion and such conversion has not been finally carried out. During the Conversion Period, the Issuer shall pay Conversion Commission.
- 11.2 **Exercise of the Issuer's Conversion Option.** The Issuer's Conversion Option may only be exercised in tranches of 20% of the Total Amount of the Issuances. If necessary in order to bring the Issuer's Hybrid Core Capital Ratio (calculated after conversion of each tranche) down to 35 or below, the Issuer's Conversion Option may be exercised with several tranches at a time.
- 11.3 **Notification of exercise.** The Issuer must notify the Capital Certificate Holders and the public ("Conversion Notification") of the exercise of the Issuer's Conversion Option in accordance with the rules of VP applicable from time to time, the rules of the Stock Exchange and applicable law.
- 11.4 **Implementation of the Issuer's Conversion Option.** The implementation of the conversion as per the Conversion Notification must be effected immediately after the Valuation Report is made available. At VP, the conversion must be effected in the form of a proportionate or (where relevant) full reduction and cancellation of the holdings of Capital Certificates in all accounts of VP in accordance with the rules of VP applicable from time to time. Upon exercise and implementation of the Issuer's Conversion Option through valid issuance of New Shares, the Capital Certificate Holders may not set up any claims against the Issuer relating to converted Capital Certificates. Coupon will continue to accrue on Capital Certificates not converted into New Shares in accordance with these Conditions (with voluntary conversion).
- 11.5 **Number of New Shares.** The Capital Certificates to be converted under this paragraph 11 must be converted into a number of New Shares in accordance with the following formula:
- Number of New Shares = the sum of the Nominal Value of the Capital Certificates to be converted plus any accrued, unpaid Coupon, divided by the Conversion Price, see, however, paragraph 11.6.
- 11.6 **Roundings.** If the Nominal Value of the Capital Certificates, plus any accrued, unpaid Coupon, to be converted does not correspond to a whole number of New Shares for a given account with VP, the number of New Shares will be rounded down to the nearest whole number of New Shares for the account with VP. No fractions of New Shares will be issued in connection with conversion, see this paragraph 11. Accordingly, any amounts not converted will be paid in cash to the Capital Certificate Holders at the time of VP's implementation of the Issuer's Conversion Option in accordance with VP's rules applicable from time to time.
- 11.7 **Conversion Price.** The price at which the Capital Certificates are to be converted into New Shares ("Conversion Price") is calculated in DKK per Share pursuant to the rules set out in paragraphs 11.7.1 to 11.7.5.
- 11.7.1 **Valuation Expert.** The Conversion Price is fixed by an independent state-authorised public accountant (the "Valuation Expert") appointed by the Institute of State Authorised Public

Accountants in Denmark. The Valuation Expert must meet the conditions for being appointed valuation expert under section 6b of the Danish Public Companies Act and have experience of credit institutions. Immediately after the Conversion Notification, the Issuer must contact the Institute of State Authorised Public Accountants in Denmark for appointment of a Valuation Expert. The Issuer shall pay all costs for the Valuation Expert.

- 11.7.2 Valuation criteria. The Conversion Price is determined by the Valuation Expert as the market value of the Issuer's Shares immediately after the Conversion Notification, taking into account the situation of the Issuer at the time of the Conversion Notification. The Valuation Expert determines at his own discretion the most suitable valuation method(s) based on the situation of the Issuer, and may, if he sees fit, determine the market value on the basis of the price of the Shares on the Stock Exchange after the Conversion Notification. When making his valuation, the Valuation Expert is not required to take into account the effect of any simultaneous or subsequent capital increase or capital injection in the Issuer, unless such capital increase or such capital injection has been subscribed or underwritten at the date of the Conversion Notification. If the Valuation Expert elects to determine the market value on the basis of the price of the Shares on the Stock Exchange after the Issuer's Conversion Notification, the Valuation Expert is not required to adjust such price, unless he considers it appropriate. If the Conversion Price is lower than the nominal value of the New Shares, the Issuer's Conversion Option may not be exercised.
- 11.7.3 No adjustment. The Conversion Price will not be separately adjusted in the event of the Issuer's increase or reduction of the share capital, issuance of warrants or convertible instruments, merger, demerger or other dissolution prior to the Conversion Notification, since the Conversion Price is determined at market value, see paragraph 11.7.2.
- 11.7.4 Valuation report. The Valuation Expert's valuation report (the "Valuation Report") must be available not later than three weeks after the date of the Conversion Notification. The Valuation Report must state the procedure(s) applied in determining the Conversion Price. The Valuation Report is final. Accordingly, the Issuer or the Capital Certificate Holders cannot set up any claims or take legal action on the basis of the Valuation Report. As soon as the Valuation Report is available, the Issuer must notify the Capital Certificate Holders of the results in accordance with the rules of VP applicable from time to time, and the Issuer must publish the Valuation Report in accordance with the rules of the Stock Exchange and applicable law.
- 11.7.5 Issuer's collaboration. Immediately after the appointment of the Valuation Expert, the Issuer must notify the Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any Price-Sensitive Information and, during the period until the date of the Valuation Report, notify the Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any additional Price-Sensitive Information of which the Issuer may gain knowledge during such period. At the request of the Valuation Expert, the Issuer must confirm that it has published or disclosed any Price-Sensitive Information. Furthermore, the Issuer must provide the Valuation Expert with access to any such information and employees of the Issuer as the Valuation Expert deems necessary, taking into account the limited period of time available for the preparation of the Valuation Report, see paragraph 11.7.4. In addition, the Issuer must comply with the principles of section 6b(4) of the Danish Public Companies Act. Where possible, the Issuer must arrange for the Issuer's auditor(s) to collaborate with and disclose such information to the Valuation Expert as he may need, including the work papers of the Issuer's auditor.

- 11.8 Delivery. The New Shares will be delivered in book-entry form through VP to the accounts of the Capital Certificate Holders in which the converted Capital Certificates were registered and otherwise in accordance with the rules of VP applicable from time to time.
- 11.9 Ranking. The New Shares must rank *pari passu* with, and be identical to, the Issuer's existing Shares at the date of the implementation of the Issuer's Conversion Option. The New Shares must be negotiable instruments and freely transferable. The New Shares must carry the same right to dividends from the date of registration with the Danish Commerce and Companies Agency as the Shares of the Issuer on the date of implementation of the Issuer's Conversion Option.
- 11.10 Conditions. The exercise of the Issuer's Conversion Option is subject to:
- (i) the Issuer's shareholders in general meeting having passed all the necessary resolutions to issue the New Shares against conversion of the Capital Certificates at the Conversion Price and on the other terms of the Conditions (with voluntary conversion);
  - (ii) the Issuer providing a legal opinion on or before the date of implementation of the Issuer's Conversion Option in a form and with a content which is satisfactory to the Danish government, confirming (i) the fulfilment of the above and that the New Shares will rank *pari passu* with, and be identical to, the Issuer's existing Shares at the date of implementation of the Issuer's Conversion Option;
  - (iii) the Issuer's Articles of Association not containing any restrictions in respect of ownership, voting rights or negotiability, etc.;
  - (iv) the Issuer being licensed to operate as a bank, not having suspended its payments or entered into liquidation or having been declared bankrupt;
  - (v) no Company Resolution having been passed (or implemented), being pending or published within the relevant period in which the Valuation Expert is to fix the Conversion Price;
  - (vi) the Shares having been, and the New Shares being admitted to trading on the Stock Exchange or another regulated market; and
  - (vii) all Capital Certificates with Mandatory Conversion having been or being, at the same time as the implementation of the Issuer's Conversion Option, repaid, written down or converted under the applicable provisions.
- 11.11 Taxation. Any tax imposed on the Capital Certificate Holders as a result of the Issuer's exercise of the Issuer's Conversion Option is payable by the Issuer.
- 11.12 Expenses. Any expenses for VP and the custodians of the Capital Certificate Holders as a result of the Issuer's exercise of the Issuer's Conversion Option are payable by the Issuer.

## **12 BREACH**

- 12.1 Breach of the Conditions (with voluntary conversion). In the event of the Issuer's breach or anticipatory breach in performing its obligations under these Conditions (with voluntary conversion), any Capital Certificate Holder may exercise remedies for breach under Danish law. The exercise of remedies for breach may, however, not result in an obligation on the part of the Issuer to pay an amount at an earlier date than the date on which such amount would

otherwise have fallen due for payment under the Conditions (with voluntary conversion), see, however, paragraph 12.2.

- 12.2 Discontinuation of activities. Breach includes, inter alia, (i) the Issuer entering into liquidation, (ii) a bankruptcy order being made against the Issuer, or (iii) the withdrawal by the Danish Financial Supervisory Authority of the Issuer's licence to operate as a bank and approval of the winding up of the Issuer, with the exception of winding up through merger, under section 227 of the Danish Financial Business Act. In the event of breach under this paragraph 12.2, any Capital Certificate Holder may notify the Issuer that the Capital Certificates, plus any accrued Coupon, have fallen due. The redemption amount under this paragraph 12.2 is calculated in accordance with paragraphs 8.3 to 8.5. However, the redemption amount at a due date within a specified period until 31 December 2012, at the latest, is fixed at par.

### **13 AMENDMENTS AND APPROVALS**

- 13.1 Amendments. Any amendments of these Conditions (with voluntary conversion) to the effect that the Capital Certificates will no longer constitute Hybrid Core Capital are subject to the prior written approval of the Danish Financial Supervisory Authority.

- 13.2 Consent. If the Issuer ceases to be subject to the supervision of the Danish Financial Supervisory Authority under the Danish Financial Business Act, and the Financial Supervisory Authority has no authority vis-à-vis the Issuer, the consent of the Financial Supervisory Authority is not required under these Conditions (with voluntary conversion).

### **14 GOVERNING LAW AND VENUE**

- 14.1 Governing law and venue. These Conditions (with voluntary conversion) are governed by Danish law. Any dispute arising out of these Conditions (with voluntary conversion) shall be settled by the City Court of Copenhagen. The Issuer or a Capital Certificate Holder may, however, move to have the case referred to settlement by the High Court of Eastern Denmark.

## Appendix 2 – Capital certificates with voluntary and mandatory conversion

The requirements for the agreement on a state-funded capital injection as set out herein were determined in accordance with a resolution passed by the shareholders in general meeting on 19 August 2009, see Article 4.A of the Articles of Association. The conditions set out in this Appendix 2 apply to the part of the agreement relating to the raising of a capital injection against issuance of capital certificates with voluntary and mandatory conversion (tranche 2).

### 1 DEFINITIONS

The following definitions are used and have the following meaning in these Conditions (with voluntary and mandatory conversion):

"Shares" mean shares issued by the Issuer.

"Danish Public Companies Act" means Consolidating Act no. 649 of 15 June 2006, as amended.

"Alternative Coupon Payment Event" has the meaning set out in paragraph 5.1.

"Subordinated Loan Capital" means loan capital which meets the requirements set out in section 136 of the Danish Financial Business Act and any other loan capital designated as being subordinated to other unsubordinated capital (except for Hybrid Core Capital or debt designated as ranking *pari passu* with Hybrid Core Capital).

"Number of Capital Certificates" means the number of Capital Certificates outstanding from time to time.

"Business Day" means any day on which banks are generally open for business in Denmark.

"Calculation Period" means the period in which the Coupon Conversion Price is fixed in accordance with paragraphs 5.4.1.

"Conditions (with voluntary and mandatory conversion)" mean these Terms and Conditions of the Capital Certificates (with voluntary and mandatory conversion).

"Dividends Declared" mean the sum of dividends as calculated on a VDS Calculation Date and resolved by the Issuer's shareholders in general meeting or Board of Directors in the period from the latest VDS Calculation Date or, with respect to the first VDS Calculation Date, the period from 1 October 2010 to the relevant VDS Calculation Date and either (i) paid by the Issuer during such period or (ii) scheduled for payment during the period after the VDS Calculation Date on which the dividends are calculated. If it has been resolved to declare dividends denominated in a currency other than DKK, the amount will be translated into DKK based on the price published by Danmarks Nationalbank on the date of the resolution to declare dividends.

"Partial Redemption" has the meaning set out in paragraph 8.6.

"DKK" means Danish kroner.

"Effective Rate of Interest" means the effective rate of interest equal to the sum of the Coupon Conversion Commission, Conversion Commission (where relevant) and the Annual Effective Rate of Interest.

"Fixed Coupon" has the meaning set out in paragraph 4.2.

"FSA Conversion Order" has the meaning set out in paragraph 12.1.

"Stock Exchange" means Nasdaq OMX Copenhagen A/S, CVR no. 19042677.

"Distributable Reserves" mean the distributable reserves which appear from the Issuer's latest audited annual report approved by the Issuer's shareholders in general meeting.

"Early Redemption Amount" means an amount the payment of which on the Date of Redemption will imply that the Capital Certificate has generated an overall return equal to the Effective Rate of Interest calculated during the period from the Date of Issuance to the Date of Redemption.

"Trading Day" means any day on which trading can take place on the Stock Exchange.

"Principal in Excess of Market Capitalisation" means the Outstanding Principal on a VDS Calculation Date divided by the Market Capitalisation.

"Hybrid Core Capital" means loan capital which meets the requirements set out in section 132 of the Danish Financial Business Act.

"Hybrid Core Capital Ratio" means the Issuer's Hybrid Core Capital from time to time as a percentage of the Issuer's Core Capital from time to time.

"Date of Redemption" means the date of redemption of the Capital Certificates or part thereof under paragraph 8.

"Capital Certificates" have the meaning set out in paragraph 2.1.

"Capital Certificates with Mandatory Conversion" mean the Capital Certificates and other capital certificates with mandatory conversion issued under the Danish Act on State-Funded Capital Injections.

"Capital Certificates without Mandatory Conversion" mean capital certificates issued under the Terms and Conditions of the Capital Certificates (with voluntary conversion) of the same date as the Conditions (with voluntary and mandatory conversion) and other capital certificates with voluntary conversion issued under the Danish Act on State-Funded Capital Injections.

"Capital Certificate Holder" means a natural or legal person registered with VP as a holder of one or more Capital Certificates.

"Capital Requirement" means the higher of the Solvency Requirement and the minimum capital requirement, see section 127 of the Danish Financial Business Act.

"Core Capital" means core capital as defined in section 5(7)(iv) of the Danish Financial Business Act.

"Conversion Price" has the meaning set out in paragraph 12.4.

"Conversion Notification" has the meaning set out in paragraph 11.3.

"Conversion Option Price" has the meaning set out in paragraph 11.7.

"Conversion Option Period" has the meaning set out in paragraph 11.1.

"Conversion Option Valuation Expert" has the meaning set out in paragraph 11.7.1.

"Conversion Option Valuation Report" has the meaning set out in paragraph 11.7.4.

"Conversion Commission" is fixed at a maximum of 0.4% per annum.

"Coupon" means the sum of the Fixed Coupon and the Variable Dividend Supplement.

"Price-Sensitive Information" means information on (i) the Issuer, including the Issuer's activities, assets, liabilities, conditions (financial or other), financial results and operations, (ii) the Shares and (iii) market conditions relating to (i) and/or (ii), which information ((i)-(iii)) will, or may reasonably be expected to, individually or jointly with other information, affect the price of the Shares, or which a rational investor may reasonably be expected to include in the estimation of the value of the Shares. The issuer will be deemed to hold Price-Sensitive Information if a member of its Board of Directors, executive board, management or other key employees holds such Price-Sensitive Information.

"Danish Financial Business Act" means Consolidating Act no. 897 of 4 September 2008 and executive orders issued in pursuance thereof, all as amended.

"Danish Act on State-Funded Capital Injections" means Act no. 67 of 3 February 2009 and executive orders issued in pursuance thereof, all as amended.

"Market Capitalisation" means the value of the company determined at the signing of the agreement on a state-funded capital injection plus any net cash proceeds from a cash share capital increase in the Issuer effected in the period from the Date of Issuance until a VDS Calculation Date.

"Nominal Rate of Interest" means the nominal rate of interest equal to the Effective Rate of Interest on semi-annual payments of the Fixed Coupon.

"New Shares" mean Shares issued by the Issuer to the Capital Certificate Holders in the event of conversion, see paragraphs 11 and 12.

"Mandatory Conversion" has the meaning set out in paragraph 12.1.

"Volume-Weighted Average Price" with respect to the Shares means the volume-weighted average price calculated on the basis of the period from 9.00 a.m. CET on the first day of the Calculation Period to 5.00 p.m. CET on the last day of the Calculation Period, as published in the column "Bloomberg VWAP" on Bloomberg's page VJBA DC <equity> VAP (or similar page).

"Nominal Value" means DKK 0.01.

"Coupon Conversion Shares" have the meaning set out in paragraph 5.1.

"Date of Coupon Conversion Notification" has the meaning set out in paragraph 5.2.

"Coupon Conversion Date" has the meaning set out in paragraph 5.1.

"Coupon Conversion Price" has the meaning set out in paragraph 5.4.

"Coupon Conversion Notification" has the meaning set out in paragraph 5.2.

"Coupon Conversion Commission" is fixed at a maximum of 0.1% per annum.

"Coupon Conversion Valuation Expert" has the meaning set out in paragraph 5.4.2.

"Interest Addition Date" means 1 May and 1 November of any year.

"Company Resolution" means dividend and any other distribution of cash or other assets to the Issuer's shareholders, capital increase or capital reduction, issuance of warrants, share options, convertible bonds or other convertible instruments, other rights to subscribe for or purchase Shares, share split or share consolidation, merger, demerger and any other resolution by the Issuer which affects the capital structure of the Issuer.

"Solvency Requirement" means the higher of (i) the solvency requirement, see section 124(2) of the Danish Financial Business Act, and (ii) any individual solvency requirement determined by the Danish Financial Supervisory Authority, see section 124(5) of the Danish Financial Business Act.

"Total Amount of the Issuances" means the Total Amount of the Issuance plus the Total Amount of the Issuance as defined in the Terms and Conditions of the Capital Certificates (with voluntary conversion) of the same date as the Conditions (with voluntary and mandatory conversion).

"Outstanding Principal" means the Number of Capital Certificates multiplied by the Nominal Value.

"Issuer's Mandatory Conversion Option" has the meaning set out in paragraph 12.2.

"Total Amount of the Issuance" has the meaning set out in paragraph 2.1.

"Date of Issuance" means the date of issuance of the Capital Certificates fixed at the date of signing of the agreement, however, not later than on 31 December 2009.

"Issuer" means Vestjysk Bank A/S, Torvet 4, 7620 Lemvig, Denmark, CVR no. 34631328.

"Issuer's Conversion Option" has the meaning set out in paragraph 11.1.

"Variable Dividend Supplement" has the meaning set out in paragraph 4.3.

"VP" means VP Securities A/S, CVR no. 21599336.

"VDS Calculation Date" has the meaning set out in paragraph 4.3.

"Valuation Expert" has the meaning set out in paragraph 11.7.1.

"Valuation Report" has the meaning set out in paragraph 11.7.4.

"Annual Effective Rate of Interest" means the effective rate of interest per annum, determined as the sum of the five-year government zero-coupon rate on the last trading day before the signing of the agreement on a state-funded capital injection plus a fixed margin of 6% plus an individual margin for Vestjysk Bank. The individual margin of the bank is capped at 2.25%.

"Fixed Annual Coupon" means the sum of the Fixed Coupon accruing on the Capital Certificates in a one-year period from 1 May of any one year to 1 May of the next year.

## **2 FORM AND NOMINAL VALUE**

2.1 Capital Certificates. Under these Conditions (with voluntary and mandatory conversion), the Issuer will issue a number of capital certificates (individually referred to as a "Capital Certificate" and collectively referred to as the "Capital Certificates") in denominations of DKK 0.01 each, in total corresponding to the amount of tranche 2 of the capital injection raised under Article 4A of the Articles of Association (the "Total Amount of the Issuance").

2.2 Registration with VP. The Capital Certificates are issued in book-entry form through VP. Unless otherwise provided in these Conditions (with voluntary and mandatory conversion), interest etc. must be calculated and paid in accordance with the rules of VP applicable from time to time.

## **3 STATUS**

3.1 Status. The Capital Certificates constitute Hybrid Core Capital. The Capital Certificates rank pari passu with other Hybrid Core Capital of the Issuer and any other debt designated as ranking pari passu with Hybrid Core Capital. The Capital Certificates rank senior to the Issuer's share capital and debt designated as being subordinated Hybrid Core Capital, in all respects, including in respect of the right to receive periodic payments and the right to receive payment in connection with the Issuer's bankruptcy or liquidation.

3.2 Subordination. The Capital Certificates are subordinated to any unsubordinated debt of the Issuer and any Subordinated Loan Capital of the Issuer.

## **4 INTEREST**

4.1 Payment of Coupon. The Issuer must pay Coupon to the Capital Certificate Holders in accordance with this paragraph 4.

4.2 Fixed Coupon. The Issuer must pay the Nominal Rate of Interest on the Outstanding Principal ("Fixed Coupon"). The Fixed Coupon is payable semi-annually on each Interest Addition Date. The calculation of the Fixed Coupon must comply with actual/actual (ICMA) and the rules of VP applicable from time to time.

4.3 Variable Dividend Supplement. Furthermore, the Issuer must pay a variable dividend supplement ("Variable Dividend Supplement") to be calculated as the higher amount of:

- (i) DKK 0; and
- (ii) (Dividend Declared x 1.25 x Principal in Excess of Market Capitalisation) – Fixed Annual Coupon.

The Variable Dividend Supplement is calculated five Business Days before 1 May of any year (the "VDS Calculation Date"). If the Issuer's shareholders in general meeting or Board of Directors has resolved to declare dividends on a later date in April of the relevant year, such date will be deemed to be the VDS Calculation Date. The Variable Dividend Supplement will be payable each year on 1 May, beginning on 1 May 2012.

## **5 ALTERNATIVE COUPON PAYMENT**

- 5.1 Alternative Coupon Payment Event. If the solvency ratio of the Issuer will be less than 110% of the Solvency Requirement upon payment in whole or in part of the Coupon ("Alternative Coupon Payment Event"), the payment of Coupon must be effected through issuance of new Shares or delivery of existing treasury Shares ("Coupon Conversion Shares") to the Capital Certificate Holders relative to their holdings of Capital Certificates on the relevant Interest Addition Date or on such later date as may be determined under paragraph 5.4.1 (the "Coupon Conversion Date").
- 5.2 Notification of Alternative Coupon Payment Event. In the event of an Alternative Coupon Payment Event, the Issuer must notify the Capital Certificate Holders and the public ("Coupon Conversion Notification") not later than three Trading Days and not earlier than five Trading Days before the Coupon Conversion Date ("Date of Coupon Conversion Notification"). Notwithstanding the above, the Issuer may publish any notification of an Alternative Coupon Payment Event at an earlier date if the Issuer has an obligation to do so under applicable law or the rules of the Stock Exchange. However, in all events, the Issuer must publish a Coupon Conversion Notification not later than three Trading Days and not earlier than five Trading Days before the Coupon Conversion Date. The Coupon Conversion Notification must be published before the opening of the Stock Exchange on the Date of Coupon Conversion Notification. The Issuer must notify the Capital Certificate Holders and the public of the Coupon Conversion Price on or before the Coupon Conversion Date and before the conversion of the Coupon. All notifications under this paragraph must be given in accordance with the rules of VP applicable from time to time, the rules of the Stock Exchange and applicable law.
- 5.3 Number of Coupon Conversion Shares. Coupon converted as a result of an Alternative Coupon Payment Event will be converted into a number of Coupon Conversion Shares according to the following formula:
- Number of Coupon Conversion Shares = Coupon converted, divided by the Coupon Conversion Price, see, however, paragraph 11.6.
- 5.4 Coupon Conversion Price. The price at which Coupon is converted into New Shares ("Coupon Conversion Price") is calculated in DKK per Share pursuant to the rules set out in paragraphs 5.4.1 and 5.4.2.
- 5.4.1 Market Price. The Coupon Conversion Price is calculated in accordance with the following formula:
- The average of (i) the Volume-Weighted Average Price of the Shares calculated over a period of three consecutive Trading Days immediately preceding the Date of Coupon Conversion Notification (exclusive) and (ii) the Volume-Weighted Average Price of the Shares calculated over a period of three consecutive Trading Days, beginning on the Date of Coupon Conversion Notification (inclusive).

If the Issuer holds Price-Sensitive Information, notification of such information must be given to the public pursuant to applicable law on or before the Date of Coupon Conversion.

Notification. If the Issuer believes or predicts, after having performed reasonable examinations of the Issuer's activities, assets, liabilities, conditions (financial or other), financial results and operations, that it will come into possession of Price-Sensitive Information within the first ten consecutive Trading Days after the Date of Coupon Conversion Notification, the Date of Coupon Conversion Notification may be the date of publication of such Price-Sensitive Information at the earliest.

- 5.4.2 Coupon Conversion Valuation Expert. If (i) the Shares have not been traded on one or more Trading Days during the Calculation Period or (ii) the Danish government so requests, the Coupon Conversion Price will be fixed by an independent investment bank or a state-authorised public accountant designated by the Danish government upon consultation with the Issuer (the "Coupon Conversion Valuation Expert"). The Coupon Conversion Price fixed by the Coupon Conversion Valuation Expert is binding. The Issuer shall pay all costs for the Coupon Conversion Valuation Expert. The conversion of the Coupon must be effected as soon as possible after the Coupon Conversion Valuation Expert has informed the Issuer and the Capital Certificate Holders of the Coupon Conversion Price. This paragraph 5.4.2 will cease to apply if the Danish government ceases to be a Capital Certificate Holder.

- 5.5 Conditions. Conversion of Coupon under this paragraph 5 is subject to:

- (i) the Issuer's shareholders in general meeting having passed all the necessary resolutions to issue the Coupon Conversion Shares against conversion of Coupon at the Coupon Conversion Price and on the other terms and conditions of the Conditions (with voluntary and mandatory conversion);
- (ii) the Issuer providing a legal opinion at the time of the implementation of the conversion in a form and with a content which is satisfactory to the Danish government, confirming (i) the fulfilment of the above and that the Coupon Conversion Shares will rank *pari passu* with, and be identical to, the Issuer's existing Shares at the date of implementation of the conversion;
- (iii) the Issuer's Articles of Association not containing any restrictions in respect of ownership, voting rights or negotiability, etc.;
- (iv) the Issuer being licensed to operate as a bank, not having suspended its payments or entered into liquidation or having been declared bankrupt;
- (v) the Shares having been, and the Coupon Conversion Shares being admitted to trading on the Stock Exchange or another regulated market; and
- (vi) no Company Resolution having been passed (or implemented), being pending or published within a period of five consecutive Trading Days before the Date of Coupon Conversion Notification and during a period of ten consecutive Trading Days after the Date of Coupon Conversion Notification (inclusive) or, if the Coupon Conversion Price is fixed in accordance with paragraph 5.4.2, within the relevant period in which the Coupon Conversion Valuation Expert is to fix the Coupon Conversion Price.

- 5.6 No adjustment. The Coupon Conversion Price will not be separately adjusted in the event of the Issuer's increase or reduction of the share capital, issuance of warrants or convertible instruments, merger, demerger or other dissolution.

5.7 Similar application. Paragraphs 11.6, 11.8, 11.9, 11.11 and 11.11 apply subject to any necessary amendments with respect to an Alternative Coupon Payment Event or issuance of Coupon Conversion Shares.

## **6 CANCELLATION OF COUPON**

6.1 Conditions. Coupon is payable on the due date, see paragraphs 4.2 and 4.3, unless:

- (i) the Issuer either does not fulfil the Capital Requirement before payment of Coupon or, after payment of Coupon, the Issuer will not fulfil the Capital Requirement;
- (ii) the Coupon exceeds the Distributable Reserves, see section 132(1)(vii) of the Danish Financial Business Act; or
- (iii) The Danish Financial Supervisory Authority has announced that, in the assessment of the Financial Supervisory Authority, the Issuer either does not fulfil the Capital Requirement before payment of Coupon or, after payment of Coupon, will not fulfil the Capital Requirement, or if the authority assesses that the payment of Coupon will adversely affect the Issuer's financial position to the effect that the Issuer is likely not to fulfil the Capital Requirement.

6.2 Partial payment. If either of the exceptions in (i) or (ii) set out in paragraph 6.1 applies, the Issuer must pay Coupon in any such smaller amount as may be paid without triggering the application of the exceptions in (i) and (ii) in paragraph 6.1. In the event of partial payment of Coupon under this paragraph 6.2, the amount payable in respect of the Capital Certificates must constitute a proportionate share of the total amount available for payment of Coupon calculated as such share of the sum of the Issuer's total Hybrid Core Capital as represented by the Outstanding Principal on the due date.

6.3 Lost Coupon. Any Coupon not paid in whole or in part under paragraph 6.1 or 6.2 will be lost, and no claim for such interest may be made at any subsequent time.

6.4 Resumption of obligation to pay Coupon. The addition of Coupon will be resumed, and the obligation to pay Coupon will apply again from such date as the exceptions in paragraph 6.1 no longer apply.

6.5 Notification. The Issuer shall immediately notify the Capital Certificate Holders when the Issuer becomes aware that the full Coupon cannot be paid on the due date under this paragraph 6.

## **7 WRITE-DOWN OF PRINCIPAL AND UNPAID COUPON**

7.1 Write-down of Capital Certificates. The Issuer may at an annual or extraordinary general meeting resolve to write down, in whole or in part, the Outstanding Principal and any accrued, unpaid Coupon if the Issuer's equity is lost and the Issuer's share capital has been written down to zero. In the event of a partial write-down of the Outstanding Principal, such write-down must be effected by a proportionate write-down of the Issuer's total Hybrid Core Capital.

7.2 Conditions for write-downs. The Outstanding Principal and any accrued, unpaid Coupon may be written down in accordance with paragraph 7.1 only if (i) additional capital is subsequently contributed to the Issuer to the effect that the Capital Requirement is fulfilled, or (ii) the Issuer discontinues its activities without any loss to the unsubordinated creditors. Write-

downs may only be effected by an amount approved in advance by the Issuer's external auditor(s) and the Danish Financial Supervisory Authority.

- 7.3 Notification. The Issuer shall immediately, or, where possible, in advance, notify the Capital Certificate Holders of a notice to convene a general meeting with a view to passing resolutions of the nature specified in paragraph 7.1.

## **8 REDEMPTION OF CAPITAL CERTIFICATES**

- 8.1 No maturity date. The Capital Certificates have no maturity date, are not payable in whole or in part at any fixed time and no claim for repayment in whole or in part may be made unless expressly provided in these Conditions (with voluntary and mandatory conversion).

- 8.2 Redemption. The Capital Certificates may not be redeemed in whole or in part before the expiry of a period specified on the signing of the agreement on a state-funded capital injection, which period will expire on 31 December 2012, at the latest. If the

Capital Certificates are redeemed by the Issuer in whole or by Partial Redemption before the expiry of a period specified on the signing of the agreement on a state-funded capital injection, which period will expire on 31 December 2012, at the latest, such redemption will be subject to the fulfilment of the conditions of section 132(4) of the Danish Financial Business Act.

- 8.3 Redemption price in the fourth and fifth year from the Date of Issuance. During a period specified on the signing of the agreement on a state-funded capital injection, which period runs from 1 January 2012, at the earliest, to 31 December 2014, at the latest, the Issuer may redeem the Capital Certificates, in whole or by Partial Redemption, plus any due, unpaid Coupon, at an amount per Capital Certificate corresponding to the higher of

(a) the Nominal Value; and

(b) the Early Redemption Amount

plus

(i) as regards (a) above, any Fixed Coupon accrued during the period from the latest Interest Addition Date until the Date of Redemption; and

(ii) as regards both (a) and (b) above, any Variable Dividend Supplement accrued from the latest VDS Calculation Date until the Date of Redemption.

- 8.4 Redemption price in the sixth year from the Date of Issuance. During a period specified on the signing of the agreement on a state-funded capital injection, which period runs from 1 January 2014, at the earliest, to 31 December 2015, at the latest, the Issuer may redeem the Capital Certificates, in whole or by Partial Redemption, plus any due, unpaid Coupon, at an amount per Capital Certificate corresponding to 105% of the Nominal Value, plus

(a) 5% of the Nominal Value if the Coupon is lost in whole or in part in the period from the Date of Issuance until the Date of Redemption, see paragraph 6.3;

(b) Fixed Coupon accrued in the period from the latest Interest Addition Date until the Date of Redemption; and

- (c) Variable Dividend Supplement accrued in the period from the latest VDS Calculation Date until the Date of Redemption.
- 8.5 Redemption price in and after the seventh year from the Date of Issuance. From a date specified on the signing of the agreement on a state-funded capital injection, however, not earlier than from 1 January 2015, the Issuer may redeem the Capital Certificates, in whole or by Partial Redemption, plus any due, unpaid Coupon, at an amount per Capital Certificate corresponding to 110% of the Nominal Value, plus
- (a) Fixed Coupon accrued in the period from the latest Interest Addition Date until the Date of Redemption; and
  - (b) Variable Dividend Supplement accrued in the period from the latest VDS Calculation Date until the Date of Redemption.
- 8.6 Partial Redemption. Notwithstanding paragraph 8.1 to 8.5, the Issuer may only redeem part (and not all) of the Capital Certificates ("Partial Redemption") on the following conditions:
- (a) the Issuer may effect a maximum of three Partial Redemptions before full redemption of all Capital Certificates must be effected;
  - (b) at least 20% of the Total Amount of the Issuance must be redeemed through Partial Redemption;
  - (c) the Outstanding Principal must represent at least 30% of the Total Amount of the Issuance after a Partial Redemption; and
  - (d) the selection of Capital Certificates to be redeemed through Partial Redemption must be made in accordance with the rules of VP applicable from time to time.
- 8.7 Redemption (capital and tax event). From a date specified on the signing of the agreement on a state-funded capital injection, however, not earlier than from 1 January 2012, the Issuer may, subject to prior written consent from the Danish Financial Supervisory Authority and notwithstanding the provisions set out in paragraphs 8.2 and 8.6, redeem any Capital Certificates, plus any due, unpaid Coupon, (a) which can no longer fully form part of the Issuer's Hybrid Core Capital due to changes in relevant legislation, (b) in respect of which the Issuer may no longer (in whole or in part) make tax deductions for Coupon. The redemption amount per Capital Certificate, see this paragraph 8.7, will be fixed in accordance with paragraphs 8.3 to 8.5. Paragraph 8.3 applies from a date specified on the signing of the agreement on a state-funded capital injection, however, not earlier than from 1 January 2012.
- 8.8 Obligation to redeem convertible Hybrid Core Capital. Capital Certificates without Mandatory Conversion may not be redeemed in whole or by Partial Redemption before such time as the Issuer has redeemed, written down or converted all Capital Certificates with Mandatory Conversion.
- 8.9 Notification. The Issuer shall notify the Capital Certificate Holders of redemption under this paragraph 8 not later than 15 days and not earlier than 60 days before the redemption may be effected.

- 8.10 Approval by the Danish Financial Supervisory Authority. Both full redemption and Partial Redemption are subject to the prior approval of the Danish Financial Supervisory Authority, see the Danish Financial Business Act.

## **9 PAYMENTS**

- 9.1 Currency. All payments to the Capital Certificate Holders under these Conditions (with voluntary and mandatory conversion) must be made in DKK.
- 9.2 Time. All payments in respect of Capital Certificates must be made on or before the due date for the relevant payment and be at the free disposal of the Capital Certificate Holders on such date. All payments must be made through VP and in accordance with the rules of VP applicable from time to time.
- 9.3 Non-Business Day. If an Interest Addition Date falls on a day which is not a Business Day, payment of Coupon will be deferred until the next Business Day. Deferral of payment of Coupon under this paragraph 9.3 will not give rise to any additional payments.

## **10 OBLIGATIONS OF THE ISSUER**

- 10.1 Obligations of the Issuer. The Issuer must fulfil all obligations set out in this paragraph 10.1 from the Date of Issuance until such date as the Capital Certificates have been fully written down, see paragraph 7, redeemed, see paragraph 8, or converted, see paragraph 11.
- 10.1.1 Capital reduction and treasury Shares. The Issuer may not (i) effect a capital reduction for any purpose other than to cover losses or to carry out write-downs under paragraph 7.1, (ii) purchase treasury Shares, including the implementation of buy-back programmes for treasury Shares, if such purchase is in contravention of the Danish Act on State-Funded Capital Injections, or (iii) dispose of treasury Shares on terms other than market terms.
- 10.1.2 Issuance of share options etc. The Issuer may only issue share options, warrants, convertible debt instruments or similar instruments on market terms, unless such issuance forms part of a general employee plan.
- 10.1.3 Dividend and repayment of subordinated debt. The Issuer may not declare dividends, repay or buy back debt which is subordinated to or ranks *pari passu* with the Capital Certificates or other Hybrid Core Capital if (i) any due Coupon has not been paid in whole or in part, or if (ii) the Coupon is lost under paragraph 6 and no full payment of Coupon has been made on two consecutive Interest Addition Dates after the date when the Coupon is lost. Notwithstanding the above, the Issuer may, however, buy back debt which is subordinated to the Capital Certificates, or which ranks *pari passu* with the Capital Certificates or other Hybrid Core Capital, for its trading portfolio with a view to fulfilling applications from the Issuer's customers in connection with the Issuer's market maker function.
- 10.1.4 Liquidation. The shareholders of the Issuer may not adopt any resolution to liquidate the Issuer, unless such liquidation is required by law.
- 10.1.5 Bonus shares. The Issuer is not permitted to issue bonus shares.
- 10.1.6 Merger and demerger. The Issuer may not enter into (i) a merger plan, and the shareholders of the Issuer may not approve such merger if the valuation experts under section 134 c of the Danish Public Companies Act declare that the consideration for the Shares is not reasonable, or if the shareholders of the Issuer receive consideration other than shares in the continuing company, or (ii) a demerger plan, and the shareholders of the Issuer may not approve such

demerger if such demerger may have a significant adverse impact on the interests of the Capital Certificate Holders.

- 10.1.7 Listing. The Issuer may not apply for delisting of the Shares from the Stock Exchange.
- 10.1.8 Other provisions. The Issuer may not implement any Company Resolutions entailing that the value of the total number of Coupon Conversion Shares received in the event of an Alternative Coupon Payment Event, see paragraph 5, or New Shares received in connection with a conversion, see paragraphs 11 and 12, would be lower than the value of such Shares had the Company Resolution not been implemented.
- 11 ISSUER'S CONVERSION OPTION**
- 11.1 Issuer's Conversion Option. During a period from the Date of Issuance up to and including 31 December 2014 (the "Conversion Option Period"), the Issuer may at any time request that the Capital Certificates plus any accrued, unpaid Coupon be converted into New Shares if the Issuer's Hybrid Core Capital Ratio exceeds 35 (the "Issuer's Conversion Option"). The Issuer's Conversion Option may not be exercised if the Danish Financial Supervisory Authority has ordered a conversion of all or part of the Capital Certificates, see paragraph 12, and such conversion has not been finally carried out. During the Conversion Option Period, the Issuer shall pay Conversion Commission.
- 11.2 Exercise of the Issuer's Conversion Option. The Issuer's Conversion Option may only be exercised in tranches of 20% of the Total Amount of the Issuances. If necessary in order to bring the Issuer's Hybrid Core Capital Ratio (calculated after conversion of each tranche) down to 35 or below, the Issuer's Conversion Option may be exercised with several tranches at a time.
- 11.3 Notification of exercise. The Issuer must notify the Capital Certificate Holders and the public ("Conversion Notification") of the exercise of the Issuer's Conversion Option in accordance with the rules of VP applicable from time to time, the rules of the Stock Exchange and applicable law.
- 11.4 Implementation of the Issuer's Conversion Option. The implementation of the conversion as per the Conversion Notification must be effected immediately after the Conversion Option Valuation Report is made available. At VP, the conversion must be effected in the form of a proportionate or (where relevant) full reduction and cancellation of the holdings of Capital Certificates in all accounts of VP in accordance with the rules of VP applicable from time to time. Upon exercise and implementation of the Issuer's Conversion Option through valid issuance of New Shares, the Capital Certificate Holders may not set up any claims against the Issuer relating to converted Capital Certificates. Coupon will continue to accrue on Capital Certificates not converted into New Shares in accordance with these Conditions (with voluntary and mandatory conversion).
- 11.5 Number of New Shares. The Capital Certificates to be converted under this paragraph 11 must be converted into a number of New Shares in accordance with the following formula:
- Number of New Shares = the sum of the Nominal Value of the Capital Certificates to be converted plus any accrued, unpaid Coupon, divided by the Conversion Option Price, see, however, paragraph 11.6.
- 11.6 Roundings. If the Nominal Value of the Capital Certificates, plus any accrued, unpaid Coupon, to be converted does not correspond to a whole number of New Shares for a given account with VP, the number of New Shares will be rounded down to the nearest whole

number of New Shares for the account with VP. No fractions of New Shares will be issued in connection with conversion, see this paragraph 11. Accordingly, any amounts not converted will be paid in cash to the Capital Certificate Holders at the time of VP's implementation of the Issuer's Conversion Option in accordance with VP's rules applicable from time to time.

- 11.7 Conversion Option Price. The price at which the Capital Certificates are to be converted into New Shares ("Conversion Option Price") is calculated in DKK per Share pursuant to the rules set out in paragraphs 11.7.1 and 11.7.5.
- 11.7.1 Conversion Option Valuation Expert. The Conversion Option Price is fixed by an independent state-authorised public accountant (the "Conversion Option Valuation Expert") appointed by the Institute of State Authorised Public Accountants in Denmark. The Conversion Option Valuation Expert must meet the conditions for being appointed valuation expert under section 6b of the Danish Public Companies Act and have experience of credit institutions. Immediately after the Conversion Notification, the Issuer must contact the Institute of State Authorised Public Accountants in Denmark for appointment of a Conversion Option Valuation Expert. The Issuer shall pay all costs for the Conversion Option Valuation Expert.
- 11.7.2 Valuation criteria. The Conversion Option Price is determined by the Conversion Option Valuation Expert as the market value of the Issuer's Shares immediately after the Conversion Notification, taking into account the situation of the Issuer at the time of the Conversion Notification. The Conversion Option Valuation Expert determines at his own discretion the most suitable valuation method(s) based on the situation of the Issuer, and may, if he sees fit, determine the market value on the basis of the price of the Shares on the Stock Exchange after the Conversion Notification. When making his valuation, the Conversion Option Valuation Expert is not required to take into account the effect of any simultaneous or subsequent capital increase or capital injection in the Issuer, unless such capital increase or such capital injection has been subscribed or underwritten at the date of the Conversion Notification. If the Conversion Option Valuation Expert elects to determine the market value on the basis of the price of the Shares on the Stock Exchange after the Issuer's Conversion Notification, the Conversion Option Valuation Expert is not required to adjust such price, unless he considers it appropriate. If the Conversion Option Price is lower than the nominal value of the New Shares, the Issuer's Conversion Option may not be exercised.
- 11.7.3 No adjustment. The Conversion Option Price will not be separately adjusted in the event of the Issuer's increase or reduction of the share capital, issuance of warrants or convertible instruments, merger, demerger or other dissolution prior to the Conversion Notification, since the Conversion Option Price is determined at market value, see paragraph 11.7.2.
- 11.7.4 Conversion Option Valuation Report. The Conversion Option Valuation Expert's valuation report (the "Conversion Option Valuation Report") must be available not later than three weeks after the date of the Conversion Notification. The Conversion Option Valuation Report must state the procedure(s) applied in determining the Conversion Option Price. The Conversion Option Valuation Report is final. Accordingly, the Issuer or the Capital Certificate Holders cannot set up any claims or take legal action on the basis of the Conversion Option Valuation Report. As soon as the Conversion Option Valuation Report is available, the Issuer must notify the Capital Certificate Holders of the results in accordance with the rules of VP applicable from time to time, and the Issuer must publish the Conversion Option Valuation Report in accordance with the rules of the Stock Exchange and applicable law.
- 11.7.5 Issuer's collaboration. Immediately after the appointment of the Conversion Option Valuation Expert, the Issuer must notify the Conversion Option Valuation Expert of or

publish (in accordance with the rules of the Stock Exchange and applicable law) any Price-Sensitive Information and, during the period until the date of the Conversion Option Valuation Report, notify the Conversion Option Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any additional Price-Sensitive Information of which the Issuer may gain knowledge during such period. At the request of the Conversion Option Valuation Expert, the Issuer must confirm that it has published or disclosed any Price-Sensitive Information. Furthermore, the Issuer must provide the Conversion Option Valuation Expert with access to any such information and employees of the Issuer as the Conversion Option Valuation Expert deems necessary, taking into account the limited period of time available for the preparation of the Conversion Option Valuation Report, see paragraph 11.7.4. In addition, the Issuer must comply with the principles of section 6b(4) of the Danish Public Companies Act. Where possible, the Issuer must arrange for the Issuer's auditor(s) to collaborate with and disclose such information to the Conversion Option Valuation Expert as he may need, including the work papers of the Issuer's auditor.

11.8 Delivery. The New Shares will be delivered in book-entry form through VP to the accounts of the Capital Certificate Holders in which the converted Capital Certificates were registered and otherwise in accordance with the rules of VP applicable from time to time.

11.9 Ranking. The New Shares must rank *pari passu* with, and be identical to, the Issuer's existing Shares at the date of the implementation of the Issuer's Conversion Option. The New Shares must be negotiable instruments and freely transferable. The New

Shares must carry the same right to dividends from the date of registration with the Danish Commerce and Companies Agency as the Shares of the Issuer on the date of implementation of the Issuer's Conversion Option.

11.10 Conditions. The exercise of the Issuer's Conversion Option is subject to:

- (i) the Issuer's shareholders in general meeting having passed all the necessary resolutions to issue the New Shares against conversion of the Capital Certificates at the Conversion Option Price and on the other terms of the Conditions (with voluntary and mandatory conversion);
- (ii) the Issuer providing a legal opinion on or before the date of implementation of the Issuer's Conversion Option in a form and with a content which is satisfactory to the Danish government, confirming (i) the fulfilment of the above and that the New Shares will rank *pari passu* with, and be identical to, the Issuer's existing Shares at the date of implementation of the Issuer's Conversion Option;
- (iii) the Issuer's Articles of Association not containing any restrictions in respect of ownership, voting rights or negotiability, etc.;
- (iv) the Issuer being licensed to operate as a bank, not having suspended its payments or entered into liquidation or having been declared bankrupt;
- (v) the Shares having been, and the New Shares being admitted to trading on the Stock Exchange or another regulated market; and
- (vi) no Company Resolution having been passed (or implemented), being pending or published within the relevant period in which the Conversion Option Valuation Expert is to fix the Conversion Option Price;

- 11.11 Taxation. Any tax imposed on the Capital Certificate Holders as a result of the Issuer's exercise of the Issuer's Conversion Option is payable by the Issuer.
- 11.12 Expenses. Any expenses for VP and the custodians of the Capital Certificate Holders as a result of the Issuer's exercise of the Issuer's Conversion Option are payable by the Issuer.

**12 MANDATORY CONVERSION**

- 12.1 Conversion obligation. The Danish Financial Supervisory Authority may order ("FSA Conversion Order") that all or part of the Capital Certificates be converted into New Shares in one or more rounds ("Mandatory Conversion"), in the event that:

- (a) the Issuer fails to meet the Solvency Requirement; or
- (b) the Danish Financial Supervisory Authority assesses that there is a clear risk that the Issuer will fail to meet the Solvency Requirement.

If the Danish Financial Supervisory Authority issues an order against the Issuer, the Issuer and the Capital Certificate Holders are under an obligation to carry out the Mandatory Conversion as ordered under the rules of this paragraph 12. Any undue Coupon accrued on the Capital Certificates converted will be lost from the date of the Mandatory Conversion in connection with the registration with the Danish Commerce and Companies Agency of the capital increase by the New Shares.

- 12.2 Issuer's notifications of conversion. The Issuer must immediately upon receipt of the FSA Conversion Order notify the Capital Certificate Holders and the public (the "Issuer's Mandatory Conversion Notification") of the receipt of the FSA Conversion Order and of the Mandatory Conversion as ordered in accordance with the rules of VP applicable from time to time, the rules of the Stock Exchange and applicable law.

- 12.3 Number of New Shares. The Capital Certificates to be converted in connection with a Mandatory Conversion must be converted into a number of New Shares in accordance with the following formula:

Number of New Shares = the sum of the Nominal Value of all Capital Certificates to be converted, divided by the Conversion Price, see, however, paragraph 11.6.

- 12.4 Conversion Price. The price at which the Capital Certificates are to be converted into New Shares ("Conversion Price") is calculated in DKK per Share pursuant to the rules set out in paragraphs 11.7.1 and 11.7.5.

- 12.4.1 Valuation Expert. The Conversion Price is fixed by an independent state-authorised public accountant (the "Valuation Expert") appointed by the Institute of State Authorised Public Accountants in Denmark. The Valuation Expert must meet the conditions for being appointed valuation expert under section 6b of the Danish Public Companies Act and have experience of credit institutions. Immediately upon receipt of the FSA Conversion Order, the Issuer must contact the Institute of State Authorised Public Accountants in Denmark for appointment of a Valuation Expert. The Issuer shall pay all costs for the Valuation Expert.

- 12.4.2 Valuation criteria. The Conversion Price is determined by the Valuation Expert as the market value of the Issuer's Shares immediately after the publication of the Issuer's Mandatory Conversion Notification, taking into account the situation of the Issuer at the time of the FSA Conversion Order. The Valuation Expert determines at his own discretion the most suitable valuation method(s) based on the situation of the Issuer, and may, if he sees fit, determine

the market value on the basis of the price of the Shares on the Stock Exchange after the Issuer's Mandatory Conversion Notification. When making his valuation, the Valuation Expert is not required to take into account (i) the effect of any subsequent Mandatory Conversion (including the impact on the Issuer's solvency ratio and the dilution resulting from the conversion) or (ii) any simultaneous or subsequent capital increase or capital injection in the Issuer, unless such capital increase or such capital injection has been subscribed or underwritten at the date of the FSA Conversion Order. If the Valuation Expert elects to determine the market value on the basis of the price of the Shares on the Stock Exchange after the Issuer's Mandatory Conversion Notification, the Valuation Expert is not required to adjust such price, unless he considers it appropriate. Notwithstanding the above, the Conversion Price may not be lower than the nominal value of the New Shares.

- 12.4.3 No adjustment. The Conversion Price will not be separately adjusted in the event of the Issuer's increase or reduction of the share capital, issuance of warrants or convertible instruments, merger, demerger or other dissolution prior to the FSA Conversion Order, since the Conversion Price is determined at market value, see paragraph 11.7.2.
  
- 12.4.4 Valuation Report. The Valuation Expert's valuation report (the "Valuation Report") must be available not later than three weeks after the date of the FSA Conversion Order. The Valuation Report must state the procedure(s) applied in determining the Conversion Price. The Valuation Report is final. Accordingly, the Issuer or the Capital Certificate Holders cannot set up any claims or take legal action on the basis of the Valuation Report. As soon as the Valuation Report is available, the Issuer must notify the Capital Certificate Holders of the results in accordance with the rules of VP applicable from time to time, and the Issuer must publish the Valuation Report in accordance with the rules of the Stock Exchange and applicable law.
  
- 12.4.5 Issuer's collaboration. Immediately after the appointment of the Valuation Expert, the Issuer must notify the Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any Price-Sensitive Information and, during the period until the date of the Valuation Report, notify the Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any additional Price-Sensitive Information of which the Issuer may gain knowledge during such period. At the request of the Valuation Expert, the Issuer must confirm that it has published or disclosed any Price-Sensitive Information. Furthermore, the Issuer must provide the Valuation Expert with access to any such information and employees of the Issuer as the Valuation Expert deems necessary, taking into account the limited period of time available for the preparation of the Valuation Report, see paragraph 11.7.4. In addition, the Issuer must comply with the principles of section 6b(4) of the Danish Public Companies Act. Where possible, the Issuer must arrange for the Issuer's auditor(s) to collaborate with and disclose such information to the Valuation Expert as he may need, including the work papers of the Issuer's auditor.
  
- 12.5 Cancellation of licence. Notwithstanding paragraph 12.1, no request to convert the Capital Certificates into Shares in the Issuer may be made if the Issuer is no longer licensed to operate as a bank and is no longer subject to the supervision of the Danish Financial Supervisory Authority under the Danish Financial Business Act.
  
- 12.6 Status of the Capital Certificates. As from the date of the FSA Conversion Order, any Capital Certificates to be converted into New Shares must, in all respects, rank pari passu with the Shares of the Issuer and with any debt designated as ranking pari passu with the Shares of the Issuer. In the event of a withdrawal by the Danish Financial Supervisory Authority of the FSA Conversion Order prior to the implementation of the Mandatory Conversion in

connection with registration of the capital increase by the New Shares with the Danish Commerce and Companies Agency, the Capital Certificates will resume the status in accordance with paragraph 3 from the date of such withdrawal.

- 12.7 Similar application. Paragraphs 11.4, 11.6, 11.8, 11.9 and 11.12 apply subject to any necessary amendments with respect to a Mandatory Conversion.

### **13 BREACH**

- 13.1 Breach of the Conditions (with voluntary and mandatory conversion). In the event of the Issuer's breach or anticipatory breach in performing its obligations under these Conditions (with voluntary and mandatory conversion), any Capital Certificate Holder may exercise remedies for breach under Danish law. The exercise of remedies for breach may, however, not result in an obligation on the part of the Issuer to pay an amount at an earlier date than the date on which such amount would otherwise have fallen due for payment under the Conditions (with voluntary and mandatory conversion), see, however, paragraph 12.2.

- 13.2 Discontinuation of activities. Breach includes, inter alia, (i) the Issuer entering into liquidation, (ii) a bankruptcy order being made against the Issuer, or (iii) the withdrawal by the Danish Financial Supervisory Authority of the Issuer's licence to operate as a bank and approval of the winding up of the Issuer, with the exception of winding up through merger, under section 227 of the Danish Financial Business Act. In the event of breach under this paragraph 12.2, any Capital Certificate Holder may notify the Issuer that the Capital Certificates, plus any accrued Coupon, have fallen due. The redemption amount under this paragraph 12.2 is calculated in accordance with paragraphs 8.3 to 8.5. However, the redemption amount at a due date within a specified period until 31 December 2012, at the latest, is fixed at par.

### **14 AMENDMENTS AND APPROVALS**

- 14.1 Amendments. Any amendments of these Conditions (with voluntary and mandatory conversion) to the effect that the Capital Certificates will no longer constitute Hybrid Core Capital are subject to the prior written approval of the Danish Financial Supervisory Authority.
- 14.2 Consent. If the Issuer ceases to be subject to the supervision of the Danish Financial Supervisory Authority under the Danish Financial Business Act, and the Financial Supervisory Authority has no authority vis-à-vis the Issuer, the consent of the Financial Supervisory Authority is not required under these Conditions (with voluntary and mandatory conversion).

### **15 GOVERNING LAW AND VENUE**

- 15.1 Governing law and venue. These Conditions (with voluntary and mandatory conversion) are governed by Danish law. Any dispute arising out of these Conditions (with voluntary and mandatory conversion) shall be settled by the City Court of Copenhagen. The Issuer or a Capital Certificate Holder may, however, move to have the case referred to settlement by the High Court of Eastern Denmark.

## APPENDIX 3 – AGREEMENT ON STATE-FUNDED CAPITAL INJECTION

### AGREEMENT ON STATE-FUNDED CAPITAL INJECTION

BETWEEN Aarhus Lokalkbank Aktieselskab  
as the borrower

AND The Danish State / represented by the Danish Ministry of Economics and Business Affairs  
as the lender

Date: [\*] [\*] 2009

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## APPENDICES

Appendix 1:	Terms and Conditions governing the Capital Certificates (with voluntary conversion)
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## AGREEMENT ON STATE-FUNDED CAPITAL INJECTION

This agreement on state-funded capital injection (hereinafter the "Agreement") is entered on [\*] [\*] 2009 between

- (1) Aarhus Lokalbanc Aktieselskab, CVR no. 37729116, Nordhavnsvej 1, DK-8000 Aarhus C, Denmark, (hereinafter the "Bank"), as the borrower, and
- (2) The Danish State represented by the Danish Ministry of Business and Growth, Slotsholmsgade 10-12, DK-1216 Copenhagen K (hereinafter the "State"), as the lender.

### **1 BACKGROUND AND OBJECT**

- 1.1 Application. On 3 April 2009 the Bank filed an application, including appendices, (the "Application") pursuant to the Act on State-funded Capital Injections (as defined below) for the Danish State's Capital Injection (as defined below) of Hybrid Core Capital (as defined below) into the Bank, and the Danish State has on the date of this Agreement accepted to provide such Capital Injection on the terms set out in this Agreement and the Terms (as defined below).
- 1.2 Object. The object of the Capital Injection into the Bank is to stimulate the Bank's supply of credit to healthy undertakings and households by increasing the Bank's capital and solvency thereby enhancing the Bank's possibility to offer finance to the real economy according to the Act on State-funded Capital Injections.

### **2 DEFINITIONS**

- 2.1 For the purpose of this Agreement, the terms set out below are defined as follows:

"Term of Agreement" means the period from the date of this Agreement until the earlier of the time when (i) all amounts payable under the Capital Certificates, including interest and costs, have been repaid in full, cancelled or converted into share capital according to this Agreement and the Terms, or (ii) the Danish State has transferred all Capital Certificates and has thus ceased to be a creditor of all or part of the Capital Certificates.

"Application" has the meaning set out in clause 1.1.

"Banking Day" means a weekday when banks are generally open for business in Denmark

"The Terms" mean the Terms governing the Capital Certificates (with voluntary conversion) and the Terms governing the Capital Certificates (with voluntary and mandatory conversion) jointly.

"The Terms (with voluntary conversion)" mean the Terms governing the Capital Certificates (with voluntary conversion) attached as Appendix 1 as subsequently amended according to this Agreement or the Terms (with voluntary conversion).

"The Terms (with voluntary and mandatory conversion)" mean the Terms governing the Capital Certificates (with voluntary and mandatory conversion) attached as Appendix 2 as subsequently amended according to this Agreement or the Terms (with voluntary and mandatory conversion).

"Stock Exchange Listing" means the Danish State's sale or transfer of all or part of the Capital Certificates in connection with the admittance of all or part of the Capital Certificates for trading on a regulated market or another market within the European Union, the European Economic Area or in an OECD member state.

"Subsidiary" has the meaning set out in section 5(1)(8) of the Financial Business Act.

"Executive Board" means the executive board of the Bank from time to time as registered with the Danish Commerce and Companies Agency.

"DKK" means Danish kroner.

"Hybrid Core Capital" means loan capital that meets the requirements set out in section 132 of the Financial Business Act.

"Capital Certificate" and "Capital Certificates" mean any capital certificate/all capital certificates, respectively, issued by the Bank to the State according to the terms.

"Capital Injection" has the meaning set out in clause 3.1.

"Core Capital" means core capital as defined in section 5(7)(4) of the Financial Business Act.

"Core Capital Percentage" means the Core Capital as a percentage of the risk-weighted assets made up in accordance with the principles specified in the Danish Financial Supervisory Authority's reporting form for assessment of capital adequacy, CS01, item 4 (Core Capital (including hybrid core capital) less deduction in percentage of weighted assets).

"Group" means the Bank and its Subsidiaries as defined in section 5(1)(9) of the Financial Business Act.

"Group Entity" means an entity which is a part of the same Group as the Bank.

"Financial Business Act" (lov om finansiel virksomhed) means Consolidated Act no. 793 of 20 August 2009 and any executive order issued thereunder, as amended from time to time.

"Act on State-funded capital Injections" (lov om statsligt kapitalindskud) means Consolidated Act no. 876 of 15 September 2009 and any executive order issued thereunder, as amended from time to time.

"Party" means the Bank or the Danish State.

"Parties" mean the Bank and the Danish State.

"Private Placement" means the Danish State's sale or transfer of any or all of the Capital Certificates in a structured process (that does not constitute a Stock Exchange Listing) to one or more investors.

"Exit Strategies" means the Danish State's transfer and assignment of all rights and obligations according to this Agreement or the Terms and /or sale or transfer of all or a part of the Capital Certificates, including by Private Placement or in connection with a Stock Exchange Listing, including "securitisation" of the Capital Certificates.

"Solvency Need" means the individual solvency need as assessed by the Bank's board of directors in accordance with section 124(4) of the Financial Business Act.

"Solvency Requirement" means the higher of (i) the solvency requirement, cf. section 124(2) of the Financial Business Act, and (ii) an individual solvency requirement determined by the Danish Financial Supervisory Authority, cf. section 124(5) of the Financial Business Act.

"Issue Day" has the meaning set out in clause 4.1.

"VP" means VP Securities A/S, CVR no. 21599336.

- 2.2 For the purpose of this Agreement, all terms defined in the singular shall have the same meaning in the plural and vice versa, and all indefinite nouns shall have the same meaning in the definite form, and all references to clauses, appendices, etc. shall be references to clauses, appendices, etc. in this Agreement.

### **3 CAPITAL INJECTION IN THE FORM OF HYBRID CORE CAPITAL**

- 3.1 Capital Injection and Capital Certificates. Subject to compliance with the terms set out in clause 5, the Danish State grants a loan with a total principal of DKK 177,750,000 (say Danish kroner one hundred seventy seven million seven hundred fifty thousand 00/100) to the Bank (the "Capital Injection") provided that the Bank at the same time issues (i) 15,020,000,000 capital certificates of each DKK 0.01 to the State on the terms specified in this Agreement and the Terms (with voluntary conversion), and (ii) 2,755,000,000 capital certificates of each DKK 0.01 to the State on the terms specified in this Agreement and the Terms (with voluntary and mandatory conversion).

- 3.2 The Act on State-funded Capital Injections. The Capital Certificates constitute Hybrid Core Capital and are issued by the Bank to the State pursuant to the Act on State-funded Capital Injections.

### **4 PAYMENT OF THE CAPITAL INJECTION AND ISSUE OF THE CAPITAL CERTIFICATES**

- 4.1 Time of payment. Subject to compliance with clause 5 above, the State pays the Capital Injection into the Bank's account no. 1207-2 with the Danish Central Bank (Danmarks Nationalbank) on [\*] [\*] 2009 or on such other Banking Day as agreed in writing between the State and the Bank (the "Issue Day").
- 4.2 The Bank's obligations prior to the Issue Day. The Bank shall no later than at 2:00 pm (Danish time) on the third Banking Day prior to the Issue Day issue the Capital Certificates in VP and transfer the Capital Certificates to the Danish Agency for Governmental Management (Økonomistyrelsen), deposit no. (CD-ident 08240): 082400000126726, and conclude the necessary and customary agreements with VP and the Bank as the issuing institution.
- 4.3 The Bank's obligations on the Issue Day. The Bank's shall on the Issue Day:
- a) provide a statement, which is acceptable to the State in terms of form and content, made by the Bank's board of directors to the effect (i) that the State's conditions as set out in clause 5.1 are met as at the Issue Day; (ii) that the Bank's representations and warranties as set out in clause 6 are true, accurate and correct as at the Issue Day; and (iii) that no material adverse changes have occurred in the Bank's operations, assets and liabilities and financial position since the filing of the Application other than as disclosed to the State in writing prior to the date of this Agreement;

- b) provide a certified copy of the resolution by the general meeting of the Bank to raise the Capital Injection in the form of Hybrid Core Capital with Variable Dividend Supplement and with a conversion right and duty in accordance with the Act on State-funded Capital Injection, the Companies Act, this Agreement and the Terms;
- c) provide a certified copy of the resolution by its Board of Directors approving this Agreement and the Terms;
- d) provide a confirmed copy of the Bank's applicable articles of association as at the Issue Day stipulating that the negotiability limitations in article 3, the voting ceiling in article 11, and the requirement that members of the shareholders' committee must be shareholders etc. in article 13 of the Bank's articles of association automatically lapse from the time of any conversion of Capital Certificates into share capital according to the Terms;
- e) provide a complete report for the Bank from the Danish Commerce and Companies Agency dated on the Issue Day;
- f) provide a legal opinion dated as at the Issue Day that in terms of form and content is acceptable to the State;
- g) provide a statement concerning the Bank's position, which is acceptable to the State in terms of form and content, made by the Bank's Executive Board;
- h) take such further actions and/or deliver such additional statements, documents, etc. as are deemed necessary or appropriate by the State.

## 5 **CONDITIONS**

5.1 The State's Conditions. The State's performance of this Agreement, the Terms and the payment of the Capital Injection is subject to the following conditions:

- a) that the Bank complies with the Solvency Requirement and the Solvency Need as at the Issue Day;
- b) that the Bank's Core Capital Percentage as at the Issue Day is at least 12% after having received the Capital Injection;
- c) that the Bank's obligations as specified in clauses 4.2 and 4.3 are met in a manner satisfactory to the State; and
- d) that the Bank's representations and warranties as set out in clause 6 are accurate and correct as at the date of this Agreement and as at the Issue Day.

5.2 Waiver of conditions and termination of the Agreement. The State has the right (but not the obligation) to waive or modify its conditions for the purpose of paying the Capital Injection. The Agreement and the Terms will lapse if the State's conditions are not met or are waived no later than on the Issue Day that cannot be later than 31 December 2009. The Parties cannot – based on the lapse of this Agreement and the Terms – raise any claims against each other, unless such termination is attributable to a Party's breach of the obligations specified in the Agreement or the Terms. However, if the Agreement and the Terms are terminated, the Parties' obligations under clauses 10.3 and 12 shall continue in full force and effect.

## **6 REPRESENTATIONS AND WARRANTIES**

6.1 The Bank's representations and warranties. The Bank warrants and represents to the State as at the date of this Agreement and as at the Issue Day as follows:

6.1.1 Legislation. The Group complies with applicable law, including the Act on State-funded Capital Injection and the Financial Business Act.

6.1.2 Correct information. All information, presentations, reports, forecasts, etc. which the State has received from the Bank in connection with the Application and the processing thereof are correct and contain no material errors or omissions and accurately and fully disclose the financial position of the Bank and the Group at the time of the Application or at the time they were made or updated, whichever is later.

Since the filing of the Application, no material adverse changes have occurred in the Bank's or the Group's assets, liabilities or financial position, other as disclosed in writing to the State prior to the date of this Agreement. All key figures stated in Appendix 3 are true and accurate.

6.1.3 No conflict. The conclusion and performance of this Agreement and the Terms are not contrary to (i) any law, public rule, court decision or any kind of public regulation; (ii) the Bank's articles of association and corporate resolutions; or (iii) any material agreement or document to which the Bank or its Subsidiaries are parties or which is binding on the Bank or its Subsidiaries.

6.1.4 Material adverse events. Other than as disclosed to the Danish State in writing prior to the date of this Agreement, no material adverse event or material adverse change has occurred in the Bank's or the Group's operations, assets and liabilities or financial position since the date of its most recent annual and quarterly report.

6.1.5 Fulfilment of the conditions. The Bank meets all requirements that must be met under the Act on State-funded Capital Injections in order to obtain the Capital Injection on the terms specified in this Agreement and the Terms, and the State's conditions as set out in clause 5.1 will be met as at the Issue Day.

6.1.6 Annual, quarterly and half-year reports The Bank's annual report for the 2008 financial year, quarterly report for the period 1 January 2009 to 31 March 2009, half-year report for the period 1 January 2009 to 30 June 2009 and quarterly report for the period 1 July 2009 to 30 September 2009 give a true and fair view of the Bank's assets, liabilities, equity and financial position at 31 December 2008, 31 March 2009, 30 June 2009 and 30 September 2009, respectively and of the Bank's result and cash flows for the above-mentioned periods. The above-mentioned statements have been prepared in accordance with the Financial Business Act and executive order on financial reports for credit institutions and investment companies etc. and with the additional Danish disclosure requirements for annual reports of listed financial institutions that have been applied on a consistent basis (except as stated in such statements).

6.1.7 No proceedings. Other than as disclosed to the State prior to the conclusion of this Agreement, there are no legal or governmental, administrative proceedings or other proceedings pending, or to the best of the Bank's knowledge, threatened to which the Bank and/or any of its Subsidiaries is a party which would have a material adverse effect on the Bank's and the Group's operations, assets and liabilities and financial position.

- 6.1.8 No default. Neither the Bank nor its Subsidiaries are (i) in violation of its articles of association; (ii) in default under any loan agreement or other agreements or instrument to which the Bank or any of its Subsidiaries is a party which, individually or in the agreement, could not reasonably be expected to result in a material adverse effect on the Bank or the Group.
- 6.1.9 Approvals. The Group possesses all significant approvals, permissions and other authorisations necessary to conduct its business. Neither the Bank nor its Subsidiaries have received any written order or notice of proceedings relating to any such approval, permissions or authorisations which would have a material adverse effect on the Bank or the Group.
- 7 OBLIGATIONS**
- 7.1 The Bank's obligations. The Bank undertakes at the time of the conclusion of this Agreement and during the entire Term of the Agreement to fulfil the obligations set out in this clause 7, provided that clauses 7.6, 7.8, 7.9 and 7.10 shall continue to apply until the State has disposed of any share in the Bank received through conversion of Capital Certificates or interest on the Capital Certificates to share capital in the Bank in accordance with the Terms.
- 7.2 Legislation etc. The Group undertakes to comply with applicable law, including the Act on State-funded Capital Injection and the Financial Business Act, as well as the terms and conditions set out in this Agreement.
- 7.3 Capital reduction and own shares. The Bank shall not (i) effect capital reductions except to cover losses or to write down share capital in accordance with the Terms; or (ii) purchase own shares, including initiating new shares buy back schemes, if such purchase will constitute a violation of the Act on State-funded Capital Injections. The Bank may only sell own shares on market terms.
- 7.4 Dividend. The Bank shall not distribute dividends before 1 October 2010. After 1 October 2010, dividends may only be distributed to the extent that such dividends can be financed by the Bank's net profits after taxes constituting distributable reserves as generated in the period after 1 October 2010.
- 7.5 Funding of Group Entities. The Bank may not use funds to capitalise businesses contrary to the Act on State-funded Capital Injections. The Bank may not acquire shares if such acquisition is contrary to the Act on State-Funded Capital Injections. All agreements and transactions with Group Entities shall be concluded on arm's length terms, cf. the Financial Business Act.
- 7.6 Restrictions on ownership, voting and negotiability. The Bank may not in its articles of association introduce new or amended restrictions on ownership or similar other restrictions concerning voting rights, negotiability or the like. Nor may the Bank introduce share classes.
- 7.7 Remuneration of the Executive Board. The Bank may not (i) initiate new share option schemes or other similar schemes for the Executive Board or extend or renew existing schemes; (ii) remunerate the members of the Executive Board by variable pay elements, cf. section 77a(2) of the Financial Business Act, to an extent exceeding 20% of the total basic salary, including pension; (iii) issue bonus shares or similar shares at a favourable price or use similar beneficial schemes for the Executive Board; or (iv) make tax deductions of more than half the Executive Board's salaries, to the extent that such action would constitute a

violation of the Act on State-funded Capital Injections. The Bank shall state the amount at which tax deductions have been made in a note to the annual report.

- 7.8 Notice of breach. The Bank shall give written notice to the State as soon as the Bank becomes aware (i) that a breach or an anticipatory breach of this Agreement or the Terms will occur; or (ii) that a payment under the Terms cannot or will not be made. Moreover, the Bank shall immediately notify the State in writing if the Bank receives a demand for conversion of all or part of the Capital Certificates into shares in the Bank in accordance with the Terms (with voluntary and mandatory conversion). The Bank shall forward a copy of the Assessment Report (as defined in the Terms (with voluntary and mandatory conversion)) as soon as such report is available.
- 7.9 Statement on lending activities. No later than on 31 March and 30 September in each year, the Bank shall present to the State a statement on its lending activities in the immediately preceding period from 1 July to 31 December and from 1 January to 30 June, respectively, in accordance with the Act on State-funded Capital Injections. The statement on lending activities shall be published as provided in the Act on State-funded Capital Injections.
- 7.10 Company announcements and press releases. The Bank shall present to the State a draft of all company announcements and press releases relating to this Agreement, the Terms or the Capital Certificates as soon as possible prior to the publication of the announcement. Furthermore, if the Bank intends or has taken a decision to convert any Capital Certificates or interest on Capital Certificates into shares in accordance with the Terms, the Bank shall, until such conversion has been put on a halt or completed, as applicable, present to the State a draft of any company announcements or press releases as soon as possible prior to the publication of the announcement.
- 7.11 Conversion of the Capital Certificates. If the Capital Certificates or interest on the Capital Certificates is converted into share capital in the Bank in accordance with the Terms, the Bank shall cooperate with and assist the State if the State wishes to dispose of the shares received in one or more rounds. Clause 11.2 shall apply mutatis mutandis to the State's full or partial disposal of shares in the Bank received by way of conversion in accordance with the Terms.
- 7.12 No conversion. The Bank shall not exercise, or give notice of exercise of, the Issuer's Conversion Option (as defined in the Terms) until and no earlier than at the time of publication of the Bank's 2009 annual report.

## **8 BREACH OF THE AGREEMENT**

- 8.1 Breach of the Agreement and remedies for breach. In case of the Bank's breach or anticipatory breach of its obligations under this Agreement, and if such breach is not remedied before the 10th day after notice of such breach has been given by the State, the State is entitled to exercise any remedies in accordance with Danish law.
- 8.2 Cure. The Bank is obliged to enter into discussions with the State regarding possible amendments to the Terms which may cure any breach or prevent any breach from occurring under the Terms.
- 8.3 No cancellation. The State's remedies in the event of breach of the Agreement may not result in the Bank having to pay any amount under the Terms at any earlier time than when the amount would otherwise have been due under the Terms.

**9 NOTICES**

- 9.1 Notices. Any notice to be given under this Agreement and the Terms shall be given by letter, fax or email (notices provided for under clause 8 in this Agreement cannot be given by fax or email) to the following addressees or any other addressee designated by either Party to the other Party:

Notices to the Bank:

Aarhus Lokalbanc Aktieselskab  
Attn: Per Hermansen  
Nordhavnsgeade 1  
DK-8000 Aarhus, Denmark

Tel.: 87 61 46 05 / 40 13 30 78  
Fax: 87 61 45 45  
E-mail: phh@aarhuslokalbank.dk

and/or

Aarhus Lokalbanc Aktieselskab  
Attn: Carsten Stenulm  
Nordhavnsgeade 1  
DK-8000 Aarhus, Denmark  
Tel: 87 61 46 68/ 40 33 17 19  
Fax: 87 61 45 45  
E-mail: cst@aarhuslokalbank.dk

Notices to the State:

The Danish State /represented by the Danish Ministry of Economics and Business Affairs  
Attn: Jens Lundager, finance director  
Slotsholmsgade 10-12  
DK-1216 Copenhagen K, Denmark  
Tel: 33 92 33 50  
Fax: 33 12 37 78  
E-mail: jlu@oem.dk

**10 AMENDMENTS TO THE AGREEMENT, COSTS AND PRECEDENCE**

- 10.1 The Financial Supervisory Authority. Any amendment to the Terms resulting in the Capital Certificates not constituting Hybrid Core Capital shall be subject to the prior written approval of the Financial Business Authority.
- 10.2 Consent. If the Bank is no longer subject to the supervision of the Financial Supervisory Authority according to the Financial Business Act, and the Financial Supervisory Authority no longer has powers vis-à-vis the Bank, the consent of the Financial Supervisory Authority shall not be required under this Agreement and the Terms.
- 10.3 Costs. The Bank shall pay:
- a) an issue fee in the amount of DKK [834,000] to be transferred into the State's account no. 0216-4069055494 with Danske Bank A/S in accordance with the Act on State-funded Capital Injections;

- b) all costs and other expenses incurred by the State in connection with the Bank's breach or anticipatory breach of this Agreement or the Terms;
  - c) all costs and other expenses incurred in connection with the conversion of Capital Certificates or interest on Capital Certificates into share capital in accordance with the Terms, excluding costs incurred by the State for financial, legal and other advisers;
  - d) all costs incidental to amendments to this Agreement and the Terms effected at the initiative of the Bank;
  - e) all costs relating to the establishment of a Stock Exchange Listing as well as all costs and expenses incidental to a continued Stock Exchange Listing, including listing fee and fees to agents, agencies, etc., provided that the State pays its own costs relating to a Stock Exchange Listing, including costs to financial, legal and other advisers, and, subject to prior approval by the State, all the Bank's documented external expenses incidental to an establishment of a Stock Exchange Listing, including the costs and expenses of market places, dealers, clearing centres, lawyers, accountants, financial advisers and other advisers; and
  - f) all the Bank's costs incurred in connection with Exit Strategies, except as set out in paragraph (e) in relation to a Stock Exchange Listing.
- 10.4 Conflicting terms. In case of any conflicting term between this Agreement and the Terms on the one hand and the Act on State-funded Capital Injections or the Financial Business Act on the other hand, the Act on State-funded Capital Injections and the Financial Business Act shall prevail. With regard to the Terms, the preceding sentence shall, however, only apply as long as the State owns all Capital Certificates. In case of any conflicting term between the Terms and this Agreement, this Agreement shall prevail between the State and the Bank.
- 11 TRANSFER OF RIGHTS AND OBLIGATIONS**
- 11.1 Transfer by the Bank. The Bank may not transfer any of its rights and/or obligations under this Agreement or the Terms.
- 11.2 Transfer by the State. The State may, without the consent of the Bank, transfer all or any part of its rights and obligations (combined or individually) under this Agreement and the Terms and may sell or transfer any or all of the Capital Certificates in one or more rounds, including by way of Exit Strategies. The Bank shall cooperate with and assist the State if the State wishes to implement the Exit Strategies. If the State submits a written request to the Bank for an Exit Strategy, the Bank shall take the following action in accordance with the State's directions:
- a) prepare, approve and render assistance in connection with the preparation of prospectus(es) in Danish and/or English, with a base prospectus and final terms, if relevant, in accordance with the applicable rules;
  - b) prepare, approve and render assistance in connection with the preparation of an information memorandum in Danish and/or English describing the Group and the Capital Certificates in such detail as the State may reasonably request;
  - c) apply for approval of prospectus(es) from the competent authorities and answer any comments and endeavour to seek to accommodate any requests made by such authorities;

- d) comply with all market disclosure requirements and similar requirements in force from time to time at the market where the Capital Certificates are traded or contemplated for trading;
- e) enter into such agreements that may be necessary or appropriate in connection with an Exit Strategy, including dealer agreements (programme agreements), agency agreements (issue and paying agency agreements), deeds of covenants, trust deeds, special issuer agreements and other customary agreements with dealers, operators of the relevant market or markets, clearing centres, and others;
- f) accept any amendments to this Agreement and the Terms affecting the Capital Certificates or any part thereof that may, in the State's opinion, be necessary or appropriate for the purpose of an Exit Strategy, including any necessary amendments (including, where necessary, the deletion of the relevant provisions), if the Capital Certificates Holder (as defined in the Terms) should be required to convert interest on the Capital Certificates, and this should not be compatible with the Exit Strategy preferred by the State, as well as change of the governing law of the Terms to English law, provided that (i) provisions needed in order to qualify the Capital Certificates as Hybrid Core Capital and for the registration of the Capital Certificates with VP shall always be governed by Danish law; and that (ii) such amendments and changes to this Agreement or the Terms affecting the Capital Certificates or any part thereof shall be agreed with the Bank until the Conversion Period (as defined in the Terms) has expired;
- g) make the senior management of the Bank available for investor presentations and investor meetings;
- h) to the extent possible facilitate that the Bank has a credit rating from at least two of the rating agencies Fitch, Moody's and Standard & Poor's or another recognised rating agency approved by the State and assist in connection with obtaining ratings of the Capital Certificates or of any other securities issued by another entity in connection with an Exit Strategy. As regards ratings requested by another entity than the Bank, such overall responsibility, however, will be that of the management of such entity;
- i) undertake the same obligations and provide the same warranties to the buyers of the Capital Certificates as the Bank has given to the State under this Agreement and the Terms, only to the extent that such obligations and warranties are in conformity with market practice on subscription or purchase of Hybrid Core Capital or bonds;
- j) issue such company announcement as may be necessary to clear the State of inside information immediately prior to full or partial disposal of Capital Certificates; and
- k) take any other action and/or execute any other agreements, declarations, documents, etc. as are deemed necessary or appropriate by the State for the purpose of an Exit Strategy.

11.3 Information and consultation before Exit Strategy. Without restricting the State's right to pursue or implement any Exit Strategy, cf. clause 11.2, the State will (i) to a reasonable extent consider possible exit strategies presented by the Bank; and (ii) inform the Bank prior to any decision on the implementation of an Exit Strategy and, to a reasonable extent, enter into discussions concerning alternative exit strategies, provided that any such exit strategy described under i(i)-(ii) must be in accordance with the purpose and intentions of this Agreement and the Terms and be in the financial interest of the State.

**12 GOVERNING LAW AND VENUE**

12.1 Governing law and Venue. This Agreement is governed by Danish law. Any dispute arising out of this Agreement shall be brought before the Copenhagen City Court. Each Party is, however, entitled to request that the case be referred for trial in the Danish Easter High Court.

Aarhus Lokalbanc Aktieselskab:

\_\_\_\_\_  
Name: Rasmus Juhl Rasmussen

Position: Chairman of the board of directors

\_\_\_\_\_  
Name: Per Hermansen

Position: The Bank's CEO

The Danish State /represented by the Danish Ministry of Economics and Business Affairs

\_\_\_\_\_  
Lene Espersen

Countersigned in respect of the Minister of Economic and Business Affairs:

\_\_\_\_\_  
Michael Dithmer

## Appendix 1

Terms and Conditions governing the Capital Certificates (with voluntary conversion)

[Attached as a separate document]

## Appendix 2

Terms and Conditions governing the Capital Certificates (with voluntary and mandatory conversion)

[Attached as a separate document]

Calculation of key figures

[Attached as a separate document]

## APPENDIX 4 - TERMS AND CONDITIONS GOVERNING THE CAPITAL CERTIFICATES (WITH VOLUNTARY CONVERSION)

### TERMS AND CONDITIONS GOVERNING THE CAPITAL CERTIFICATES (WITH VOLUNTARY CONVERSION)

#### OVERVIEW OF THE TERMS:

Issuer: Aarhus Lokalbanc Aktieselskab:

Total Amount of the Issue: DKK 150,200,000

Issue date: [ \* ]. [ \* ] 2009

Coupon Conversion Commission: 0.10 % per annum

Conversion commission: 0.40 % per annum

Annual Effective Interest Rate: [ \* ] % per annum

Conversion: The Issuer's Conversion Option

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## Appendix 1 Overview of the Issuer's Hybrid Core Capital on the Issue Day

## TERMS AND CONDITIONS GOVERNING THE CAPITAL CERTIFICATES (WITH VOLUNTARY CONVERSION)

### **1 DEFINITIONS**

For the purpose of these Terms (with voluntary conversion), the terms set out below are defined as follows:

"Shares" means shares issued by the Issuer.

"The Companies Act" means Consolidated Act no. 649 of 15 June 2006 as amended.

"Alternative Coupon Payment Event" has the meaning set out in clause 5.1.

"Subordinated Loan Capital" means loan capital that meets the requirements set out in section 136 of the Financial Business Act as well as any other loan capital that is subordinated other unsubordinated capital (except Hybrid Core Capital or debt that ranks equal to Hybrid Core Capital).

"Number of Capital Certificates" means the number of Capital Certificates outstanding from time to time.

"Business Day" means a weekday when banks are generally open for business in Denmark.

"Calculation Period" means the period within which the Coupon Conversion Price is fixed in accordance with clause 5.4.1.

"Terms" (with voluntary conversion) means these Terms and Conditions governing the Capital Certificates (with voluntary conversion).

"Dividends Declared" means the sum of dividend as calculated on a VDS Calculation Day and determined by the Issuer's general meeting or board of directors in the period as from the last VDS Calculation Day or, as regards the first VDS Calculation Day, in the period as from 1 October 2010, until the relevant VDS Calculation Day and either (i) paid by the Issuer in the period; or (ii) scheduled for payment during the period after the VDS Calculation Day on which dividends are calculated. If it has been resolved that dividend shall be distributed denominated in a currency other than DKK, the amount will be translated into DKK based on the currency rate published by the Danish Central Bank on the date of the resolution to declare dividends.

"Partial Redemption" has the meaning set out in clause 8.6.

"DKK" means Danish kroner.

"Effective Interest Rate" means the effective interest rate equal to the sum of the Coupon Conversion Commission, Conversion Commission (where relevant) and the Annual Effective Interest Rate. In the Conversion Period, the Effective Interest Rate constitutes [\*] % per annum and then [\*] % per annum.

"Fixed Coupon" has the meaning set out in clause 4.2.

"Stock Exchange" means Nasdaq OMX Copenhagen A/S, CVR no. 19042677.

"Distributable Reserves" means the distributable reserves as stated in the Issuer's latest audited annual report approved at the Issuer's general meeting.

"Early Redemption Amount" means an amount that if paid on the Redemption Day will result in the Capital Certificate having generated total proceeds corresponding to the Effective Interest Rate calculated in the period as from the Issue Day and until the Redemption Day.

"Trading Day" means a day open for trading on the Stock Exchange.

"Principal above Market Value" means the Outstanding Principal on a VDS Calculation Day divided by the Market Value.

"Hybrid Core Capital" means loan capital that meets the requirements set out in section 132 of the Financial Business Act.

"Hybrid Core Capital Ratio" means the Issuer's Hybrid Core Capital from time to time as a percentage of the Issuer's Core Capital from time to time.

"Redemption Day" means the day on which the redemption of all or part of the Capital Certificates is effected according to clause 8.

"Capital Certificates" has the meaning set out in clause 2.1.

"Capital Certificates with Mandatory Conversion" means capital certificates issued in accordance with the Terms and Conditions for Capital Certificates (with voluntary and mandatory conversion) dated on the same date as the Terms (with voluntary conversion) and other capital certificates with mandatory conversion issued according to the Act on State-funded Capital Injections.

"Capital Certificates without Mandatory Conversion" means the Capital Certificates and other capital certificates with voluntary conversion issued according to the Act on State-funded Capital Injections.

"Capital Certificate Holder" means a natural or legal person registered as the owner of one or more Capital Certificates with VP.

"Capital Requirements" means the higher of the Solvency Requirement and the minimum capital requirement, cf. section 127 in the Financial Business Act.

"Core Capital" means core capital as defined in section 5(7)(4) of the Financial Business Act.

"Conversion Price" has the meaning set out in clause 11.7.

"Conversion Notification" has the meaning set out in clause 11.3.

"Conversion Period" has the meaning set out in clause 11.1.

"Conversion Commission" means 0.40% per annum.

"Coupon" means the sum of the Fixed Coupon and the Variable Dividend Supplement.

"Price-sensitive Information" means information on (i) the Issuer, including the Issuer's business, assets, liabilities, matters (financial or others), result and operations; (ii) the Shares and (iii) market issues concerning (i) and/or (ii). Such information ((i)-(iii)) can or could be expected to influence alone or combined with other information the price of the Shares, or that a rational investor reasonably may be expected to include in the valuation of the Shares. The Issuer will be deemed to hold Price-sensitive Information if a member of its board of directors, executive board, management or other key employees hold such Price-sensitive Information.

"Financial Business Act" (lov om finansiel virksomhed) means Consolidated Act no. 793 of 20 August 2009 and any executive order issued thereunder, as amended from time to time.

"Act on State-funded Capital Injections" (lov om statsligt kapitalindskud) means Consolidated Act no. 876 of 15 August 2009 and any executive order issued thereunder, as amended from time to time.

"Market Value" means DKK [amount] plus any net cash proceeds generated by a cash increase of the share capital in the Issuer effected in the period from the Issue Day and until a VDS Calculation Day.

"Nominal Interest Rate" means a nominal interest rate corresponding to the Effective Interest Rate applied for semi-annual payments of the Fixed Coupon. The Nominal Interest Rate constitutes during the Conversion Period [\*] % per annum and then [\*] % per annum.

"New Shares" has the meaning set out in clause 11.1.

"Turnover-weighted Average Price" means in relation to the Shares the volume-weighted average price calculated based on the period from 9:00 am (Danish time) on the first day of the Calculation Period until 5:00 pm (Danish time) on the last day of the Calculation Period as published in the "Bloomberg VWAP" column on Bloomberg's page [\*] <equity> VWAP (or a corresponding page).

"Nominal Value" means DKK 0.01.

"Coupon Conversion Shares" has the meaning set out in clause 5.1.

"Coupon Conversion Notification Day" has the meaning set out in clause 5.2.

"Coupon Conversion Day" has the meaning set out in clause 5.1.

"Coupon Conversion Price" has the meaning set out in clause 5.4.

"Coupon Conversion Notification" has the meaning set out in clause 5.2.

"Coupon Conversion Commission" means 0.10 % per annum.

"Coupon Conversion Valuation Expert" has the meaning set out in clause 5.4.2.

"Interest Addition Day" means 1 May and 1 November in each year.

"Company Resolution" means dividend and any other distribution of cash or other assets to the Issuer's shareholders, capital increase or capital reduction, issue of warrants, share

options, convertible bonds or other convertible instruments, other rights to subscribe or acquire Shares, share split or share consolidation, merger, demerger and any other transaction undertaken by the Issuer that influenced the Issuer's capital structure.

"Solvency Requirement" means the higher of (i) the solvency requirement, cf. section 124(2) of the Financial Business Act, and (ii) any individual solvency requirement determined by the Danish Financial Supervisory Authority, cf. section 124(5) of the Financial Business Act.

"Total Amount of the Issue" means the Total Amount of the Issue plus Total Amount of the Issue as defined in the Terms and Conditions for Capital Certificates (with voluntary and mandatory conversion) dated on the same date as the Terms (with voluntary conversion), in total DKK 177,750,000.

"Outstanding Principal " means the Number of Capital Certificates multiplied by the Nominal Value.

"Total Amount of the Issue" has the meaning set out in clause 2.1.

"Issue Day" means [\*] [\*] 2009.

"Issuer" means Aarhus Lokalbanc Aktieselskab, CVR no. 37729116, Nordhavnsgrade 1, DK-8000 Aarhus C, Denmark.

"Issuer's Conversion Option" has the meaning set out in clause 11.1.

Variable Dividend Supplement" has the meaning set out in clause 4.3.

"VP" means VP Securities A/S, CVR no. 21599336.

"VDS Calculation Day" has the meaning set out in clause 4.3.

"Valuation Expert" has the meaning set out in clause 11.7.1.

"Valuation Report" has the meaning set out in clause 11.7.4.

"Annual Effective Interest Rate" means [\*] % per annum.

"Fixed Annual Coupon" means the sum of the Fixed Coupon accruing on the Capital Certificates in the period from 1 May of any one year to 1 May in the next year.

## **2 FORM AND NOMINAL VALUE**

2.1 Capital Certificates. The Issuer issues 15,020,000,000 capital certificates (individually a "Capital Certificate" and jointly the "Capital Certificates") of a nominal value of DKK 0.01, in total DKK 150,200,000 (say DKK one hundred fifty million two hundred thousand 00/100) ("Total Issue Amount"), according to these Terms (with voluntary conversion).

2.2 Registration with VP. The Capital Certificates are dematerialised securities issued through VP. Unless otherwise provided in these Terms (with voluntary conversion), the calculation and payment of interest etc. is effected in accordance with the VP's applicable rules in force from time to time.

### **3 STATUS**

3.1 Status. The Capital Certificates are hybrid core capital. The Capital Certificates rank pari passu with other Hybrid Core Capital of the Issuer, and any other debt designated as raking pari passu with Hybrid Core Capital. The Capital Certificates rank senior to the Issuer's share capital and debt designated as being subordinated to Hybrid Core Capital, in all respects, including in respect of the right to receive periodic payments and the right to receive payment in connection with the Issuer's bankruptcy or liquidation.

3.2 Subordination. The Capital Certificates are subordinated to any unsubordinated debt of the Issuer and any Subordinated Loan Capital of the Issuer.

### **4 INTEREST**

4.1 Coupon Payment. The Issuer must pay Coupon to the Capital Certificates Holders in accordance with this clause 4.

4.2 Fixed Coupon. The Issuer must pay the Nominal Interest Rate on the Outstanding Principal ("Fixed Coupon"). The Fixed Coupon is payable semi-annually on each Interest Addition Day. The calculation of the Fixed Coupon must be effected in accordance with the actual/actual (ICMA) and VP's rules in force from time to time.

4.3 Variable Dividend Supplement. Moreover, the Issuer must pay a Variable Dividend Supplement ("Variable Dividend Supplement") that is calculated as the higher amount of:

(i) DKK 0; and

(ii)  $(\text{Dividend Declared} \times 1,25 \times \text{Principal above Market Value}) - \text{Fixed Annual Coupon}$ .

The Variable Dividend Supplement is calculated five Banking Days before 1 May of any year ("VDS Calculation Day"). If the Issuer's general meeting or board of directors have decided to declare dividends at a later date in April of the relevant year, this date will be deemed to be the VDS Calculation Day. The Variable Dividend Supplement will be payable every year on 1 May, the first time on 1 May 2012.

### **5 ALTERNATIVE COUPON PAYMENT**

5.1 Alternative Coupon Payment Event. If, after having paid the Coupon in full or in part ("Alternative Coupon Payment Event"), the Bank's solvency ratio falls below 110 % of the Insolvency Requirement, the payment of the Coupon must be effected through the issue of New Shares or delivery of existing shares ("Coupon Conversion Shares") to the Capital Certificate Holders based on their holding of Capital Certificates on the Interest Addition Day in question or at a later time that may be fixed in accordance with clause 5.4.1 (the "Coupon Conversion Day").

5.2 Notification of an Alternative Coupon Payment Event. Where an Alternative Coupon Payment Event occurs, the Issuer shall notify the Capital Certificate Holders and the public thereof ("Coupon Conversion Notification") not later than three Trading Days and not earlier than five Trading Days before the Coupon Conversion Day ("Coupon Conversion Notification Day"). Notwithstanding the above, the Issuer is entitled to publish any Coupon Conversion Notification at an earlier point in time if the Issuer is under an obligation to do so under applicable law or Stock Exchange Rules. However, the Issuer shall in all circumstances publish a Coupon Conversion Notification not later than 3 Trading Days and not earlier than five Trading Days before the Coupon Conversion Day. The Coupon Conversion Notification must be published before the opening of the Stock Exchange on the Coupon Conversion

Notification Day. On the Coupon Conversion Day at the latest and before the conversion of the Coupon, the Issuer shall notify Capital Certificate Holders of the Coupon Conversion Price. All notifications provided for in this clause shall be issued in accordance with VP's rules in force from time to time, the Stock Exchange rules and applicable law.

- 5.3 Number of Coupon Conversion Shares. Coupon converted as a result of an Alternative Coupon Event will be converted into such number of Coupon Conversion Shares calculated on the basis of the following formula:

Number of Coupon Conversion Shares = Coupon converted, divided by the Coupon Conversion Price, however, cf. clause 11.6.

- 5.4 Coupon Conversion Price. The price at which the Coupon is to be converted into New Shares ("Coupon Conversion Price") will be made up in DKK per Share in accordance with the provisions set out in clauses 5.4.1 and 5.4.2.

- 5.4.1 Market Price. The Coupon Conversion Price is calculated based on the following formula:

The average of (i) the Volume-weighted Average Price of the Shares calculated over a period of three consecutive Trading Days immediately preceding the Coupon Conversion Notification Day (excluding the notification day), and (ii) the Volume-weighted Average Price of the Shares calculated over a period of three consecutive Trading Days commencing on the Coupon Conversion Notification Day (including the notification day).

If the Issuer is in possession of Price-sensitive Information, such information must be disclosed to the public in accordance with applicable law on the Coupon Conversion Notification Day at the latest. If the Issuer finds or expects, after having performed reasonable investigations of the Issuer's business, assets, obligations, situation (financial or others), result and operations, that the Issuer will gain possession of Price-sensitive Information within the first ten consecutive Trading Days after the Coupon Conversion Notification Day, the Coupon Conversion Notification Day may occur no earlier than on the day where such Price-sensitive Information is published.

- 5.4.2 Coupon Conversion Valuation Expert. If (i) the Shares have not been traded on one or more Trading Days in the Calculation Period, or (ii) the Danish State makes a request in this regard, the Coupon Conversion Price will be fixed by an independent investment bank or a state-authorized public accountant appointed by the State in consultation with the Issuer ("Coupon Conversion Valuation Expert"). The Coupon Conversion Price fixed by the Coupon Conversion Valuation Expert is binding. The Issuer pays all costs for the Coupon Conversion Valuation Expert. The conversion of the Coupon will take place as soon as possible after the Coupon Conversion Valuation Expert has informed the Issuer and the Capital Certificate Holders of the Coupon Conversion Price. This clause 5.4.2 will cease to apply if the State ceases to hold Capital Certificates.

- 5.5 Conditions. The conversion of the Coupon according to this clause 5 is subject to:

- (i) the Issuer's general meeting having passed all the necessary resolutions for the issue of the Coupon Conversion Shares against conversion of Coupon at the Coupon Conversion Price and on all other conditions stipulated in the Terms (with voluntary conversion);

- (ii) the Issuer in connection with the conversion producing a legal opinion that in terms of form and content is acceptable to the State and confirming that (i) the above provisions are met, and that the Coupon Conversion Shares will carry the same rights as, and will be identical to, the Issuer's existing Shares upon conversion;
  - (iii) the Issuer's articles of association not containing any restrictions concerning ownership, voting or turnover, etc.;
  - (iv) the Issuer having permission to operate banking business and not being subject to insolvency proceedings (suspension of payments, liquidation or bankruptcy);
  - (v) the Shares having been and the Coupon Conversion Shares being admitted for trading at the Stock Exchange or another regulated market; and
  - (vi) no decision concerning a Company Resolution having been passed (and will not be implemented), being pending or published within a period of 5 consecutive Trading Days prior to the Coupon Conversion Notification Day and in a period of 10 consecutive Trading Days after the Coupon Conversion Notification Day (including the announcement day) or, if the Coupon Conversion Price is fixed in accordance with clause 5.4.2, within the period relevant for the fixing of the Coupon Conversion Price by the Coupon Conversion Valuation Expert.
- 5.6 No adjustment. No separate adjustment of the Coupon Conversion Price will be performed as a result of the Issuer's potential increase or reduction of the share capital, issue of warrants or convertible instruments, merger, demerger or other dissolution.
- 5.7 Similar application. Clauses 11.6, 11.8, 11.9, 11.11 and 11.12 apply subject to the necessary amendments in relation to an Alternative Coupon Payment Event and the issue of Coupon Conversion Shares.
- 6 CANCELLATION OF COUPON**
- 6.1 Conditions. Coupon is payable on the due date, cf. clauses 4.2 and 4.3, unless:
- (i) the Issuer either does not meet the Capital Requirement before payment of the Coupon or, after the payment of the Coupon, will not meet the Capital Requirement;
  - (ii) the Coupon exceeds the Distributable Reserves, cf. section 132(1)(7) of the Financial Business Act; or
  - (iii) the Financial Supervisory Authority has announced that the Issuer in the opinion of the Financial Supervisory Authority's either does not meet the Capital Requirement for the payment of the Coupon or, after the payment of the Coupon, will not meet the Capital Requirement, or finds that the payment of the Coupon will adversely affect the Issuer's financial position in such a manner that the Issuer is likely not meet the Capital Requirement.
- 6.2 Partial Payment. If one of the exceptions in (i) or (ii) of clause 6.1 applies, the Issuer must pay the Coupon at such potential lower amounts that can be paid without triggering the exceptions in (i) and (ii) of clauses 6.1. In the event that the Coupon is paid in part according to clause 6.2, the amount paid on the Capital Certificates shall constitute a proportional share of the total amount available for the Coupon Payment calculated as the share of the Outstanding Principal of the sum of the Issuer's total Hybrid Core Capital at the due date.

- 6.3 Lost Coupon. Any Coupon not paid in whole or in part according to clauses 6.1 or 6.2 will be lost, and no claim for the payment of such interest may be made at any subsequent time.
- 6.4 Resumption of the obligation to pay Coupon. The addition of Coupon will be resumed, and the obligation to pay Coupon will apply again from such date that the exceptions set out in clause 6.1 no longer apply.
- 6.5 Notification. The Issuer is obliged to notify the Capital Certificate Holders as soon as the Issuer becomes aware that Coupon cannot be paid in full on the due date according to this clause 6.

## 7 **WRITE-DOWN OF PRINCIPAL AND UNPAID COUPON**

- 7.1 Write-down of the Capital Certificates. At the annual general meeting or an extraordinary general meeting, the Issuer may pass a resolution to write down the Outstanding Principal and accrued, unpaid Coupon in whole or in part if the Issuer's equity is lost, and the Issuer's share capital has been written down to zero. If the Outstanding Principal is written down in part, such write-down must be effected by a proportionate write-down of the Issuer's total Hybrid Core Capital.
- 7.2 Conditions for write-down. The Outstanding Principal and any accrued, unpaid Coupon may be written down in accordance with clause 7.1 only if (i) new capital subsequently is contributed to the Issuer in order for the Capital Requirement to be met, or (ii) the Issuer ceases its business without losses to the unsubordinated creditors. Write-downs may only be effected at such amount that in advance is approved by the Issuer's external accountants and the Financial Business Authority.
- 7.3 Notification. The Issuer is obliged to notify the Capital Certificate Holders immediately, or if possible in advance, of a notice to convene a general meeting with a view to passing resolutions of the nature provided for in clause 7.1.

## 8 **REDEMPTION OF CAPITAL CERTIFICATES**

- 8.1 No maturity date. The Capital Certificates have no maturity date, are not payable in whole or in part on a fixed date, and no claim for repayment in whole or in part may be made unless expressly stated in these Terms (with voluntary conversion).
- 8.2 Redemption. The Capital Certificates may not be redeemed in whole nor in part before [\*] [\*] 2012. If the Capital Certificates are redeemed by the Issuer in whole or by way of Partial Redemption prior to [\*] [\*] 2014, such redemption may not be effected unless the conditions stipulated in section 132(4) of the Financial Business Act are met.
- 8.3 Redemption price in the fourth and fifth year from the Issue Day. The Issuer may in the period from [\*] [\*] 2012 to [\*] [\*] 2014 redeem the Capital Certificates in whole or by way of Partial Redemption, with the addition of due unpaid Coupon, at such amount per Capital Certificate corresponding to the higher of

The Nominal Value; or

the Early Redemption Amount;

plus

as regards a) above, any Fixed Coupon accrued during the period from the latest Interest Addition Day until the Redemption Day; and

as regards both a) and b) above, Variable Dividend Supplement accrued from the latest VDS Calculation Day until the Redemption Day.

- 8.4 Redemption price in the sixth year from the Issue Day. The Issuer may in the period from [\*] [\*] 2014 to [\*] [\*] 2015 redeem the Capital Certificates in whole or by way of Partial Redemption, with the addition of due unpaid Coupon, at such amount per Capital Certificate corresponding to 105 % of the Nominal Value, plus
- a) 5% of the Nominal Value if the Coupon in the period as from the Issue Day and until the Redemption Day has lapsed in whole or in part, cf. clause 6.3.
  - b) Fixed Coupon accrued in the period from the latest Interest Addition Day until the Redemption Day; and
  - c) Variable Dividend Supplement accrued in the period from the last VDS Calculation Day until the Redemption Day.
- 8.5 Redemption price in and after the seventh year from the Issue Day. The Issuer may from [\*] [\*] 2015 redeem the Capital Certificates in whole or by way of Partial Redemption, with the addition of due, unpaid Coupon, at such amount per Capital Certificate corresponding to 110% of the Nominal Value, plus
- a) Fixed Coupon accrued in the period from the last Interest Addition Day until the Redemption Day; and
  - b) Variable Dividend Supplement accrued in the period from the last VDS Calculation Day until the Redemption Day.
- 8.6 Partial Redemption. Notwithstanding the provisions in clauses 8.1-8.5, the Issuer may only redeem a part of (and not all) the Capital Certificates ("Partial Redemption") on the following conditions:
- a) the Issuer may effect a maximum of three Partial Redemptions before full redemption of all Capital Certificates must be effected;
  - b) at least 20% of the Total Issue Amount must be redeemed through Partial Redemption;
  - c) the Outstanding Principal must constitute at least 30% of the Total Issue Amount after Partial Redemption; and
  - d) the selection of Capital Certificates to be redeemed through Partial Redemption must be made in accordance with the rules if VP from time to time.
- 8.7 Obligation to redeem convertible Hybrid Core Capital. Capital Certificates without Mandatory Conversion may not be redeemed in whole or by way of Partial Redemption before the Issuer has redeemed, written down or converted all Capital Certificates with Mandatory Conversion.
- 8.8 Notification. The Issuer shall notify the Capital Certificate Holders of redemption effected in accordance with this clause 8 not later than 15 days and not more than 60 days before the redemption may be effected.

- 8.9 The Financial Supervisory Authority's approval. The prior approval of the Financial Supervisory Authority is required for both full redemption and Partial Redemption, cf. the Financial Business Act.

## **9 PAYMENTS**

- 9.1 Currency. All payments to the Capital Certificate Holders made under these Terms (with Voluntary Conversion) must be made in DKK.
- 9.2 Time. All payment in respect of the Capital Certificates must be made on or before the due date for the relevant payment and be at the free disposal of the Capital Certificate Holders on such date. All payments must be made through VP and in accordance with VP's rules in force from time to time.
- 9.3 Non-banking Day. If an Interest Addition Day falls on a day that is not a Banking Day, the Coupon Payment will be deferred to the following Banking Day. The deferral of a Coupon Payment in accordance with this clause 9.3 will not trigger additional payment.

## **10 THE ISSUER'S OBLIGATIONS**

- 10.1 The Issuer's obligations. The Issuer shall fulfil all obligations set out in this clause 10.1 as from the Issue Date and until the Capital Certificates have been fully written down according to clause 7, redeemed according to clause 8 or converted according to clause 11. However, clauses 10.1.2 and 10.1.5-10.1.7 will cease to apply upon the expiry of the Conversion Period.
- 10.1.1 Capital reduction and own Shares. The Issuer may not (i) effect a capital reduction for any other purpose than to cover losses or carry out according to clause 7.1, (ii) purchase own Shares, including the implementation of buy-back programmes for own Shares if such purchase is contrary to the Act on State-funded Capital Injections. The Issuer may only sell own Shares on market terms.
- 10.1.2 Issue of share options etc. The Issuer may solely issue share options, subscription options, convertible debt instruments or similar debt instruments on market terms, unless such issue is part of a general employee scheme.
- 10.1.3 Dividend and redemption of subordinated debts. The Issuer may not pay dividend, redeem or buy back debts that are subordinated to or rank equal to the Capital Certificates or other Hybrid Core Capital, where (i) Coupon due remains unpaid in whole or in part, or (ii) Coupon is lost according to clause 6 and full Coupon Payment has not been made on two consecutive Interest Addition Days after the date for the lapse of the Coupon. Notwithstanding the above, however, the Issuer may buy back debts subordinated to the Capital Certificates, or that rank equal to the Capital Certificates or other Hybrid Core Capital, to its trading portfolio in order to perform purchase orders from the Issuer's customers in connection with the Issuer's operations as a "market maker".
- 10.1.4 Liquidation. The Shareholders in the Issuer may not pass a resolution to liquidate the Issuer, unless such liquidation is required by law.
- 10.1.5 The Issuer may not enter into a (i) merger plan, and the shareholders in the Issuer may not approve such merger if a valuation expert pursuant to section 134c of the Danish Companies Act declares that the payment for the shares is not reasonable, or (ii) a demerger plan, and the shareholders in the Issuer may not approve such demerger if such demerger may have material adverse effect on the interests of the Capital Certificate Holders. The Issuer may not

sign a (i) merger plan, and the shareholders in the Issuer may not approve such merger if a valuation expert pursuant to section 134c of the Danish Companies Act declares that the payment for the shares is not reasonable, or if the shareholders in the Issuer receive other consideration than shares in the surviving company, or (ii) a demerger plan, and the shareholders in the Issuer may not approve such demerger if it may have material adverse effect on the interests of the Capital Certificate Holders

10.1.6 Stock exchange listing. The Issuer may not apply for delisting of the Shares from the Stock Exchange.

10.1.7 Prices: The Issuer may not implement Company Resolutions resulting in the value of the total number of Coupon Conversion Shares granted in the event of an Alternative Coupon Interest Event occurring, cf. clause 5, or New Shares granted in connection with a conversion, cf. clause 11, falling below the value of such Shares, had the Company Resolution not been carried through.

## **11 THE ISSUER'S CONVERSION OPTION**

11.1 The Issuer's Conversion Option. The Issuer may in the period from the Issue Date and until [\*] [\*] 2014 (the "Conversion Period") always demand that Capital Certificates with the addition of accrued, unpaid Coupon be converted into new Shares in the Issuer ("New Shares") if the Issuer's Hybrid Core Capital Ratio exceeds 35 (the "Issuer's Conversion Option"). The Issuer's Conversion Option cannot be exercised if the Financial Supervisory Authority has issued an order for the conversion of all or part of the Capital Certificates with Mandatory Conversion, and such conversion has not been finally completed. During the Conversion Period, the Issuer shall pay Conversion Commission.

11.2 Exercise of the Issuer's Conversion Option. The Issuer's Conversion Option may solely be exercised in tranches of 20% of the Total Amount of the Issue. In the event that it should be necessary in order to bring the Issuer's Hybrid Core Capital Ratio (calculated after conversion of each tranche) down to 35 or lower, the Issuer's Conversion Option may be exercised with several tranches at a time.

11.3 Notification of exercise. The Issuer shall notify the Capital Certificate Holders and the public ("Conversion Notification") of the exercise of the Issuer's Conversion Option in accordance with VP's rules in force from time to time, the Stock Exchange's rules and applicable law.

11.4 Implementation of the Issuer's Conversion Option. The implementation of the conversion according to the Conversion Notification shall be effected immediately after the Valuation Report has been issued. At VP, the conversion must be effected in the form of a proportionate or (if relevant) full reduction and cancellation of the holdings of Capital Certificates in all accounts of VP in accordance with the rules governing VP in force from time to time. The Capital Certificate Holders may not after exercising and implementing the Issuer's Conversion Option by valid issue of New Shares raise a claim against the Issuer concerning converted Capital Certificates. Coupon will continue to accrue on Capital Certificates not converted into New Shares in accordance with these Terms (with voluntary conversion).

11.5 Number of New Shares. The Capital Certificates to be converted under this clause 11 must be converted into a number of New Shares in accordance with the following formula:

Number of New Shares = the sum of the Nominal Value of the Capital Certificates to be converted plus any accrued, unpaid Coupon, divided by the Conversion Price, cf. clause 11.6.

- 11.6 Roundings. If the Nominal Value of the Capital Certificates, plus any accrued, unpaid Coupon, to be converted, does not correspond to a whole number of New Shares for a given account with VP, the number of New Shares will be rounded down to the nearest whole number of New Shares for the account with VP. No fractions of New Shares will be issued in connection with a conversion, cf. clause 11. Accordingly, any amounts not converted will be paid in cash to the Capital Certificate Holders at the time of VP's implementation of the Issuer's Conversion Option in accordance with VP's rules applicable from time to time.
- 11.7 Conversion Price. The price at which the Capital Certificates is to be converted into New Shares ("Conversion Price") will be made up in DKK per Share in accordance with the provisions set out in clauses 11.7.1 and 11.7.5.
- 11.7.1 Valuation expert. The Conversion Price is fixed by an independent state-authorised public accountant (the "Valuation Expert") appointed by the FSR—Danish Auditors. The Valuation Expert must meet the conditions for being appointed as a valuation expert under section 6b of the Danish Companies Act and have experience of credit institutions. Immediately after the Conversion Notification, the Issuer must contact the FSR- Danish Auditors for the appointment of a Valuation Expert. The Issuer pays all costs for the Valuation Expert.
- 11.7.2 Valuation criteria The Conversion Price is determined by the Valuation Expert as the market value of the Issuer's Shares immediately after the Conversion Notification, taking into account the situation of the Issuer at the time of the Conversion Notification. The Valuation Expert determines at his own discretion the most suitable valuation method(s) based on the situation of the Issuer, and may, if he sees fit, determine the market value on the basis of the price of the Shares on the Stock Exchange after the Conversion Notification. When making his valuation, the Valuation Expert is not required to take into account the effect of any simultaneous or subsequent capital increase or capital injection in the Issuer, unless such capital increase or such capital injection has been subscribed or underwritten at the date of the Conversion Notification. If the Valuation Expert elects to determine the market value on the basis of the price of the Shares on the Stock Exchange after the Issuer's Conversion Notification, the Valuation Expert is not required to adjust such price, unless he considers it appropriate. If the Conversion Price is lower than the nominal value of the New Shares, the Issuer's Conversion Option may not be exercised.
- 11.7.3 No adjustment. The Conversion Price will not be separately adjusted in the event of the Issuer's increase or reduction of the share capital, issue of warrants or convertible instruments, merger, demerger or other dissolution prior to the Conversion Notification, since the Conversion Price is determined at market value, cf. clause 11.7.2.
- 11.7.4 Valuation report. The Valuation Expert's valuation report (the "Valuation Report") must be available not later than three weeks after the date of the Conversion Notification. The Valuation Report must state the procedures applied in determining the Conversion Price. The Valuation Report is final. Accordingly, the Issuer or the Capital Certificate Holders cannot set up any claims or take legal action on the basis of the Valuation Report. As soon as the Valuation Report is available, the Issuer must notify the Capital Certificate Holders of the results in accordance with the rules of VP applicable from time to time, and the Issuer must publish the Valuation Report in accordance with the rules of the Stock Exchange and applicable law.
- 11.7.5 The cooperation. Immediately after the appointment of the Valuation Expert, the Issuer must notify the Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any Price-sensitive Information and, during the period until the date of

the Valuation Report, notify the Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any additional Price-sensitive Information of which the Issuer may gain knowledge during such period. At the request of the Valuation Expert, the Issuer must confirm that it has published or disclosed all Price-sensitive Information. Furthermore, the Issuer must give the Valuation Expert access to any such information and the Issuer's employees as deemed necessary by the Valuation Expert, taking into account the limited period of time available for the preparation of the Valuation Report, cf. clause 11.7.4. In addition, the Issuer must comply with the principles of section 6b(3) of the Danish Public Companies Act. Where possible, the Issuer must arrange for the Issuer's accountant(s) to cooperate with and disclose such information to the Valuation Expert as he may need, including the work papers of the Issuer's auditor.

- 11.8 Delivery. The New Shares will be delivered in dematerialised form through VP to the Capital Certificate Holders' accounts, in which the converted Capital Certificates were registered and otherwise in accordance with the rules of VP applicable from time to time.
- 11.9 Ranking. The New Shares must rank pari passu with, and be identical to, the Issuer's existing Shares at the date of the implementation of the Issuer's Conversion Option. The New Shares must be negotiable instruments and freely transferable. The New Shares must carry the same right to dividends from the date of registration with the Danish Commerce and Companies Agency as the Shares of the Issuer on the date of implementation of the Issuer's Conversion Option..
- 11.10 Conditions. The exercise of the Issuer's Conversion Option is subject to:
- (i) the Issuer's general meeting having passed all the necessary resolutions to issue the New Shares against conversion of the Capital Certificates at the Conversion Price and on the other terms of the Conditions (with voluntary conversion);
  - (ii) the Issuer providing a legal opinion on or before the date of implementation of the Issuer's Conversion Option in a form and with a content which is satisfactory to the Danish State, confirming (i) the fulfilment of the above and that that the New Shares will carry the same rights as, and in general be identical to, the Issuer's existing Shares at the date of implementation of the Issuer's Conversion Option;
  - (iii) the Issuer's articles of association not containing any restrictions concerning ownership, voting or turnover, etc.;
  - (iv) the Issuer having permission to operate banking business and not being subject to insolvency proceedings (suspension of payments, liquidation or bankruptcy);
  - (v) no Company Resolution having been passed (or implemented), being pending or published within the relevant period in which the Valuation Expert is to fix the Conversion Price;
  - (vi) the Shares having been, and the New Shares being, admitted for trading at the Stock Exchange or another regulated market; and

- (vii) all Capital Certificates with Mandatory Conversion having been or being, at the same time as the implementation of the Issuer's Conversion Option, repaid, written down or converted under the applicable provisions.

11.11 Taxation. Any tax imposed on the Capital Certificate Holders as a result of the Issuer's exercise of the Issuer's Conversion Option is payable by the Issuer.

11.12 Costs. Any costs for VP and the custodians of the Capital Certificate Holders as a result of the Issuer's exercise of the Issuer's Conversion Option are payable by the Issuer.

## **12 BREACH**

12.1 Breach of the Conditions (with voluntary conversion). In the event of the Issuer's breach or anticipatory breach in performing its obligations under these Conditions (with voluntary conversion), any Capital Certificate Holder may exercise remedies for breach under Danish law. The exercise of remedies for breach may, however, not result in an obligation on the part of the Issuer to pay an amount at an earlier date than the date on which such amount would otherwise have fallen due for payment under the Terms (with voluntary conversion), cf. clause 12.2.

12.2 Discontinuation of activities. Breach includes, among other things, (i) the Issuer entering into liquidation, (ii) a bankruptcy order being made against the Issuer, or (iii) the withdrawal by the Danish Financial Supervisory Authority of the Issuer's licence to operate as a bank and approval of the winding up of the Issuer, with the exception of winding up through merger, under section 227 of the Danish Financial Business Act. In the event of breach under this clause 12.2, any Capital Certificate Holder may notify the Issuer that the Capital Certificates, plus any accrued Coupon, have fallen due. The redemption amount, cf. this clause 12.2, is calculated in accordance with clauses 8.3-8.5. However, the redemption amounts falling due prior to [\*] [\*] 2012 is fixed at par.

## **13 AMENDMENTS AND APPROVAL**

13.1 Amendments. Any amendments to these Terms (with voluntary conversion) resulting in the Capital Certificates no longer constituting Hybrid Core Capital are subject to the prior written approval of the Danish Financial Supervisory Authority.

13.2 Consent. If the Issuer ceases to be subject to the supervision of the Financial Supervisory Authority according to the Financial Business Act, and the Financial Supervisory Authority has no powers vis-à-vis the Issuer, the consent of the Financial Supervisory Authority is not required under these Terms (with voluntary conversion).

## **14 GOVERNING LAW AND VENUE**

14.1 Governing law and venue. These Terms (with voluntary conversion) are governed by Danish law. Any dispute arising out of these Terms (with voluntary conversion) shall be brought before the Copenhagen City Court. The Issuer or a Capital Certificate Holder may, however, move to have the case referred to settlement by the High Court of Eastern Denmark.

Date:[\*]

Issuer:

Aarhus Lokalbanc Aktieselskab:

Name: Rasmus Juhl Rasmussen

Position: Chairman of the board of directors

Name: Per Hermansen

Position: The Bank's CEO

**APPENDIX 5**  
**TERMS AND CONDITIONS GOVERNING THE CAPITAL CERTIFICATES**  
(WITH VOLUNTARY AND MANDATORY CONVERSION)

**OVERVIEW OF THE TERMS:**

Issuer: Aarhus Lokalbanc Aktieselskab:

Total Amount of the Issue: DKK 27,550,000

Issue date: [\*]. [\*] 2009

Coupon Conversion Commission: 0.10% per annum

Conversion commission: 0.40% per annum

Annual Effective Interest Rate: [%] per annum.

Conversion: Mandatory conversion and the Issuer's Conversion Option

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## Appendix 1 Overview of the Issuer's Hybrid Core Capital on the Issue Day

## TERMS AND CONDITIONS GOVERNING THE CAPITAL CERTIFICATES (WITH VOLUNTARY AND MANDATORY CONVERSION)

### **1 DEFINITIONS**

For the purpose of these Terms (with voluntary and mandatory conversion), the terms set out below are defined as follows:

"Shares" means shares issued by the Issuer.

"The Companies Act" means Consolidated Act no. 649 of 15 June 2006 as amended.

"Alternative Coupon Payment Event" has the meaning set out in clause 5.1.

"Subordinated Loan Capital" means loan capital that meets the requirements set out in section 136 of the Financial Business Act as well as any other loan capital that is subordinated other unsubordinated capital (except Hybrid Core Capital or debt that ranks equal to Hybrid Core Capital).

"Number of Capital Certificates" means the number of Capital Certificates outstanding from time to time.

"Business Day" means a weekday when banks are generally open for business in Denmark.

"Calculation Period" means the period within which the Coupon Conversion Price is fixed in accordance with clause 5.4.1.

"Terms" (with voluntary and mandatory conversion) means these Terms and Conditions governing the Capital Certificates (with voluntary and mandatory conversion).

"Dividends Declared" means the sum of dividend as calculated on a VDS Calculation Day and determined by the Issuer's general meeting or board of directors in the period as from the last VDS Calculation Day or, as regards the first VDS Calculation Day, in the period as from 1 October 2010, until the relevant VDS Calculation Day and either (i) paid by the Issuer in the period; or (ii) scheduled for payment during the period after the VDS Calculation Day on which dividends are calculated. If it has been resolved that dividend shall be distributed denominated in a currency other than DKK, the amount will be translated into DKK based on the currency rate published by the Danish Central Bank on the date of the resolution to declare dividends.

"Partial Redemption" has the meaning set out in clause 8.6.

"DKK" means Danish kroner.

"Effective Interest Rate" means the effective interest rate equal to the sum of the Coupon Conversion Commission, Conversion Commission (where relevant) and the Annual Effective Interest Rate. In the Conversion Period, the Effective Interest Rate constitutes [\*] % per annum and then [\*] % per annum.

"Fixed Coupon" has the meaning set out in clause 4.2.

"FSA Conversion Order" has the meaning set out in clause 12.1.

"Stock Exchange" means Nasdaq OMX Copenhagen A/S, CVR no. 19042677.

"Distributable Reserves" means the distributable reserves as stated in the Issuer's latest audited annual report approved at the Issuer's general meeting.

"Early Redemption Amount" means an amount that if paid on the Redemption Day will result in the Capital Certificate having generated total proceeds corresponding to the Effective Interest Rate calculated in the period as from the Issue Day and until the Redemption Day.

"Trading Day" means a day open for trading on the Stock Exchange.

"Principal above Market Value" means the Outstanding Principal on a VDS Calculation Day divided by the Market Value.

"Hybrid Core Capital" means loan capital that meets the requirements set out in section 132 of the Financial Business Act.

"Hybrid Core Capital Ratio" means the Issuer's Hybrid Core Capital from time to time as a percentage of the Issuer's Core Capital from time to time.

"Redemption Day" means the day on which the redemption of all or part of the Capital Certificates is effected according to clause 8.

"Capital Certificates" has the meaning set out in clause 2.1.

"Capital Certificates with Mandatory Conversion" means the Capital Certificates and other capital certificates with mandatory conversion issued according to the Act on State-funded Capital Injections.

"Capital Certificates without Mandatory Conversion" means capital certificates issued in accordance with the Terms and Conditions for Capital Certificates (with voluntary conversion) dated on the same date as the Terms (with voluntary and mandatory conversion) and other capital certificates with voluntary conversion issued according to the Act on State-funded Capital Injections.

"Capital Certificate Holder" means a natural or legal person registered as the owner of one or more Capital Certificates with VP.

"Capital Requirements" means the higher of the Solvency Requirement and the minimum capital requirement, cf. section 127 in the Financial Business Act.

"Core Capital" means core capital as defined in section 5(7)(4) of the Financial Business Act.

"Conversion Price" has the meaning set out in clause 12.4.

"Conversion Notification" has the meaning set out in clause 11.3.

"Issuer's Conversion Option" has the meaning set out in clause 11.7.

"Issuer's Conversion Period" has the meaning set out in clause 11.1.

“Conversion Option Valuation Expert” has the meaning set out in clause 11.7.1.

“Conversion Option Valuation Report” has the meaning set out in clause 11.7.4.

"Conversion Commission" means 0.40% per annum.

"Coupon" means the sum of the Fixed Coupon and the Variable Dividend Supplement.

"Price-sensitive Information" means information on (i) the Issuer, including the Issuer's business, assets, liabilities, matters (financial or others), result and operations; (ii) the Shares and (iii) market issues concerning (i) and/or (ii). Such information ((i)-(iii)) can or could be expected to influence alone or combined with other information the price of the Shares, or that a rational investor reasonably may be expected to include in the valuation of the Shares. The issuer will be deemed to hold Price-sensitive Information if a member of its board of directors, executive board, management or other key employees hold such Price-sensitive Information.

"Financial Business Act" (lov om finansiel virksomhed) means Consolidated Act no. 793 of 20 August 2009 and any executive order issued thereunder, as amended from time to time.

"Act on State-funded Capital Injections" (lov om statsligt kapitalindskud) means Consolidated Act no. 876 of 15 August 2009 and any executive order issued thereunder, as amended from time to time.

"Market Value" means DKK [amount] plus any net cash proceeds generated by a cash increase of the share capital in the Issuer effected in the period from the Issue Day and until a VDS Calculation Day.

"Nominal Interest Rate" means a nominal interest rate corresponding to the Effective Interest Rate applied for semi-annual payments of the Fixed Coupon. The Nominal Interest Rate constitutes during the Conversion Option Period [%] per annum and then [%] per annum.

"New Shares" means Shares issued by the Issuer to the Capital Certificate Holders in the event of conversion, see clauses 11 and 12.

“Mandatory Conversion” has the meaning set out in clause 12.1.

"Turnover-weighted Average Price" means in relation to the Shares the volume-weighted average price calculated based on the period from 9:00 am (Danish time) on the first day of the Calculation Period until 5:00 pm (Danish time) on the last day of the Calculation Period as published in the "Bloomberg VWAP" column on Bloomberg's page [\*] <equity> VWAP (or a corresponding page).

"Nominal Value" means DKK 0.01.

“Coupon Conversion Shares” has the meaning set out in clause 5.1.

“Coupon Conversion Notification Day” has the meaning set out in clause 5.2.

“Coupon Conversion Day” has the meaning set out in clause 5.1.

"Coupon Conversion Price" has the meaning set out in clause 5.4.

"Coupon Conversion Notification" has the meaning set out in clause 5.2.

"Coupon Conversion Commission" means 0.10 % per annum.

"Coupon Conversion Valuation Expert" has the meaning set out in clause 5.4.2.

"Interest Addition Day" means 1 May and 1 November in each year.

"Company Resolution" means dividend and any other distribution of cash or other assets to the Issuer's shareholders, capital increase or capital reduction, issue of warrants, share options, convertible bonds or other convertible instruments, other rights to subscribe or acquire Shares, share split or share consolidation, merger, demerger and any other transaction undertaken by the Issuer that influences the Issuer's capital structure.

"Solvency Requirement" means the higher of (i) the solvency requirement, cf. section 124(2) of the Financial Business Act, and (ii) any individual solvency requirement determined by the Danish Financial Supervisory Authority, cf. section 124(5) of the Financial Business Act.

"Total Amount of the Issue" means the Total Amount of the Issue plus Total Amount of the Issue as defined in the Terms and Conditions for Capital Certificates (with voluntary and mandatory conversion) dated on the same date as the Terms (with voluntary conversion), in total DKK 177,750,000.

"Outstanding Principal" means the Number of Capital Certificates multiplied by the Nominal Value.

"Issuer's Mandatory Conversion Notification" has the meaning set out in clause 12.2.

"Total Amount of the Issue" has the meaning set out in clause 2.1.

"Issue Day" means [\*]. [\*] 2009.

"Issuer" means Aarhus Lokalkbank Aktieselskab, CVR no. 37729116, Nordhavnsgrde 1, DK-8000 Aarhus C, Denmark.

"Issuer's Conversion Option" has the meaning set out in clause 11.1.

"Variable Dividend Supplement" has the meaning set out in clause 4.3.

"VP" means VP Securities A/S, CVR no. 21599336.

"VDS Calculation Day" has the meaning set out in clause 4.3.

"Valuation Expert" has the meaning set out in clause 12.4.1.

"Valuation Report" has the meaning set out in clause 12.4.4.

"Annual Effective Interest Rate" means [%] % per annum.

"Fixed Annual Coupon" means the sum of the Fixed Coupon accruing on the Capital Certificates in the period from 1 May of any one year to 1 May in the next year.

## **2 FORM AND NOMINAL VALUE**

- 2.1 Capital Certificates. The Issuer issues 2,755,000,000 capital certificates (individually a "Capital Certificate" and jointly the "Capital Certificates") of a nominal value of DKK 0.01, in total DKK 27,550,000 (say DKK twenty seven million five hundred fifty thousand 00/100) ("Total Issue Amount"), according to these Terms (with voluntary conversion).
- 2.2 Registration with VP. The Capital Certificates are dematerialised securities issued through VP. Unless otherwise provided in these Terms (with voluntary and mandatory conversion), the calculation and payment of interest etc. is effected in accordance with VP's applicable rules in force from time to time.

## **3 STATUS**

- 3.1 Status. The Capital Certificates are Hybrid Core Capital. The Capital Certificates rank pari passu with other Hybrid Core Capital of the Issuer, and any other debt designated as raking pari passu with Hybrid Core Capital. The Capital Certificates rank senior to the Issuer's share capital and debt designated as being subordinated to Hybrid Core Capital, in all respects, including in respect of the right to receive periodic payments and the right to receive payment in connection with the Issuer's bankruptcy or liquidation.
- 3.2 Subordination. The Capital Certificates are subordinated to any unsubordinated debt of the Issuer and any Subordinated Loan Capital of the Issuer.

## **4 INTEREST**

- 4.1 Coupon Payment. The Issuer must pay Coupon to the Capital Certificates Holders in accordance with this clause 4.
- 4.2 Fixed Coupon. The Issuer must pay the Nominal Interest Rate on the Outstanding Principal ("Fixed Coupon"). The Fixed Coupon is payable semi-annually on each Interest Addition Day. The calculation of the Fixed Coupon must be effected in accordance with the actual/actual (ICMA) and VP's rules in force from time to time.
- 4.3 Variable Dividend Supplement. Moreover, the Issuer must pay a Variable Dividend Supplement ("Variable Dividend Supplement") that is calculated as the higher amount of:
- (i) DKK 0; and
  - (ii)  $(\text{Dividend Declared} \times 1,25 \times \text{Principal above Market Value}) - \text{Fixed Annual Coupon}$ .

The Variable Dividend Supplement is calculated five Banking Days before 1 May of any year ("VDS Calculation Day"). If the Issuer's general meeting or board of directors have decided to declare dividends at a later date in April of the relevant year, this date will be deemed to be the VDS Calculation Day. The Variable Dividend Supplement will be payable every year on 1 May, the first time on 1 May 2012.

## **5 ALTERNATIVE COUPON PAYMENT**

- 5.1 Alternative Coupon Payment Event. If, after having paid the Coupon in full or in part ("Alternative Coupon Payment Event"), the Bank's solvency ratio falls below 110 % of the Insolvency Requirement, the payment of the Coupon must be effected through the issue of New Shares or delivery of existing shares ("Coupon Conversion Shares") to the Capital

Certificate Holders based on their holding of Capital Certificates on the Interest Addition Day in question or at a later time that may be fixed in accordance with clause 5.4.1 (the "Coupon Conversion Day").

- 5.2 Notification of an Alternative Coupon Payment Event. Where an Alternative Coupon Payment Event occurs, the Issuer shall notify the Capital Certificate Holders and the public thereof ("Coupon Conversion Notification") not later than three Trading Days and not earlier than five Trading Days before the Coupon Conversion Day ("Coupon Conversion Notification Day"). Notwithstanding the above, the Issuer is entitled to publish any Coupon Conversion Notification at an earlier point in time if the Issuer is under an obligation to do so under applicable law or Stock Exchange Rules. However, the Issuer shall in all circumstances publish a Coupon Conversion Notification not later than three Trading Days and not earlier than five Trading Days before the Coupon Conversion Day. The Coupon Conversion Notification must be published before the opening of the Stock Exchange on the Coupon Conversion Notification Day. On the Coupon Conversion Day at the latest and before the conversion of the Coupon, the Issuer shall notify Capital Certificate Holders of the Coupon Conversion Price. All notifications provided for in this clause shall be issued in accordance with VP's rules in force from time to time, the Stock Exchange rules and applicable law.
- 5.3 Number of Coupon Conversion Shares. Coupon converted as a result of an Alternative Coupon Event will be converted into such number of Coupon Conversion Shares calculated on the basis of the following formula:
- Number of Coupon Conversion Shares = Coupon converted, divided by the Coupon Conversion Price, however, cf. clause 11.6.
- 5.4 Coupon Conversion Price. The price at which the Coupon is to be converted into New Shares ("Coupon Conversion Price") will be made up in DKK per Share in accordance with the provisions set out in clauses 5.4.1 and 5.4.2.
- 5.4.1 Market Price. The Coupon Conversion Price is calculated based on the following formula:
- The average of (i) the Volume-weighted Average Price of the Shares calculated over a period of three consecutive Trading Days immediately preceding the Coupon Conversion Notification Day (excluding the notification day), and (ii) the Volume-weighted Average Price of the Shares calculated over a period of three consecutive Trading Days commencing on the Coupon Conversion Notification Day (including the notification day).
- If the Issuer is in possession of Price-sensitive Information, such information must be disclosed to the public in accordance with applicable law on the Coupon Conversion Notification Day at the latest. If the Issuer finds or expects, after having performed reasonable investigations of the Issuer's business, assets, obligations, situation (financial or others), result and operations, that the Issuer will gain possession of Price-sensitive Information within the first ten consecutive Trading Days after the Coupon Conversion Notification Day, the Coupon Conversion Notification Day may occur no earlier than on the day where such Price-sensitive Information is published.
- 5.4.2 Coupon Conversion Valuation Expert. If (i) the Shares have not been traded on one or more Trading Days in the Calculation Period, or (ii) the Danish State makes a request in this regard, the Coupon Conversion Price will be fixed by an independent investment bank or a state-authorized public accountant appointed by the State in consultation with the Issuer ("Coupon Conversion Valuation Expert"). The Coupon Conversion Price fixed by the Coupon

Conversion Valuation Expert is binding. The Issuer pays all costs for the Coupon Conversion Valuation Expert. The conversion of the Coupon will take place as soon as possible after the Coupon Conversion Valuation Expert has informed the Issuer and the Capital Certificate Holders of the Coupon Conversion Price. This clause 5.4.2 will cease to apply if the State ceases to hold Capital Certificates.

5.5 Conditions. The conversion of the Coupon according to this clause 5 is subject to:

- (i) the Issuer's general meeting having passed all the necessary resolutions for the issue of the Coupon Conversion Shares against conversion of Coupon at the Coupon Conversion Price and on all other conditions stipulated in the Terms (with voluntary and mandatory conversion);
- (ii) the Issuer in connection with the conversion presenting a legal opinion that in terms of form and content is acceptable to the State and confirming that (i) the above provisions are met, and that the Coupon Conversion Shares will carry the same rights as, and will be identical to, the Issuer's existing Shares upon conversion;
- (iii) the Issuer's articles of association not containing any restrictions concerning ownership, voting or turnover, etc.;
- (iv) the Issuer having permission to operate banking business and not being subject to insolvency proceedings (suspension of payments, liquidation or bankruptcy);
- (v) the Shares having been and the Coupon Conversion Shares being admitted for trading at the Stock Exchange or another regulated market; and
- (vi) no decision concerning a Company Resolution having been passed (and will not be implemented), being pending or published within a period of five consecutive Trading Days prior to the Coupon Conversion Notification Day and in a period of ten consecutive Trading Days after the Coupon Conversion Notification Day (including the announcement day) or, if the Coupon Conversion Price is fixed in accordance with clause 5.4.2, within the period relevant for the fixing of the Coupon Conversion Price by the Coupon Conversion Valuation Expert.

5.6 No adjustment. No separate adjustment of the Coupon Conversion Price will be performed as a result of the Issuer's potential increase or reduction of the share capital, issue of warrants or convertible instruments, merger, demerger or other dissolution.

5.7 Similar application. Clauses 11.6, 11.8, 11.9, 11.11 and 11.12 apply subject to the necessary amendments in relation to an Alternative Coupon Payment Event and the issue of Coupon Conversion Shares.

## **6 CANCELLATION OF COUPON**

6.1 Conditions. Coupon is payable on the due date, cf. clauses 4.2 and 4.3, unless:

- (i) the Issuer either does not meet the Capital Requirement before payment of the Coupon or, after the payment of the Coupon, will not meet the Capital Requirement;
- (ii) the Coupon exceeds the Distributable Reserves, cf. section 132(1)(7) of the Financial Business Act; or

- (iii) the Financial Supervisory Authority has announced that the Issuer in the opinion of the Financial Supervisory Authority's either does not meet the Capital Requirement for the payment of the Coupon or, after the payment of the Coupon, will not meet the Capital Requirement, or finds that the payment of the Coupon will adversely affect the Issuer's financial position in such a manner that the Issuer is likely not meet the Capital Requirement.
- 6.2 **Partial Payment.** If one of the exceptions in (i) or (ii) of clause 6.1 applies, the Issuer must pay the Coupon at such potential lower amounts that can be paid without triggering the exceptions in (i) and (ii) of clauses 6.1. In the event that the Coupon is paid in part according to this clause 6.2, the amount paid on the Capital Certificates shall constitute a proportional share of the total amount available for the Coupon Payment calculated as the share of the Outstanding Principal of the sum of the Issuer's total Hybrid Core Capital at the due date.
- 6.3 **Lost Coupon.** Any Coupon not paid in whole or in part according to clauses 6.1 or 6.2 will be lost, and no claim for the payment of such interest may be made at any subsequent time.
- 6.4 **Resumption of the obligation to pay Coupon.** The addition of Coupon will be resumed, and the obligation to pay Coupon will apply again from such date that the exceptions set out in clause 6.1 no longer apply.
- 6.5 **Notification.** The Issuer is obliged to notify the Capital Certificate Holders as soon as the Issuer becomes aware that Coupon cannot be paid in full on the due date according to this clause 6.
- 7 WRITE-DOWN OF PRINCIPAL AND UNPAID COUPON**
- 7.1 **Write-down of the Capital Certificates.** At the annual general meeting or an extraordinary general meeting, the Issuer may pass a resolution to write down the Outstanding Principal and accrued, unpaid Coupon in whole or in part if the Issuer's equity is lost, and the Issuer's share capital has been written down to zero. If the Outstanding Principal is written down in part, such write-down must be effected by a proportionate write-down of the Issuer's total Hybrid Core Capital.
- 7.2 **Conditions for write-down.** The Outstanding Principal and any accrued, unpaid Coupon may be written down in accordance with clause 7.1 only if (i) new capital subsequently is contributed to the Issuer in order for the Capital Requirement to be met, or (ii) the Issuer ceases its business without losses to the unsubordinated creditors. Write-downs may only be effected at such amount that in advance is approved by the Issuer's external accountants and the Financial Business Authority.
- 7.3 **Notification.** The Issuer is obliged to notify the Capital Certificate Holders immediately, or if possible in advance, of a notice to convene a general meeting with a view to passing resolutions of the nature provided for in clause 7.1.
- 8 REDEMPTION OF CAPITAL CERTIFICATES**
- 8.1 **No maturity date.** The Capital Certificates have no maturity date, are not payable in whole or in part on a fixed date, and no claim for repayment in whole or in part may be made unless expressly stated in these Terms (with voluntary and mandatory conversion).
- 8.2 **Redemption.** The Capital Certificates may not be redeemed in whole nor in part before [\*] [\*] 2012. If the Capital Certificates are redeemed by the Issuer in whole or by way of Partial

Redemption prior to [\*] [\*] 2014, such redemption may not be effected unless the conditions stipulated in section 132(4) of the Financial Business Act are met.

8.3 Redemption price in the fourth and fifth year from the Issue Day. The Issuer may in the period from [\*] [\*] 2012 to [\*] [\*] 2014 redeem the Capital Certificates in whole or by way of Partial Redemption, with the addition of due unpaid Coupon, at such amount per Capital Certificate corresponding to the higher of

- a) the Nominal Value; or
- b) the Early Redemption Amount;

plus

- (i) as regards a) above, any Fixed Coupon accrued during the period from the latest Interest Addition Day until the Redemption Day; and
- (ii) as regards both a) and b) above, Variable Dividend Supplement accrued from the latest VDS Calculation Day until the Redemption Day.

8.4 Redemption price in the sixth year from the Issue Day. The Issuer may in the period from [\*] [\*] 2014 to [\*] [\*] 2015 redeem the Capital Certificates in whole or by way of Partial Redemption, with the addition of due unpaid Coupon, at such amount per Capital Certificate corresponding to 105% of the Nominal Value, plus

- a) 5% of the Nominal Value if the Coupon in the period as from the Issue Day and until the Redemption Day has lapsed in whole or in part, cf. clause 6.3.
- b) Fixed Coupon accrued in the period from the last Interest Addition Day until the Redemption Day; and
- c) Variable Dividend Supplement accrued in the period from the last VDS Calculation Day until the Redemption Day.

8.5 Redemption price in and after the seventh year from the Issue Day. The Issuer may from [\*] [\*] 2015 redeem the Capital Certificates in whole or by way of Partial Redemption, with the addition of due, unpaid Coupon, at such amount per Capital Certificate corresponding to 110% of the Nominal Value, plus

- a) Fixed Coupon accrued in the period from the latest Interest Addition Day until the Redemption Day; and
- b) Variable Dividend Supplement accrued in the period from the last VDS Calculation Day until the Redemption Day.

8.6 Partial Redemption. Notwithstanding the provisions in clauses 8.1-8.5, the Issuer may only redeem a part of (and not all) the Capital Certificates ("Partial Redemption") on the following conditions:

- a) the Issuer may effect a maximum of three Partial Redemptions before full redemption of all Capital Certificates must be effected;

- b) at least 20% of the Total Issue Amount must be redeemed through Partial Redemption;
  - c) the Outstanding Principal must constitute at least 30% of the Total Issue Amount after Partial Redemption; and
  - d) the selection of Capital Certificates to be redeemed through Partial Redemption must be made in accordance with the rules if VP from time to time.
- 8.7 Obligation to redeem convertible Hybrid Core Capital. Capital Certificates without Mandatory Conversion may not be redeemed in whole or by way of Partial Redemption before the Issuer has redeemed, written down or converted all Capital Certificates with Mandatory Conversion.
- 8.8 Notification. The Issuer shall notify the Capital Certificate Holders of redemption effected in accordance with this clause 8 not later than 15 days and not more than 60 days before the redemption may be effected.
- 8.9 The Financial Supervisory Authority's approval. The prior approval of the Financial Supervisory Authority is required for both full redemption and Partial Redemption, cf. the Financial Business Act.

## **9 PAYMENTS**

- 9.1 Currency. All payments to the Capital Certificate Holders made under these Terms (with voluntary and mandatory conversion) must be made in DKK.
- 9.2 Time. All payments in respect of the Capital Certificates must be made on or before the due date for the relevant payment and be at the free disposal of the Capital Certificate Holders on such date. All payments must be made through VP and in accordance with VP's rules in force from time to time.

Non-banking Day. If an Interest Addition Day falls on a day that is not a Banking Day, the Coupon Payment will be deferred to the following Banking Day. The deferral of a Coupon Payment in accordance with this clause 9.3 will not trigger additional payment.

## **10 THE ISSUER'S OBLIGATIONS**

- 10.1 The Issuer's obligations. The Issuer shall fulfil all obligations set out in this clause 10.1 as from the Issue Date and until the Capital Certificates have been fully written down according to clause 7, redeemed according to clause 8 or converted according to clause 11.
- 10.1.1 Capital reduction and own Shares. The Issuer may not (i) effect a capital reduction for any other purpose than to cover losses or carry out write-down according to clause 7.1, (ii) purchase own Shares, including the implementation of buy-back programmes for own Shares if such purchase is contrary to the Act on State-funded Capital Injections. The Issuer may only sell own Shares on market terms.
- 10.1.2 Issue of share options etc. The Issuer may solely issue share options, subscription options, convertible debt instruments or similar debt instruments on market terms, unless such issue is part of a general employee scheme.
- 10.1.3 Dividend and redemption of subordinated debts. The Issuer may not pay dividend, redeem or buy back debts that are subordinated to or rank equal to the Capital Certificates or other

Hybrid Core Capital, where (i) Coupon due remains unpaid in whole or in part, or (ii) Coupon is lost according to clause 6 and full Coupon Payment has not been made on two consecutive Interest Addition Days after the date for the lapse of the Coupon. Notwithstanding the above, however, the Issuer may buy back debts subordinated to the Capital Certificates, or that rank equal to the Capital Certificates or other Hybrid Core Capital, to its trading portfolio in order to perform purchase orders from the Issuer's customers in connection with the Issuer's operations as a "market maker".

- 10.1.4 Liquidation. The Shareholders in the Issuer may not pass a resolution to liquidate the Issuer, unless such liquidation is required by law.
- 10.1.5 Bonus shares or similar shares. The Issuer is not permitted to issue bonus shares or similar shares.
- 10.1.6 Merger and demerger. The Issuer may not sign a (i) merger plan, and the shareholders in the Issuer may not approve such merger if a valuation expert pursuant to section 134c of the Danish Companies Act declares that the payment for the shares is not reasonable, or if the shareholders in the Issuer receive other consideration than shares in the surviving company, or (ii) a demerger plan, and the shareholders in the Issuer may not approve such demerger if it may have material adverse effect on the interests of the Capital Certificate Holders.
- 10.1.7 Stock exchange listing. The Issuer may not apply for delisting of the Shares from the Stock Exchange.
- 10.1.8 Other provisions. The Issuer may not implement Company Resolutions resulting in the value of the total number of Coupon Conversion Shares granted in the event of an Alternative Coupon Interest Event occurring, cf. clause 5, or New Shares granted in connection with a conversion, cf. clauses 11 and 12, falling below the value of such Shares, had the Company Resolution not been carried through.

## **11 THE ISSUER'S CONVERSION OPTION**

- 11.1 The Issuer's Conversion Option. The Issuer may in the period from the Issue Date and until [\*] [\*] 2014 (the "Conversion Option Period") always demand that Capital Certificates with the addition of accrued, unpaid Coupon be converted into new Shares in the Issuer ("New Shares") if the Issuer's Hybrid Core Capital Ratio exceeds 35 (the "Issuer's Conversion Option"). The Issuer's Conversion Option cannot be exercised if the Financial Supervisory Authority has issued an order for the conversion of all or part of the Capital Certificates, and such conversion has not been finally completed. During the Conversion Option Period, the Issuer shall pay Conversion Commission.
- 11.2 Exercise of the Issuer's Conversion Option. The Issuer's Conversion Option may solely be exercised in tranches of 20% of the Total Amount of the Issue. In the event that it should be necessary in order to bring the Issuer's Hybrid Core Capital Ratio (calculated after conversion of each tranche) down to 35 or lower, the Issuer's Conversion Option may be exercised with several tranches at a time.
- 11.3 Notification of exercise. The Issuer shall notify the Capital Certificate Holders and the public ("Conversion Notification") of the exercise of the Issuer's Conversion Option in accordance with VP's rules in force from time to time, the Stock Exchange's rules and applicable law.
- 11.4 Implementation of the Issuer's Conversion Option. The implementation of the conversion according to the Conversion Notification shall be effected immediately after the Conversion

Option Valuation Report has been issued. At VP, the conversion must be effected in the form of a proportionate or (if relevant) full reduction and cancellation of the holdings of Capital Certificates in all accounts of VP in accordance with the rules governing VP in force from time to time. The Capital Certificate Holders may not after exercising and implementing the Issuer's Conversion Option by valid issue of New Shares raise a claim against the Issuer concerning converted Capital Certificates. Coupon will continue to accrue on Capital Certificates not converted into New Shares in accordance with these Terms (with voluntary and mandatory conversion).

- 11.5 Number of New Shares. The Capital Certificates to be converted under this clause 11 must be converted into a number of New Shares in accordance with the following formula:

Number of New Shares = the sum of the Nominal Value of the Capital Certificates to be converted plus any accrued, unpaid Coupon, divided by the Conversion Option Price, cf. clause 11.6.

- 11.6 Roundings. If the Nominal Value of the Capital Certificates, plus any accrued, unpaid Coupon, to be converted does not correspond to a whole number of New Shares for a given account with VP, the number of New Shares will be rounded down to the nearest whole number of New Shares for the account with VP. No fractions of New Shares will be issued in connection with conversion, cf. clause 11. Accordingly, any amounts not converted will be paid in cash to the Capital Certificate Holders at the time of VP's implementation of the Issuer's Conversion Option in accordance with VP's rules applicable from time to time.

- 11.7 Conversion Option Price. The price at which the Capital Certificates is to be converted into New Shares ("Conversion Option Price") will be made up in DKK per Share in accordance with the provisions set out in clauses 11.7.1 and 11.7.5.

- 11.7.1 Conversion Option Valuation Expert. The Conversion Option Price is fixed by an independent state-authorised public accountant (the "Conversion Option Valuation Expert") appointed by FSR—Danish Auditors. The Conversion Option Valuation Expert must meet the conditions for being appointed as a valuation expert under section 6b of the Danish Companies Act and have experience of credit institutions. Immediately after the Conversion Notification, the Issuer must contact FSR – Danish Auditors for the appointment of a Valuation Expert. The Issuer pays all costs for the Conversion Option Valuation Expert.

- 11.7.2 Valuation criteria. The Conversion Option Price is determined by the Conversion Option Valuation Expert as the market value of the Issuer's Shares immediately after the Conversion Notification, taking into account the situation of the Issuer at the time of the Conversion Notification. The Conversion Option Valuation Expert determines at his own discretion the most suitable valuation method(s) based on the situation of the Issuer, and may, if he sees fit, determine the market value on the basis of the price of the Shares on the Stock Exchange after the Conversion Notification. When making his valuation, the Conversion Option Valuation Expert is not required to take into account the effect of any simultaneous or subsequent capital increase or capital injection in the Issuer, unless such capital increase or such capital injection has been subscribed or underwritten at the date of the Conversion Notification. If the Conversion Option Valuation Expert decides to determine the market value on the basis of the price of the Shares on the Stock Exchange after the Issuer's Conversion Notification, the Conversion Option Valuation Expert is not required to adjust such price, unless he considers it appropriate. If the Conversion Option Price is lower than the nominal value of the New Shares, the Issuer's Conversion Option may not be exercised.

- 11.7.3 No adjustment. No separate adjustment of the Conversion Option Price will be performed as a result of the Issuer's potential increase or reduction of the share capital, issue of warrants or convertible instruments, merger, demerger or other dissolution prior to the Conversion Notification in that the Conversion Option Price is fixed at market value, cf. clause 11.7.2.
- 11.7.4 Conversion Option Valuation Expert. The Conversion Option Valuation Expert's valuation report (the "Conversion Option Valuation Report") must be available not later than three weeks after the date of the Conversion Notification. The Conversion Option Valuation Report must state the procedures applied in determining the Conversion Option Price. The Conversion Option Valuation Report is final. Hence, the Issuer or the Capital Certificate Holders cannot set up any claims or take legal action on the basis of the Conversion Option Valuation Report. As soon as the Conversion Option Valuation Report is available, the Issuer must notify the Capital Certificate Holders of the results in accordance with the rules of VP applicable from time to time, and the Issuer must publish the Valuation Report in accordance with the rules of the Stock Exchange and applicable law.
- 11.7.5 The cooperation. Immediately after the appointment of the Conversion Option Valuation Expert, the Issuer must notify the Conversion Option Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any Price-sensitive Information and, during the period until the date of the Conversion Option Valuation Report, notify the Conversion Option Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any additional Price-sensitive Information of which the Issuer may gain knowledge during such period. At the request of the Conversion Option Valuation Expert, the Issuer must confirm that it has published or disclosed any Price-Sensitive Information. Furthermore, the Issuer must give the Conversion Option Valuation Expert access to any such information and the Issuer's employees as deemed necessary by the Conversion Option Valuation Expert, taking into account the limited period of time available for the preparation of the Conversion Option Valuation Report, cf. clause 11.7.4. In addition, the Issuer must comply with the principles of section 6b(3) of the Danish Companies Act. Where possible, the Issuer must arrange for the Issuer's accountant(s) to cooperate with and disclose such information to the Conversion Option Valuation Expert as he may need, including the work papers of the Issuer's auditor.
- 11.8 Delivery. The New Shares will be delivered in dematerialised form through VP to the Capital Certificate Holders' accounts, in which the converted Capital Certificates were registered and otherwise in accordance with the rules of VP applicable from time to time.
- 11.9 Ranking. The New Shares must rank pari passu with, and be identical to, the Issuer's existing Shares at the date of the implementation of the Issuer's Conversion Option. The New Shares must be negotiable instruments and freely transferable. The New Shares must carry the same right to dividends from the date of registration with the Danish Commerce and Companies Agency as the Shares of the Issuer on the date of implementation of the Issuer's Conversion Option.
- 11.10 Conditions. The exercise of the Issuer's Conversion Option is subject to:
- (i) the Issuer's general meeting having passed all the necessary resolutions to issue the New Shares against the conversion of the Capital Certificates at the Conversion Option Price and on the other terms of the Terms (with voluntary and mandatory conversion);
  - (ii) the Issuer providing a legal opinion on or before the date of implementation of the Issuer's Conversion Option in a form and with a content which is satisfactory to the

Danish State, confirming (i) the fulfilment of the above and that the New Shares will carry the same rights as, and in general be identical to, the Issuer's existing Shares at the date of implementation of the Issuer's Conversion Option;

- (iii) the Issuer's articles of association not containing any restrictions concerning ownership, voting or turnover, etc.;
- (iv) the Issuer having permission to operate banking business and not being subject to insolvency proceedings (suspension of payments, liquidation or bankruptcy);
- (v) the Shares having been, and the New Shares being, admitted for trading at the Stock Exchange or another regulated market; and
- (vi) no Company Resolution having been passed (or implemented), being pending or published within the relevant period in which the Valuation Expert is to fix the Conversion Price.

11.11 Taxation. Any tax imposed on the Capital Certificate Holders as a result of the Issuer's exercise of the Issuer's Conversion Option is payable by the Issuer.

11.12 Costs. Any costs for VP and the custodians of the Capital Certificate Holders as a result of the Issuer's exercise of the Issuer's Conversion Option are payable by the Issuer.

## **12 MANDATORY CONVERSION**

12.1 Conversion obligation. The Danish Financial Supervisory Authority may order ("FSA Conversion Order") that all or part of the Capital Certificates be converted into New Shares in one or more rounds ("Mandatory Conversion"), in the event that:

- a) the Issuer fails to meet the Solvency Requirement; or
- b) the Danish Financial Supervisory Authority assesses that there is a clear risk that the Issuer will fail to meet the Solvency Requirement.

If the Danish Financial Supervisory Authority issues an order for Mandatory Conversion against the Issuer, the Issuer and the Capital Certificate Holders are under an obligation to carry out the Mandatory Conversion as directed under the rules of this paragraph 12. Any undue Coupon accrued on the Capital Certificates converted will be lost from the date of the Mandatory Conversion in connection with the registration with the Danish Commerce and Companies Agency of the capital increase by the New Shares.

12.2 Issuer's notifications of conversion. The Issuer must immediately upon receipt of the FSA Conversion Order notify the Capital Certificate Holders and the public (the "Issuer's Mandatory Conversion Notification") of the receipt of the FSA Conversion Order and of the Mandatory Conversion in accordance with the rules of VP applicable from time to time, the rules of the Stock Exchange and applicable law.

12.3 Number of New Shares. The Capital Certificates to be converted by way of Mandatory Conversion must be converted into a number of New Shares in accordance with the following formula:

Number of New Shares = the sum of the Nominal Value of the Capital Certificates to be converted divided by the Conversion Price, cf. clause 11.6.

- 12.4 Conversion Price. The price at which the Capital Certificates is to be converted into New Shares ("Conversion Price") will be made up in DKK per Share in accordance with the provisions set out in clauses 12.4.1 and 12.4.5.
- 12.4.1 Valuation expert. The Conversion Price is fixed by an independent state-authorised public accountant (the "Valuation Expert") appointed by FSR – Danish Auditors. The Valuation Expert must meet the conditions for being appointed as a valuation expert under section 6b of the Danish Companies Act and have experience of credit institutions. Immediately after receiving the Financial Supervisory Authority's Conversion Notification, the Issuer must contact FSR – Danish Auditors for the appointment of a Valuation Expert. The Issuer pays all costs for the Valuation Expert.
- 12.4.2 Valuation criteria. The Conversion Price is determined by the Valuation Expert as the market value of the Issuer's Shares immediately after the publication of the Issuer's Mandatory Conversion Notification, taking into account the situation of the Issuer at the time of the FSA Conversion Order. The Valuation Expert determines the most suitable valuation methods based on the situation of the Issuer, and may, if he sees fit, determine the market value on the basis of the price of the Shares on the Stock Exchange after the Issuer's Mandatory Conversion Notification. When making his valuation, the Valuation Expert is not required to take into account (i) the effect of any subsequent Mandatory Conversion (including the impact on the Issuer's solvency ratio and the dilution resulting from the conversion) or (ii) any simultaneous or subsequent capital increase or capital injection in the Issuer, unless such capital increase or such capital injection has been subscribed or underwritten at the date of the FSA Conversion Order. If the Valuation Expert decides to determine the market value on the basis of the price of the Shares on the Stock Exchange after the Issuer's Conversion Notification, the Valuation Expert is not required to adjust such price, unless he considers it appropriate. Notwithstanding the above, the Conversion Price cannot be lower than the nominal value of the New Shares.
- 12.4.3 No adjustment. The Conversion Price will not be separately adjusted in the event of the Issuer's increase or reduction of the share capital, issue of warrants or convertible instruments, merger, demerger or other dissolution prior to the Conversion Notification, since the Conversion Price is determined at market value, cf. clause 12.4.2.
- 12.4.4 Valuation report. The Valuation Expert's valuation report ("Valuation Report") must be available not later than three weeks after the date of the FSA's Conversion Notification. The Valuation Report must state the procedures applied in determining the Conversion Price. The Valuation Report is final. Accordingly, the Issuer or the Capital Certificate Holders cannot set up any claims or take legal action on the basis of the Valuation Report. As soon as the Valuation Report is available, the Issuer must notify the Capital Certificate Holders of the results in accordance with the rules of VP applicable from time to time, and the Issuer must publish the Valuation Report in accordance with the rules of the Stock Exchange and applicable law.
- 12.4.5 The cooperation. Immediately after the appointment of the Valuation Expert, the Issuer must notify the Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any Price-sensitive Information and, during the period until the date of the Valuation Report, notify the Valuation Expert of or publish (in accordance with the rules of the Stock Exchange and applicable law) any additional Price-sensitive Information of which the Issuer may gain knowledge during such period. At the request of the Valuation Expert, the Issuer must confirm that it has published or disclosed any Price-sensitive Information. Furthermore, the Issuer must give the Valuation Expert access to any such

information and the Issuer's employees as deemed necessary by the Valuation Expert, taking into account the limited period of time available for the preparation of the Valuation Report, cf. clause 11.7.4. In addition, the Issuer must comply with the principles of section 6b(3) of the Danish Companies Act. Where possible, the Issuer must arrange for the Issuer's accountant(s) to cooperate with and disclose such information to the Valuation Expert as he may need, including the work papers of the Issuer's auditor.

- 12.5 Cancellation of permission. Notwithstanding clause 12.1, no request to convert the Capital Certificates into Shares in the Issuer may be made if the Issuer is no longer licensed to operate as a bank and is no longer subject to the supervision of the Danish Financial Supervisory Authority under the Danish Financial Business Act.
- 12.6 Status of the Capital Certificates. As from the date of the FSA Conversion Order, any Capital Certificates to be converted into New Shares must, in all respects, rank pari passu with the Shares of the Issuer and with any debt designated as ranking pari passu with the Shares of the Issuer. In the event of a withdrawal by the Danish Financial Supervisory Authority of the FSA Conversion Order prior to the implementation of the Mandatory Conversion by way of registration of the capital increase relating to the New Shares with the Danish Commerce and Companies Agency, the Capital Certificates will resume the status in accordance with paragraph clause from the date of such withdrawal.
- 12.7 Similar application. Clauses 11.4, 11.6, 11.8, 11.9 and 11.12 apply subject to the necessary amendments in relation to a Mandatory Conversion.
- 13 BREACH**
- 13.1 Breach of the Conditions (with voluntary and mandatory conversion). In the event of the Issuer's breach or anticipatory breach in performing its obligations under these Terms (with voluntary and mandatory conversion), any Capital Certificate Holder may exercise remedies for breach under Danish law. The exercise of remedies for breach may, however, not result in an obligation on the part of the Issuer to pay an amount at an earlier date than the date on which such amount would otherwise have fallen due for payment under the Terms (with voluntary and mandatory conversion), cf. clause 13.2.
- 13.2 Discontinuation of activities. Breach includes, among other things, (i) the Issuer entering into liquidation, (ii) a bankruptcy order being made against the Issuer, or (iii) the withdrawal by the Danish Financial Supervisory Authority of the Issuer's licence to operate as a bank and approval of the winding up of the Issuer, with the exception of winding up through merger, under section 227 of the Danish Financial Business Act. In the event of breach under this clause 13.2, any Capital Certificate Holder may notify the Issuer that the Capital Certificates, plus any accrued Coupon, have fallen due. The redemption amount, cf. this clause 12.2, is calculated in accordance with clauses 8.3-8.5. However, the redemption amounts falling due prior to [\*] [\*] 2012 is fixed at par.
- 14 AMENDMENTS AND APPROVAL**
- 14.1 Amendments. Any amendment to these Terms (with voluntary and mandatory conversion) resulting in the Capital Certificates no longer constituting Hybrid Core Capital are subject to the prior written approval of the Danish Financial Supervisory Authority.
- 14.2 Consent. If the Issuer ceases to be subject to the supervision of the Financial Supervisory Authority according to the Financial Business Act, and the Financial Supervisory Authority has no powers vis-à-vis the Issuer, the consent of the Financial Supervisory Authority is not required under these Terms (with voluntary and mandatory conversion).

**15 GOVERNING LAW AND VENUE**

- 15.1 Governing law and venue. These Terms (with voluntary and mandatory conversion) are governed by Danish law. Any dispute arising out of these Terms (with voluntary and mandatory conversion) shall be brought before the Copenhagen City Court. The Issuer or a Capital Certificate Holder may, however, move to have the case referred to settlement by the High Court of Eastern Denmark.

Date:[\*]

Issuer:

Aarhus Lokalbanc Aktieselskab:

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Name: Rasmus Juhl Rasmussen  
Position: Chairman of the board of directors

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Name: Per Hermansen  
Position: The Bank's CEO

Appendix 6 – Agreement on the amendment and specification of agreements concerning state-funded capital injections

**Agreement**

concerning

amendment and specification of agreements concerning state-funded capital injections  
("this agreement")

**between**

The Danish State represented by the Danish Ministry of Business and Growth  
Slotholmsgade 10-12  
Dk-1261 Copenhagen K, Denmark  
(the "State")

**and**

Vestjysk Bank A/S  
Torvet 4  
DK-7620 Lemvig  
("Vestjysk Bank A/S")

**and**

Aarhus Lokalbanc A/S  
Havnegade 2a  
DK-8000 Aarhus C  
("Aarhus Lokalbanc A/S")

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## **1 THE OBJECTS OF AND BACKGROUND TO THE AGREEMENT**

On 20 August 2009 and 22 December 2009, respectively, Vestjysk Bank A/S and Aarhus Lokalbanc A/S entered into agreements with the Danish State concerning a state-funded capital injection in the form of hybrid core capital. The state-funded capital injection constituted DKK 1,438,000,000 into Vestjysk Bank A/S and DKK 177,750,000 into Aarhus Lokalbanc A/S.

The agreements concerning state-funded capital injections include the terms and conditions governing a conversion option allowing the banks upon specific conditions to convert the capital certificates into shares (voluntary conversion).

Furthermore, the agreements also provide that a part of the capital certificates may be converted into shares at the request of the Financial Business Authority (mandatory conversion).

On 25 February 2011, Aarhus Lokalbanc A/S exercised the possibility for voluntary conversion and converted in this connection capital certificates representing an amount of DKK 142,200,000 as well as interest accrued into share capital in the company. The conversion also covered a part of the capital contribution that could be made subject to mandatory conversion. The remaining capital certificates totalling DKK 35,550,000 that were not converted are therefore solely covered by the terms and conditions governing voluntary conversion.

On 20 February 2012, Vestjysk Bank A/S exercised the possibility for voluntary conversion and converted in this connection capital certificates representing an amount of DKK 287,600,000 as well as interest accrued into share capital in the company. The conversion covered only the part of the capital contribution that could be made subject to mandatory conversion. The remaining capital certificates, that were not converted, amounts to DKK 1,150,400,000; this amount represents capital certificates of DKK 34,657,000 covered by the terms and conditions with mandatory conversion, DKK 1,115,743,000 covered by the terms and conditions with voluntary conversion.

Vestjysk Bank A/S and Aarhus Lokalbanc A/S entered a merger agreement on 22 February 2012 that is subject to the approval of the two bank's respective general meetings. Vestjysk Bank A/S will be the surviving bank, and when the merger is implemented, Vestjysk Bank A/S will assume Aarhus Lokalbanc A/S' rights and obligations, including the agreement with the Danish State concerning contribution of hybrid core capital.

In connection with the merger between Vestjysk Bank A/S and Aarhus Lokalbanc A/S, there is a need for a number of clarifications of the contractual basis between the Danish State and the surviving bank. The purpose of this agreement is to clarify parts of the contractual basis between the Danish State on one hand and Vestjysk Bank A/S and Aarhus Lokalbanc A/S on the other hand, once the merger has been implemented.

Apart from the changes expressly resulting from this agreement, the terms and conditions set out in the respective agreements concerning state-funded capital injection with appendices also apply.

The two agreements will therefore still be considered as separate capital injections with individual terms and conditions as regards price, redemption, conversion, etc.

Terms applied in this agreement – with the exception of the changes made in this agreement – will have the same meaning as in the agreements on state-funded capital injection and appendices.

This agreement does not mean that the capital certificates covered by the agreements on state-funded capital injections does not constitute hybrid core capital according to the provisions in this regard set out in section 14 of the Consolidated Act no. 764 of 24 June 2011 on the calculation of basis capital,

and clause 10.1 in the agreements of 20 August 2009 and 22 December 2009, respectively, between the Danish State on one hand and Vestjysk Bank A/S and Aarhus Lokalkbank A/S on the other hand.

## **2. AMENDMENT TO DEFINITIONS**

In the agreement of 22 December 2009 between Aarhus Lokalkbank A/S and Vestjysk Bank A/S concerning a state-funded capital injection in the form of hybrid core capital with appendices, the following definitions are amended:

The "Bank", "Borrower" and "Issuer" mean after the implementation of the merger Vestjysk Bank A/S, Torvet 4, CVR no. 34 63 13 28.

## **3. NOTICES**

In the agreement of 22 December 2009 between Aarhus Lokalkbank A/S and the Danish State concerning state-funded capital injection in the form of hybrid core capital, clause 9(a) of the agreement is amended as follows:

"(a) To the Bank:

Vestjysk Bank A/S  
Attn: Jens Møller  
Torvet 4  
Tel.: 96 63 20 85  
Email: jmem@vestjyskbank.dk

## **4. REDEMPTION OF THE CAPITAL CERTIFICATES**

It appears from clause 8.8 in the terms and conditions governing the capital certificates in the bank's respective agreements with the Danish State that Capital Certificates without Mandatory Conversion cannot be redeemed in whole or in part until the Issuer has redeemed, written down or converted all Capital Certificates with Mandatory Conversion.

The conversion in Aarhus Lokalkbank A/S meant that capital certificates no longer exist under this agreement covered by the terms and conditions with mandatory conversion.

Against this background, the Parties agree that the obligation to redeem, write down or convert Capital Certificates with Mandatory Conversion solely covers the capital injection according to the agreement of 20 August 2009 entered into between Vestjysk Bank A/S and the Danish State.

Thus, Vestjysk Bank A/S is entitled to redeem in whole or in part the remaining part of the capital certificates covered by the agreement entered between the Danish State and Aarhus Lokalkbank A/S of 22 December 2009 without first having to redeem, write down or convert Capital Certificates with Mandatory Conversion covered by the agreement entered into by the Danish State and Vestjysk Bank A/S on 20 August 2009.

## **5. EXERCISE OF THE CONVERSION OPTION**

It appears from clause 11.2 in the terms and conditions governing the capital certificates in the banks' respective agreements with the Danish State that the issuer's conversion option may be exercised solely in tranches of 20% of the Total Amount of the Issues, and that the issuer's conversion option

may be exercised by way of several tranches at a time if this should be necessary in order to reduce the issuer's hybrid core capital to 35 or lower.

With reference to clause 4 above, the parties agree that Vestjysk Bank A/S is entitled to convert the remaining part of the capital certificates covered by the agreement entered between the Danish State and Aarhus Lokalbanc A/S of 22 December 2009 without first having to redeem, write down or convert Capital Certificates with Mandatory Conversion covered by the agreement entered into between the Danish State and Vestjysk Bank A/S on 20 August 2009.

The conversion option must in all circumstances be exercised in accordance with clause 11.2 in the terms and conditions governing the capital certificates.

The calculation of the size of the convertible tranche (of 20%) should be effected based on the size of the capital injection with which the conversion is concerned.

The exercise of the conversion option according to the agreement between the Danish State and Vestjysk Bank A/S of 20 August 2009 is not affected by this agreement.

## **6. COMMENCEMENT AND APPROVAL**

This agreement enters into force when it has been approved by Vestjysk Bank A/S' general meeting.

The agreement forms an integral part of the articles of association of Vestjysk Bank A/S and must as such be attached to the articles of association by way of a confirmed copy.

## **7. GOVERNING LAW AND VENUE**

This agreement is covered by the same provisions concerning governing law and venue as set out in the agreements of 20 August 2009 and 22 December 2009, respectively, between the Danish State on one hand and Vestjysk Bank A/S and Aarhus Lokalbanc A/S on the other hand.

## **8. SIGNATURES**

For and on behalf of the Danish State  
Copenhagen, 5/3 2012

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Ole Sohn  
Minister for Business and Growth

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Michael Dithmer  
Head of department

For and behalf of Vestjysk Bank A/S  
Lemvig, 28.2. 2012

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Frank Kristensen  
CEO of the bank

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Anders Bech  
Chairman of the board of directors

Aarhus Lokalbanc A/S  
Aarhus, 28.2. 2012

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Vagn Thorsager  
CEO

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Carsten Andersen  
Chairman of the board of directors