



Annual report 2012



DJURSLANDS BANK

- vi bygger på lokale værdier

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This is an unofficial translation of an original document in the Danish language. In the event of disputes or misunderstanding arising from the interpretation of any part of the translation, the Danish language version shall prevail

Management report

Financial overview

(DKK 1,000)

Profit and loss account

	2012	2011	2010	2009	2008
Net interest income	187.570	185.611	187.442	194.090	184.176
Net interest and fee income	273.216	256.862	254.386	255.073	245.580
Operational expenditure	195.836	195.895	194.717	193.562	176.461
herof staff and administrative expenses	175.383	177.162	172.694	166.484	165.711
herof payment to sector solutions	7.316	10.785	16.153	21.154	5.502
Basic result					
Profit before value adjustments, writedowns and tax	82.588	65.317	63.840	67.069	73.198
Value adjustments	26.392	4.905	24.340	30.996	-24.921
Writedowns on loans	47.876	38.260	39.267	46.999	30.728
herof writedowns on sector solutions	0	0	12.120	13.880	5.947
Profit from holdings in affiliated companies	26	102	38	87	2.973
Profit before tax for the financial year	61.130	32.064	48.951	51.153	20.522
Profit for the financial year	47.120	23.281	36.785	39.969	17.766

Selected asstes and liabilities

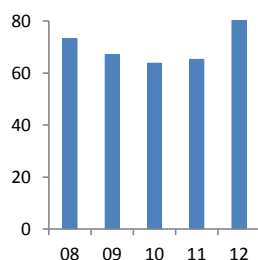
Equity	757.656	705.476	680.714	635.710	588.239
Capital base	717.457	683.688	767.567	701.561	725.304
Total deposits	4.503.086	4.398.012	4.482.541	4.276.901	4.172.662
Loans and other amounts due	3.609.442	3.948.183	3.819.926	3.893.372	4.235.007
Total assets / liabilities	6.657.446	6.586.366	6.550.058	6.294.894	6.518.733
Off-balance sheet items	880.905	945.600	1.439.574	1.404.110	1.390.640

Selected keys figures

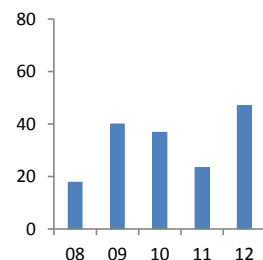
Solvency ratio	pct.	16,6	15,3	15,7	14,2	13,0
Individual solvency demand ratio	pct.	9,7	8,5	8,0	8,0	8,0
Core capital ratio	pct.	17,3	16,0	14,3	11,7	9,5
Profit on own funds before tax	pct.	8,4	4,6	7,4	8,4	3,4
Basic earning / costs		1,42	1,33	1,33	1,35	1,41
Extra cover in relation to the statutory liquidity requirement	pct.	206,5	170,4	211,5	195,1	100,5
The year's loss and writedown	pct.	1,0	0,8	0,7	0,9	0,5
Lending in relation to equity capital		4,8	5,6	5,6	6,1	7,2
Stock value / net book value per share		0,48	0,50	0,66	0,65	0,65

The whole set of survey and key figures is available in note 1.

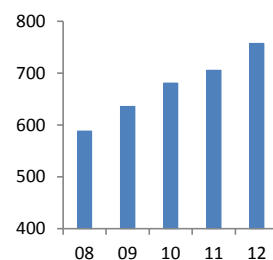
Basisresult
Mio. kr.



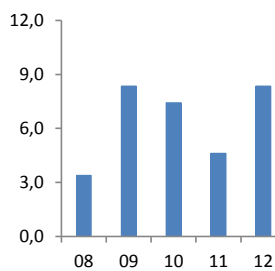
Profit for the financial year
Mio. kr.



Equity
Mio. kr.



Profit on own funds before tax
in %



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Doubling of the profit for the year

The profit before loan impairments, exchange rate adjustments and taxes was DKK 82.6 m., which is above expectations when the year started and at the top of the framework of DKK 70 – 85 m. to which the bank adjusted its expectations in connection with the half-year report.

The profit before stock price adjustments and taxes was DKK 34.7 m., constituting an improvement of DKK 7.6 m. from 2011.

The positive stock price adjustments of the year under review were DKK 26.4 m., which was DKK 21.5 m. more than in 2011.

The profit before tax of DKK 61.1 m. equalled a return on the average equity of 8.4% or DKK 22.6 per share (of DKK 10 each).

The profit for the year of DKK 47.1 m. represents 102 % progress from 2011 and is deemed by the bank's management to be very satisfactory given the present situation in society.

Incidentally, the management is pleased to see

- that the bank has no state guarantees for subordinate capital or liquidity
- that the bank's subordinate capital consists of 94% equity, and
- that the bank complies with all requirements of the Supervision Diamond of the Danish FSA

Background for the result

The continued low economic growth in Denmark and the historically low level of interest rates had a very high influence on the bank's financial results in the year under review.

Uncertainty about the financial development in the US and Europe had a knock-on effect on uncertainties regarding the development of the Danish economy.

Because of the present situation, business investments have slowed down considerably and there is nervousness about employment, which means that private consumption in Denmark remains at a low level.

Despite the historically low level of interest rates, developments have led to a low demand for loans from private and business customers alike. Also, financial developments have increased customers' interest in paying off debt and increasing their savings.

Furthermore, the economic crisis has meant that several banks have had financial difficulties, which has had a knock-on effect on the financial sector as a whole.

For the bank, this general development has led to

- a slight increase in deposits
- a decline in lending
- increasing interest margin
- Markedly higher activities and higher earnings in mortgage credit
- unchanged losses on the credit portfolio, but with a decreasing need for loan impairments, also because of more specific rules from the Danish FSA
- high positive price adjustments of the bank's holdings of securities, and
- continued, significant payments into the Depositor Guarantee Fund.

Despite the limited growth of the bank's scope of business, the bank achieved a satisfactory result on its basic earnings.

The main reasons are that an increasing number of the bank's customers chose to gather their other financial activities at the bank, and that mortgage credit conversion activities increased.

Another major reason is the relatively high influx mainly of private customers to the bank's branches in the Djursland area and to the bank's five branches in the Aarhus area.

The bank's average deposits were DKK 48 m. higher than in 2011, corresponding to a 1.1 % increase.

Higher deposits derive from higher savings among the bank's private customers, while deposits from businesses declined.

Among private customers, payments into pension schemes continue to contribute significantly to savings, while the changes in tax rules reduced total payments into such schemes compared with the previous year.

However, many customers wanted to gather their pension savings at the bank, so the bank's total portfolio of pension funds increased considerably.

The great reluctance among private and business customers resulted in a strong decline in bank lending.

Average lending was DKK 184 m. lower in 2012 than in 2011 – an unsatisfactory drop of 4.7%.

Among private customers, low interest levels have resulted in the conversion of bank loans into mortgage credit loans.

Ongoing influx of new customers to the bank has not been able to avert this development, so the bank's loan portfolio to private customers went down from 2011.

The average interest margin was at a higher level than in 2011. The main reason is that the bank's risk premium on some of the loan portfolio for

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business customers has been increased.

Activities in mortgage credit were at a very high level despite the continued uncertainty regarding price developments in the housing market and the resulting low turnover of real estate.

However, the historically low interest rate led to a high number of conversions of mortgage credit loans.

In asset management, activities were at an unchanged level, while earnings from transfers of payments increased.

Low economic growth and the missing development of private consumption meant that some of the bank's business customers still obtain poorer financial results than they used to.

A minor part of these businesses may have problems servicing their debt in the current economic situation, which is the main reason for the bank's losses and impairments on loans.

Among a minor part of the private customers, the bank also sees increasing challenges when it comes to servicing debt, mainly because of unemployment or divorce, often combined with a sale of the home.

Generally, the bank's credit portfolio is creditworthy, because of constant, long-term focus on credit quality and spreading of risks on private and business customers, different sectors and industries, as well as good geographical spread.

Reference is also made to the separate section on management of credit risks, as well as note 36, which has a list of creditworthiness categories of the credit portfolio.

As a rationalisation effort, the bank has combined the bank's distant customer department, Plus-Bank, with the bank's normal customer organisation.

Continued development of future virtual access to the bank will continue instead in a newly established UngBank, i.e. a youth bank designated at the young customer segment.

Furthermore, with effect from 1 January 2013, the bank has adjusted its organisation in the business customer field.

The bank has established a new business branch in Greenaa to strengthen its competence in this field; together with the business unit in Auning, the new branch will advise and service the bank's key account customers.

Operations

All in all, the bank's total revenue increased by DKK 17.2 m. compared with 2011.

Net interest income rose by DKK 2.0 m. This increase represents a combination of higher income from the deposit and loan portfolio and a markedly lower direct interest return on the bank's bond holdings.

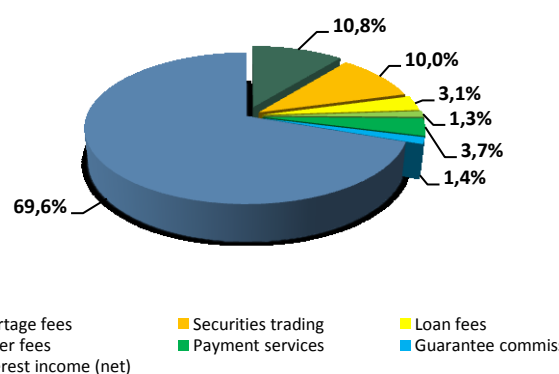
In order to minimise the risk of price losses on the bond holds if interests go up, the bank's total interest exposure throughout the year under review was kept at a very low level. This meant that the direct interest return on bond holdings were 1.3 % points lower than in 2011.

In fees and commissions, the bank achieved progress amounting to DKK 11.2 m.

The main reason is the very high increase in activities in mortgage credit in the form of loan conversions, particularly in the first half of the year.

Break-down of the bank's earnings

Net interest and fee earnings



The progress in the bank's earnings was also positively affected by an increase of DKK 3.2 m. in dividends received, mainly because of an extraordinary payment from the bank's IT center, Bankdata.

In addition, earnings from the bank's mediation of insurance products contributed an extra DKK 1.8 m. compared with 2011.

Total operating costs were unchanged from 2011. The main reasons are

- That salary and pension costs were reduced by DKK 2.1 m. because of a lower number of staff
- that the bank's payment of DKK 7.3 m. towards banks in distress corresponds to a decline of DKK 3.5 from 2011
- that IT costs increased by DKK 2.3 m.
- that write-downs on tangible assets (own real estate) increased by DKK 5.2 m., and
- that the bank's other operating costs came out at a lower level than in 2011.

The average number of staff translated into full-time employees was 182 in 2012, i.e. 7 fewer than in 2011.

Price adjustments on securities and foreign exchange amounted to a very satisfactory price gain of DKK 26.4 m.

Price gains on bond holdings were DKK 15.1 m., on stock holdings DKK 9.1 m., while on foreign exchange transactions, a positive outcome of DKK

Management report

2.8 m. was achieved.

Loan impairments and losses

The amount for losses and impairments on loans, as well as provisions for guarantees, amounted to DKK 47.9 m. in 2012 – up DKK 9.6 m. from 2011.

One major reason for the increase in loan impairments was the specified rules from the Danish FSA on the valuation of assets in commitments where the bank has registered a so-called objective indication of value deterioration.

The changes introduced were assessed on 30 June 2012 to have led to an increase in loan impairments of DKK 15 m.

Loan impairment costs are composed mainly as follows

- an unchanged level of group loan impairments
- individual loan impairments of DKK 65.7 m.
- provisions for losses on guarantees DKK 6.4 m., and
- reversal of previously made loan impairments, DKK 18.3 m.

Further specifications are given in note 9.

In the business sector, the bank continued to make the highest percentage impairments on the agricultural credit portfolio and on properties and building construction projects.

The generally improved financial situation in agriculture has improved the ability of the bank's agricultural customers to service their debt. Given the present market conditions, however, a minor part of the bank's agricultural customers will have difficulties servicing their debt, so the bank carries out impairments on these commitments.

Like in the five previous years, the calculation of group impairments was made in 2012 on the basis of a standard model developed by the local bankers' trade organisation, based on segmentation of the bank's customers.

The assumptions of the standard model have been compared with developments in the bank's primary field of business and the bank's historically ascertained losses; in areas where significant deviations from the standard model are seen, corrections are made to take this into account.

Furthermore, in its managerial assessment of group impairments, the bank has included already occurred events, where the effects of such events have not yet been included in the data basis of the standard model.

At the end of the year, the bank's total amount for loan impairment and guarantee provisions was DKK 190.6 m., corresponding to 4.1 % of the bank's loan and guarantee portfolio.

In 2012, the total ascertained credit losses were DKK 37.7 m., which was at the level of 2011, when losses ascertained on own customers amounted to DKK 37.3 m.

Of the losses ascertained in 2012, only DKK 2.0 m. had not previously been covered by loan impairment provisions.

Outstandings with reduced interest at the end of 2012 were DKK 34 m. – a satisfactory decline of DKK 20 m. compared with 2011.

The key number for the bank's biggest commitments at the end of the year is 71% - a drop from 77% when the year started; the exposure now corresponds to the bank's overall maximum target for this area.

The key number includes five commitments from four different industries. All five commitments are individually below the bank's maximum limit, which has been laid down at DKK 150 m. per commitment.

Distribution of profits

After taxes of DKK 14 m., the profit for the year under review was DKK 47.1 m.

Basically, the bank's management still wishes to strengthen the bank's equity, so as to have the necessary financial basis for expanding the scope of business.

Based on the extraordinarily positive result for the year, the bank's relatively high solvency surplus cover, and the expectation of modest growth in the scope of business, the board of directors will, however, propose that dividend be paid.

At the bank's annual general meeting, the board of directors will thus propose

- that dividend amounting to DKK 2.5 per share (of DKK 10) be paid, corresponding to a total dividend payment of DKK 6.8 m., while
- the remaining profit of DKK 40.3 m. be allocated to the reserves.

After payment of dividend, the bank's equity will be DKK 751 m. – an increase of 6.4 %. Further details are given in the equity statement.

Subordinate capital

The bank's basic capital was DKK 717.5 mil. at the end of the year under review, while the solvency percentage was DKK 16.6%, while the core capital was 17.3 %.

The solvency requirement calculated by the bank itself is 9.74 % in accordance with the Danish FSA guidelines for calculating this requirement.

The bank thus has very satisfactory solvency surplus cover, amounting to 6.9 % points more than the solvency requirement, corresponding to DKK 295.9 m.

With effect from 1 April 2013, the bank's solvency requirement must be calculated in accordance

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with guidelines for the so-called 8+ model (credit reservation model) stipulated by the Danish FSA.

The bank expects the transition to the new model to lead to an increase in solvency requirements of between 1.0 and 1.5 % points.

The bank makes ongoing assessments of its capital requirement by various means, such as stress tests. For further information and detailing, reference is made to <https://alm.djurslands-bank.dk/risikorapport> (only in Danish), which contains the full report on the banks capital demand.

The bank's capital consists of DKK 757.7m in equity and DKK 50m hybrid capital without government guarantees. For details on the hybrid core capital, see note 27

At the bank's general meeting on 21 March 2012 the Board of Directors achieved the General Assembly authorization to raise additional capital resources in the form of hybrid and or additional capital within a framework of up to DKK 100m. This authorization has not been used because the bank has had no need.

At the General Assembly, 20 March 2013, the bank will ask for a extension by one year for this authorization.

In accordance with the bank's articles of association, the bank's Board of Directors is entitled, until 1 March 2017, to increase the share capital by up to DKK 27m to reach a total of DKK 54m in the form of one or several emissions.

The bank's share capital of nominally DKK 27m is held by 15,907 shareholders.

One shareholder, Henrik Ostergaard Lind and his companies, has in 2011 notified the bank that he owns more than 5% of the bank's share capital.

Balance Sheet

The bank's balance sheet increased by DKK 71m, amounting to DKK 6.657m at the end of the year, equal a increase of 1.1%. The main cause for this is an increase of the bank's deposits.

Off-balance-sheet items have decreased by DKK 65m, corresponding to a decrease of 6.9% compared with 2011.

Liquidity

The bank's liquidity situation during 2012 was at a very satisfactory level, which is why the bank has not wished or had any need to participate in the policy of overbidding on the market for deposits and liquidity.

At the end of 2012, the bank had excess liquidity cover of more than 206,5%, i.e. DKK 1.300m.

For further information on cash management, see separate section thereof.

Market risks

The bank's total interest-rate risk in 2012 amounted to between -0.7% and 0.3% of the bank's core capital after deductions.

At the end of the year, the interest-rate risk was 0.1% of the core capital after deductions.

In the year under review, the exchange-rate risk (indicator 1) was max. 0.1% of the bank's core capital after deductions.

Pension funds

The year's overall positive developments in the stock markets has led to satisfactory returns in the bank's pension pools in 2012

The return was 2.37% in the Safe Investment Fund and 8.36%% in the Mixed Investment Fund.

Board and Management

At the bank's general meeting in March 2012 crop consultant Jakob Arendt resigned from the Board of Directors.

As a new member of the board attorney Peter Zacher Sorensen, Gjerrild, was elected instead .

Besides this there have been no changes in the bank's management, and refer to the separate section here on

Other information

The present Annual Report has been prepared in accordance with applicable legislation and relevant rules and guidelines.

There have been no subsequent factors which influence the bank's annual report or on the bank's financial position.

In 2012, the bank issued the following stock exchange announcements.

22.02.2012 Annual Report 2011

24.02.2012 Notice of the Annual General Meeting.

24.02.2012 Proposal for Articles of Association

22.03.2012 Minutes of General Meeting

22.03.2012 Approved Articles of Association

22.02.2012 Changes to management

03.05.2012 Interim report, Q1 2012

17.08.2012 Interim Report, first half 2012

01.11.2012 Interim Report, Q1-Q3 2012

20.12.2012 Financial calendar 2013

Expectations for 2013

The bank expects the growth of the national economy to remain at a continued low level in 2013.

The low growth in the economy will continue to represent a major restraint of corporate investment, and will result in a reduced demand for labor. The current unemployment rate is therefore expected to increase.

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Despite the historically low housing interest rates, private consumption is not expected to increase due to continued uncertainty about developments in the economy.

Loan demand from both private customers and commercial businesses is expected to remain generally low.

The expected reluctance in consumer spending is expected to increase savings and therefore the bank expects thus only a small growth in deposits.

This growth will expectedly be reduced because of the possibility in 2013 to tax capital pension to a preferential rate compared to the current rules on a 40% tax.

Thus the increase of the bank's business volume is expected to come from existing customers, bringing together more of their financial transactions at the bank, and the expected continued increase in new customers to the bank.

The Bank will continue to work hard to attract new private and business customers in its market area in eastern Jutland.

The bank's strong liquidity and capital resources gives such possibility.

Based on the low growth in the macro economy competition is expected to increase in the sector. However, the increase in risk surcharges in 2012 on a portion of the credit portfolio is expected to cause that the interest margin in 2013 as a whole will be at an unchanged or slightly higher than in 2012.

Conversely, the very low bond yields, however, mean that the bank's return on value securities portfolios will be at a lower level.

The current activity and ongoing rationalization will result in a continued decline in the number of employees in the bank, and IT costs will be reduced.

The bank's risk profile in regard to its own transactions in the fields of currencies and investments will remain at a cautious level and the bank's balanced growth in business volume until now will be maintained.

Based on these assumptions, the profit for 2013 – excluding value adjustments of securities and currencies, tax and write-downs – is expected to be at the level of DKK 60m to DKK 75m.

Because of the actual macro economic situation, losses and write-downs on loans are expected at the same level as in 2012.

The bank's interim reporting for 2013 is shown on the financial calendar issued in collaboration with Copenhagen Stock Exchange to which reference is made.

Management report

Commercial basis

The local bank

Djurslands Bank came into being in 1965 through a merger of the area's three small banks with roots dating right back to 1906.

Since its establishment the bank has continuously expanded its network of branches in Djursland. The first branch in the Aarhus area was opened in 1995, and with the latest establishment in 2003 in the centre of Aarhus, the bank has 5 branches in the area.

The bank's vision is, based in East Jutland to be a strong and attractive partner for both private and businesses with a healthy economy. The bank's strategy therefore includes a continued expansion of the bank within the bank's natural market area.

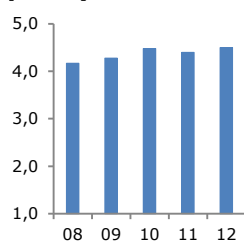
The foundation of the bank's principal objectives is that the bank should be a competitive, professional, locally-oriented business at all times. Continuous development, optimal use of resources, responsible risk management and controlled growth are therefore keywords in the management of the bank.

The bank's values are described in more detail on the last page.

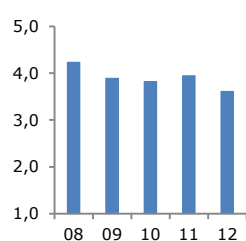
Commercial basis

Djurslands Bank is a full-service bank for private customers, small and medium-sized commercial enterprises and public institutions in the bank's market area.

Deposits (incl. pools)



Loans

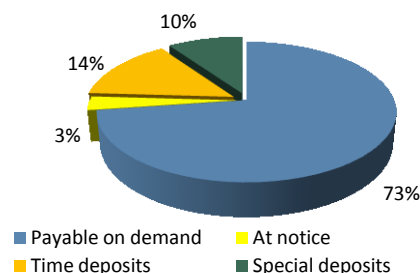


In addition to banking products, customers are offered a full range of mortgage, investment, pension, insurance and leasing products.

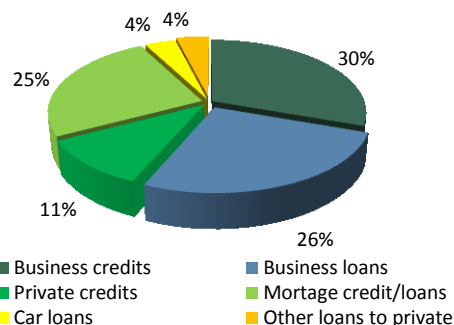
The bank's most important cooperation partners in these business areas are

- Totalkredit
- DLR Kredit
- BankInvest
- PFA
- Privatsikring
- Letpension
- SG Finans and
- Den Nordiske Investeringsbank

Break down of deposits on main products



Break down of loans on main products



Customers

The bank advises and services around 34,000 private customers and around 3,000 business customers and public institutions, and 1,800 other customers. The number of customers is still growing in the right customer segments, where a healthy common sense in economic behaviour and a wish for full customers is the fundamental element.

The bank's customer concepts, which include active segmented customers advising and focused customer packages, supports the business goal, that those customers who collect their financial business' in the bank will benefit from this. This way the bank will seek to get the best position in term of delivering a qualified and all-around advising to the customer.

The bank's local branches are the hub of our systematic customer contact - personal and individual advice.

We call it Active Customer Advice and we aim to become the best in Denmark in this area.

As a supplement to this, the bank's customers are offered all relevant forms of self-service products. A very large part of the bank's business and private customers have electronic access to the bank via NetBank, MobilBank or NetBank Business.

Systematic and ongoing surveys of the bank's advisory customers are the foundation of the bank's business - including services, products and concepts.

Management report

Corporate Management

Corporate Governance at Djurslands Bank

Management at Djurslands Bank keeps up to date on an ongoing basis with developments in the field of Corporate Governance, and the recommendations prepared by the Danish Bankers Association.

The bank has chosen to publish the statutory corporate governance statement on its website.

Thus at <http://alm.djurslandsbank.dk/qodsel-skabsedelse> (only Danish version) the bank's share-holders and other interested parties can obtain further information about Djurslands Bank's response to the full set of recommendations on Corporate Governance.

The bank complies with most of the recommendations, and for those recommendations, which the bank doesn't comply the bank's management has provided a detailed explanation of the reasons for this in accordance with the so-called "comply or explain" principle.

The duty to inform for publicly quoted companies also includes the individual company's opinion of and assessment of Corporate Governance, and the following sections therefore include a selection of the most significant areas of the bank that are covered by the rules.

To ensure the application of the bank's business strategy and policies, the bank has prepared a set of values, which describes how good management is performed in the bank.

Shareholders

The bank is owned by 15,907 shareholders, one shareholders have more than 5% of the share capital. Please see page 5 in the management report.

One of the bank's principal objectives is to secure the shareholders, a long-term, attractive return on their investment in the bank.

The bank's management aims to realise this objective by developing the bank in a continued dialogue with the bank's principal stakeholders:

- shareholders,
- customers,
- employees and
- the local community.

Information for the bank's shareholders will be developed on an ongoing basis at www.djurslandsbank.dk, and the bank's management also aims to enhance the level of information in the regular communications and reports from the bank.

The bank's shareholders decided, by quite a large majority at general meetings in 1990, to insert

ownership restrictions into the bank's articles of association, as a roof of 10% of the share capital.

The immediate background for this, was the relatively large shareholdings in the bank held by two other financial institutions, and thus the risk of a dominating influence on the bank's development.

Changes in the articles of association cannot be adopted unless at least two thirds of the votes submitted and votes cast by the share capital represented with voting rights at the general meeting.

Changes in the articles of association that are suggested by anyone other than the Board of Directors or the Board of Representatives cannot be adopted unless at least nine tenths of the share capital is represented at the general meeting.

According to the bank's articles of association, the following voting restrictions apply at the general meeting:

1-50 shares	= 1 vote
51-100 shares	= 2 votes
101-200 shares	= 3 votes
201-400 shares	= 4 votes
401-800 shares	= 5 votes
801 shares or more	= 6 votes

No shareholder may cast more than a total of six votes on their own behalf.

The bank's management is still of the opinion that the ownership and voting right restrictions in the articles of association provide the best basis for realising the bank's vision and its principal objectives.

Optimising the return to shareholders in the short term by lifting the restrictions is, in the opinion of the management, not in harmony with the interests of the customers, employees and local community.

Board of Directors

The bank's Board of Directors consists of six members elected by the bank's Board of Representatives of 50 members.

In addition, the bank's employees have elected three members.

The composition of the Board of Representatives and the Board of Directors is shown on page 46 in the Danish version of the Annual Report.

The six Board Members elected by shareholders are elected for a 2-year term, so three are elected each year. See Note 40.

The number of Board Members is regularly reviewed. It is the opinion of the Board of Directors that the present number is appropriate for the management of the bank.

The bank's Articles of Association set an age limit of 67 years for election to the Board of

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Representatives, and thus also for election to the Board of Directors.

The tasks and responsibilities of the Board of Directors, and the division of the same between the Board of Directors and the Management, are laid down in instructions prepared in accordance with statutory rules and the requirements and guidelines of the Financial Supervisory Authority in this area.

Board Meetings are held at intervals of around three to four weeks, and otherwise as often as required.

The Board of Directors shall, after a defined process, conduct an evaluation of the Board's powers in relation to its business model and overall risks in order to identify and address any competency gaps.

The other managerial duties of the Board of Directors and the Management can be seen below.

The fees and remuneration of the Board of Directors and the Management can be found in note 7 to the Annual Report.

Executive appointments in other Danish limited companies held by members of Board of Directors.

Chairmann

- Wholesaler Erik Nymann, 65 years, Nymann Autoparts

Other executive functions

Chairman of JAD Auto Parts A/S and Djurs Invest ApS.

Deputy chairman and manager in AUTO-G Danish Grossist Union A/S.

Board member and manager in Auto-Generation A/S, Erik Nymann Holding A/S, Nymann Autoparts A/S, Nymann Ejendomme A/S, Nymann Kemi A/S, N.K. Specialværktøj A/S, Detailgruppen A/S, Kolind Midtpunkt A/S and Hedensted lagerhoteller A/S.

Board member in S.Burchardt Nielsen Autodele A/S, Auto-G Holstebro A/S and Sydjysk Reservedele A/S.

Manager of Carlight Denmark, Maskindepotet ApS, Oldmosen Holding ApS and Kolind Boghandel ApS.

Experience and skills

Considerable experience as a manager and owner in Denmark and other European countries.

22 years experience as a member of the bank's board - including the 11 as Chairman of the Board.

Attendance at Board theoretical training through the bank.

Vice deputy

- Manager Uffe Vithen, 51 years, DOMI Administration (Beder-Malling Boligforening og Arbejdernes Andelsboligforening in Odder)

Other executive functions

Member of the board in Djurs Invest ApS

Experience and skills

Considerable experience as head of the housing association under the supervision of public authorities.

6 years experience as a member of the bank's board - including the 3 as vice chairman.

Attendance at Board theoretical training through the bank.

Chairmann of the audit committee

- CFO Ejner Søby, 46 years, Danish Crown

Other executive functions

Board member in Jydsk Automobil Centrum A/S

Experience and skills

Financial education in banking and theoretical training.

Financially responsible for the Danish Crown's own insurance company under the supervision of the FSA.

Daily responsible for the financial area of Danish Crown.

3 years experience as a member of the bank's board - including the 3 as Chairman of the Audit Committee.

- Private account Manager Helle Bærentsen, 46 years, Djurslands Bank

Experience and skills

Financial education - hired as account manager in one of the bank's branches.

6 years experience as a member of the bank's board.

Attendance at board theoretical training through the bank.

Participation in theoretical education board through Finansforbundet.

- Staff manager Tina Klausen, 52 years, Djurslands Bank

Other executive functions

Member of the board in Djurs Invest ApS

Experience and skills

Financial education - hired as head of the bank's business development.

14 years experience as a member of its board of directors.

Attendance at Board theoretical training through the bank.

Participation in theoretical education board through Finansforbundet.

- Bank clerk Jan B. Poulsen, 52 years, Djurslands Bank

Experience and skills

Financial education - hired as administrative assistant in the bank's central division.

Management report

10 years experience as a member of the bank's board.

Attendance at Board theoretical training through the bank.

Participation in theoretical education board through Finansforbundet.

Board member Nordjyske circle of Finansforbundet

- Real estate dealer and partner Mikael Lykke Sørensen, 49 years, Nybolig

Other executive functions

Manager in Djurs Invest ApS

Experience and skills

Financial education in a bank and subsequently as state authorized real estate dealer.

Considerable experience as a manager and owner.

4 years experience as a member of the bank's board.

Attendance at Board theoretical training through the bank.

- Attorney Peter Zacher Sorensen, 54 years, Zacher Attorneys.

Other executive functions

Member of Board of directors in Fregat Fisk A/S

Experience and skills

Attorney to the Supreme Court, and with more than 25 years of experience as an attorney in corporate and commercial law, business transfer, succession planning, contract, litigation and consulting.

1 year experience as a member of the Board of Directors.

- Car dealer Poul Erik Sørensen, 61 years, Grenaa Bilcenter A/S

Other executive functions

Chairmann in Grenaa Bil-Center A/S, Grenaa Bil-Center af 2002 A/S and Bil-Center Grenaa A/S.

Experience and skills

Considerable experience as a manager and owner.

10 years experience as a member of the bank's board.

Attendance at Board theoretical training through the bank.

Board of Executives

- Managing Director Ole Selch Bak, 57 years, Other management assignments
Member of Board of directors in DLR Kredit, the association Bankdata, JN Data, the association of local banks and Djurs Invest ApS.

The Management is not incentive paid and no pension commitments have been made to the Management.

The Management can be given a 12 months notice, and 24 months in case of merger with another company.

Wage policy

The purpose of the bank's wage policy is that the allocation principles fore wages is consistent with and promotes a healthy and effective risk management of the bank.

The bank's wage policy is based on current legislation and the Financial Sector Code regarding wage policy. The wage committee consists of the bank's presidency.

Wage policy consists essentially of the following:

Board of Representatives

Under the Statute of the bank the remuneration of Representatives is approved at the General Assembly in connection with the financial reporting.

Board members receive fixed fees, fore which the board of directors seek approval at the Annual General Meeting. Basically the annual fee is adjusted in accordance with the contractual wage increases in the financial sector's standard agreement.

Board of directors

Under the Statute of the bank fees for the board of directors are establish and approve by the board of representatives.

The board of directors receives a fixed fee and without incentive pay elements accordingly to the following guidelines:

1. The board of directors fees are reviewed every two years from a comparison relative to peer banks
2. Chairman honored with 2.5 times normal directors' fees
3. Deputy rewarded with 1.5 times the usual directors' fees
4. Chairman of the Audit Committee are paid at 1.5 times the standard board fee.
5. The board of directors fees are adjusted annually in proportion to the net price index

Employees of the bank with special conditions

a. Executive Board

The Executive Board receives a fixed fee and without incentive pay elements. The total remuneration consisting of salary, pension and other goods negotiated between the wage commission and the executive board, and final approved by the board of directors. The total wage is described in an individual contract. The wages are adjusted annually based on wage growth in financial industry standard agreement.

The bank has no pension commitment burden after the termination of employment.

Current pension contributions paid by the bank, agreed only as a share of the fixed remuneration

Management report

On termination of the bank's or management's request, shall be paid no special termination payments beyond the normal compensation for the agreed period of notice. There can be agreed extended notice periods for special circumstances, such as the bank's merger with another company. By an extraordinary effort the Executive Board may be granted a one-time fee. Salary will be treated in accordance with applicable law.

b. Significant risk takers

The Board of Directors has defined the following employees as significant risk takers:

1. the bank's chief of Financial Markets, in charge of Finance and carries out trading and approval of financial instruments and perform transactions with the bank's own funds.
2. bank credit and deputy director, head of credit and can cause material credit risks to the bank.
3. bank vice president who is deputy to the Executive Board.

Employees of the control functions

The bank has defined the following employees with essential control functions:

1. the bank's CFO and compliance officer, in charge of Economic including the bank's control department with financial transactions.
2. The bank's risk manager appointed under the Executive Order Management § 71, chapter 7
3. the bank's Chief Auditor, Head of Internal Audit.

The employees listed under b. and c. are paid a fixed fee and without incentive pay elements. The total remuneration consisting of salary, pension and other goods negotiated between management and employee and final approval by the board of directors. Other conditions follow generally uniform agreement. The salary is adjusted annually based on wage growth in financial sector standard agreement.

By an extraordinary effort, employees can be granted a one-time fee.

Current pension contributions paid by to the bank agreed with the basis of uniform agreement as a share of the fixed wage.

On termination of the bank's or the employee's request, shall be paid no special termination payments beyond the normal compensation for the agreed period of notice. There can be agreed extended notice periods for special circumstances, such as the bank's merger with another company.

Other employees

The bank has defined all the bank's job functions with associated functional description and competency profile.

For each job function is defined by some earning bands indicating the scope of the job function

remuneration.

The bank uses only a fixed salary after convention. In an extraordinary action, the employee may be granted a one-time fee.

Generally for all employees

The bank offers employee shares, which under current legislation is not considered a variable wage share.

Other Information

Other information regarding the bank's remuneration policies and practices can be read on <http://alm.djurslandsbank.dk/loenpolitik>

Management report

Risk management

In all the most important areas of risk, the bank's Board of Directors has drawn up and laid down policies in accordance with relevant legislation and the rules and instructions of the Financial Supervisory Authority.

In the instructions to the board of Executives, the bank's Board of Directors has laid down the framework for risk management by the bank and for the reporting thereof.

Through regular reports from the bank's board of Executives, risk manager, compliance officer, internal and external audits and continuous supervision by the Financial Supervisory Authority, the Board of Directors is kept fully aware of the riskmanagement of the bank.

The bank's overall control environment and risk management of all significant areas is evaluated and adapted continuously.

For the full risk report, please go to <http://alm.djurslandsbank.dk/risikorapport>, and see the section about the bank / shareholder (only published in danish).

General

The Bank has for many years had a very strong focus on the development and composition of its balance sheet, and growth have occurred in the natural environment, which is dictated by the overall economic development of the society.

The Bank is therefore also kept within all values of the FSA's coming Monitoring Diamond.

Monitoring diamond 31. december 2012

	FSA	Djurslands Bank
Large engagements	< 125%	71,5%
Growth in loans	< 20 %	-8,6%
Liquidity coverage	> 50%	206,5%
Stabil funding	< 1,00	0,68
Real estate	< 25%	12,0%

A Capital

The bank assesses on an ongoing basis the necessary capital requirement to cover the bank's overall risks, and thus the scale of the solvency requirement, while at the same time taking into account the optimisation of capital utilisation. This ongoing assessment includes all relevant areas, which includes the size, type and distribution of the bank's capital base.

Tools used to control and calculate what constitutes a sufficient capital base and capital adequacy requirement include stress tests, including all relevant risk areas, as well as the bank is working with 5 years plan on how to ensure further subordinated debt.

The bank must at a minimum comply with all prevailing rules and supervisory requirements. The Bank's own calculated solvency ratio requirement at the end of the year was 9,74%.

Until now the banks has not been seeking any credit-rating from an International rating-bureau. The bank's Board of Directors has therefore defined its own solvency target at the banks own calculated solvency ratio requirement plus 4%-point and core capital target at 12%

The bank uses the standard method as a basis for producing a specification of capital employed.

The development of the Bank's capital requirements is subject to ongoing monitoring, and the outcome of this monitoring is reported to Management.

The Bank's capital requirements, capital preparedness and emergency plans for these are reported to, discussed by and approved by the Bank's Board of Directors every quarter as a minimum.

For the full report on this aspect, please go to <https://alm.djurslandsbank.dk/risikorapport> (only published in danish).

Credit risks

Credit management and risk constitute a significant area of the bank's risk management, as loans comprise by far the biggest proportion of the bank's assets.

The bank's credit organisation is structured to enable it to make decisions close to the customer, i.e. in the individual branches.

The authorisation to make decisions is therefore delegated to customer advisors and managers in the branches, so that most credit decisions are made locally.

Authorisation is delegated to an individual employee on the basis of an assessment of competence and needs.

The bank has a central credit department to develop, manage and monitor the bank's credit policies and risks.

The credit department also authorises any commitments that exceed the branches' authorisation limits according to the defined rules, and processes, assesses and recommends the commitments to be authorised by the Management or the Board of Directors.

The Credit Department's credit policy monitoring and credit risk management are carried out through very close, regular reporting at case, client and department level, as well as through ongoing commitment follow-up.

Management report

The Credit Department's ongoing and regular reporting to the Management and Board of Directors comprises all of the Bank's credit risks divided into cases, clients, segments, industries and departments.

In addition, ongoing reporting is done on trends relating to overdrafts, arrearage, write-downs and bad commitments, just as reporting is done on composition at client level in the industries representing the highest proportions of loans.

The bank accepts credit risks on the basis of a defined credit policy.

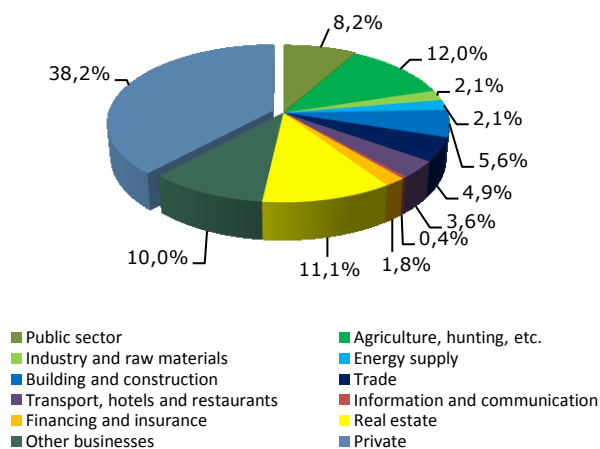
In the bank's credit policy the decisive emphasis is placed on the diversification of risk.

Diversification across

- customers,
- segments,
- sectors and
- geographic areas

is part of the credit management process, so that no individual commitments or sectors constitute a risk to the bank's continued existence.

Break down of exposures on sectors and branches



The credit policy also includes

- that no commitment on a consolidated basis to exceed 150 million DKK except for public institutions.
- the proportion of large exposures in accordance with the FSA notice, aggregate maximum may represent 70% of the bank's core capital.
- that the aim is that no single industry represents more than 15% of the bank's total credit portfolio.

The bank's lending policy is based on the concept that all loan commitments shall have a sound financial basis.

The determining element in assessing the credit-worthiness of business customers is their ability to service the debt with cash flow from operations.

For personal customers the balance between net income, expenses and capital is decisive.

To manage the banks loan portfolio a credit rating based on factual financial information based on the individual business or personal customer is used.

The credit rating for private customers is expanded with a financial behaviour score.

To limit the bank's risk of losses, there is an assessment in each individual credit case of whether the lodging of security is necessary.

If the credit risk is not minimal, as a general rule it is a requirement that the customer lodges full or partial security for the commitment.

The value of security lodged is determined on the basis of defined valuation principles for each kind and type of security. This also includes changes in the market and depreciation as a consequence of age.

Write-downs of loans are performed on the basis of a breakdown of the portfolio into

- individually significant loans
- loans that do not fit into a group and
- groups of loans with similar credit characteristics

All commitments are valued individually with a view to confirm whether there is an objective indication of any depreciation in value on the basis of actual events that have occurred. If an objective indication is confirmed and this involves an impact on the size of expected future payment flows, a write-down is performed.

The loan is written down if necessary, applying the difference between the book value before the write-down and the present value of expected future payments.

Regardless of the size of the exposure deemed non-performing loans also individually and impairment assessed in a similar manner.

Loans and other amount that are not written down individually are included in the base data for group write-downs. An assessment of objective indication for losses is performed on the group.

Group assessments are made for groups of loans and receivables with uniform characteristics in relation to credit risks. 17 groups exist, comprising one group of public authorities, one group of private customers and 15 groups of corporate customers that have been subdivided into sector groups.

Group assessments are made using a segmentation model developed by the Association of Local Banks, which is responsible for maintaining and developing the model. The segment model determines relations in the individual groups between ascertained losses and a number of significant explanatory macro economical variables via a linear regression analysis. Such expla-

Management report

natory macro economic variables include unemployment, housing prices, interest rate, number of bankruptcies / compulsory sales etc.

The macro economical segment model is generally calculated on the basis of loss data for the entire banking sector. Djurslands Bank has therefore assessed whether the model estimates should be adjusted to the credit risk on the bank's own loan portfolio.

This assessment has led to an adjustment of the model estimates to own conditions, and the adjusted estimates, subsequently form the basis of the calculation of the group write-down. Each group of loans and receivables produces an estimate expressing the percentage impairment attached to a specific group of loans and receivables as at the balance sheet date. Comparing this value to the original loss risk on the individual loan and the loss risk on the loan at the beginning of the relevant financial period generates the individual loan's contribution to the group write-down. The write-down is calculated as the difference between the carrying amount and the discounted value of expected future payments.

In addition, the bank has in the managerial assessment of grouped impairments recognized already occurred events where the impact is not yet included in the standard model's data base.

The risk of guarantees lodged by the bank is assessed individually. On the basis of the probability that the guarantee will lead to a drain on the bank's resources, including the risk of whether the bank can achieve cover for the expected payment from a debtor, an assessment is performed of whether a provision should be made for the estimated risk of loss.

Market risks

Another important area of risk management is the management of the bank's market risk.

Market risk is the changes which a financial receivable may be subject to as a result of interest rate changes and general or specific fluctuations in the market prices of securities.

In this area, too, the policy is that the bank does not take on risks which may have a significant influence on the bank's financial situation.

The bank's total interest risk is quantified such that it may be a maximum of between -1% and +3% of the bank's core capital after deductions.

The bank's total currency risk is quantified such that it may be a maximum of 0.1% of the bank's tier 1 capital after deductions, calculated according to exchange rate indicator 2.

Management of the bank's share risk is quantified as a maximum percentage of investments in relation to the bank's core capital after deductions. Depending on whether investments are made in Danish, foreign or individual shares, or in shares in the bank's financial partners, individual limits have been defined for these.

Marked risks – and changes – are reported on an ongoing basis to the Management and every board meeting.

Liquidity risks

Cash management is intended to ensure the Bank's has adequate funds available to handle the Bank's payment commitments at any given time. The Bank's cash resources must comply with applicable laws and regulations, but in addition the Bank's liquidity policy also includes a principle of wanting to be independent of other financial enterprises as regards liquidity.

The Bank focuses very much on spreading the Bank's acquisition of cash resources in regard to sources, types and maturities.

The Bank's primary source of finance is deposits made by the Bank's clients, so the Bank also works to strike a balance between deposits and lending.

The Bank wishes to be independent on major fixed-term deposits, so the Bank's deposit base only contains minor fixed-term deposits from clients who are not already the Bank's clients in other business areas.

In addition to deposits, bond loans are raised in the form of senior capital with a maturity of up to three years, and similar credit facilities with financial partners and the National bank.

For daily procurement and placement of cash resources, unsecured loans on the wholesale market are used.

Cash management includes stress tests to identify the Bank's cash flow exposure; the Bank's emergency plans in this field are subject to ongoing updates.

Reporting to Management is done daily, just as regular meetings and follow-ups are held among the people in the organisation who are responsible for this.

Reporting is also done at each Board meeting.

IT security

IT security is also monitored continuously.

Our most important partner in the area of IT is Bankdata, to which most of the operational and developmental activities are outsourced.

The division of responsibility and work between Bankdata and the bank is clearly defined and

Management report

described, and there are regular evaluations of whether Bankdata complies with the bank's IT security policy.

The bank's contingency plans include continuing updates and test of procedures in the IT-area, as well as the bank's safety policy is updated on an ongoing basis.

Operational risks

Operational risks can be defined as the potential losses to the Bank as a result of errors and incidents caused by people, processes, systems or external events.

These risks could be the result of inappropriate employee action, system breakdown, policy infringements, failure to comply with business procedures, laws and regulations, etc.

The Bank has separated the performance of activities from activity checks in the organisation to minimise operational risks.

In addition, the Bank's internal auditor carries out ongoing audits to obtain the highest possible assurance of compliance with policies, business procedures, rules and processes.

The Bank has high focus on its responsibilities when advising its clients, and thus also on the financial liabilities that could ensue when offering such advice.

The Bank seeks to minimise this risk through systematic clarification and employee competence development in all fields of advising; this includes certification in the fields of investment and home-loan advisory services.

Wherever possible, the Bank uses technical, standardised advising procedures, so as to have the highest possible assurance of identification and advice in regard to all elements involved in a given case.

Ongoing reports are given to Management regarding current and new client complaints; regular reporting is done on this subject to the Board of Directors.

Uncertainties in recognizing and measuring

The main uncertainties in recognizing and measuring primarily related to write-downs of loans and provisions for guarantees fair value of property and the fair value of unlisted / illiquid securities. Uncertainties are considered to be at a manageable level. Refer to the description of accounting estimates under "Accounting Policies."

Risk

The Bank has established an independent risk management function and with a risk manager with reference to the Board.

The risk managers responsibilities include the bank's risk bearing activities across risk areas and organizational units as well as risks arising from outsourced functions.

The risk charge is responsible for risk management in the bank is completed safely, including the creation of an overview of the bank's risks and the overall risk picture.

The risk manager will report at least annually to the bank's Board of Directors.

Compliance

The Bank has established a compliance function, with a compliance officer to the Management Board.

The compliance officer has a task to monitor, advise and assist the management and the persons responsible for individual compliance areas to ensure that legislation, standards or internal market rules are respected.

The compliance controller will report at least annually to its board of directors.

Audit

On the basis of a recommendation from the bank's Board of Directors and Management, the bank's General Meeting appoints the external auditors for the coming year as well as alternates.

In accordance with the applicable legislation, the external auditors prepare the basis for the audit of the bank, including the division of responsibilities and tasks between the auditors and the management, the planning and performance of the audit and reporting to the Board of Directors on the work carried out.

In addition to the external auditors, the bank's Board of Directors has appointed a controller to run the internal audit department.

The division of work between the external and internal auditors is agreed annually.

The internal auditors report at least semi-annually to the Board of Directors.

In connection with the audit of the Annual Report, the auditors go through the details of the audit report with the Board of Directors and present their overall assessment of the bank.

The bank has established an auditing board in 2009, who consist of the whole board of Directors and with CFO Ejner Søby as the independent member.

The auditing board's assignments are defined in a commission, and includes among other things supervising of the process of preparing the banks annual report, the internal control systems, the internal audit, the banks risk management systems, auditing of the annual report and the auditors independent.

Management report

Social Responsibility

The Bank's social responsibility policy

The Bank's core values, together with the Bank's environmental policy are the foundation of the Bank's ongoing work with CSR.

To support the bank's vision and mission, the bank has in 2005, completed 5 core values which forms the core values, which the bank's management and employees are expected to base their daily work and decisions on. The five values are described on the backside of the annual report.

In the bank, we believe the greatest contribution to social responsibility is created when the bank's core business is in line with society's general interests, and community responsibility thus becomes an integral part of the bank's daily actions.

The Bank's social responsibility, are compared to 4 key stakeholders / areas:

- Customers
- Employees
- Local community and
- Societal compliance

The bank has chosen to publish the statutory report on corporate social responsibility to its website.

Thus goals, status and trends in each area are described annually in an appendix to the bank's annual report, which all of the bank's stakeholders have access to at <https://alm.djurslands-bank.dk/samfundsansvar>.

The Bank's financial community contribution

The Bank provides financial assistance - as a local business in Jutland - both directly and indirectly to create value for society.

The indirect contribution in the form of the bank helps to bond investing and financing together for approx. 35,000 private customers and 3,000 business customers in the market area.

A portion of the bank's operating costs are settle as revenue in a number of local businesses and the bank's around. 190 employees also helps to create income and growth in the local area.

The Bank's direct economic contribution in terms of public payments for 2012 can be calculated as:

25% corporate income tax	DKK 14.0m
10.5% payroll tax	DKK 9.9m
Property tax	<u>DKK 0.4m</u>
Total	<u>DKK 24.3m</u>

In addition comes, payment of energy charges, other fees and VAT.

For the year 2012, the direct effect of the bank as a workplace is calculated to:

Employee's payment of income tax	DKK 25.8m
Labour tax	<u>DKK 6.7m</u>
Total	<u>DKK 32.5m</u>

Profit and Loss Account and comprehensive income

(DKK 1,000)

	Note	2012	2011
Profit and Loss Account			
Interest income	3	232.275	246.067
Interest expenses	4	44.705	60.456
Net interest income		187.570	185.611
Dividend from share etc.		3.800	629
Fees and commission income	5	88.082	76.611
Fees and commission expenses		6.236	5.989
Net interest and fee income		273.216	256.862
Value adjustments	6	26.392	4.905
Other ordinary income		5.208	4.350
Staff costs and administrative expenses	7	175.383	177.162
Depreciation and writedowns of tangible assets		13.137	7.948
Other operational expenditures		7.316	10.785
Writedowns	9	47.876	38.260
Profit from holdings in associated and affiliated companies	8	26	102
Profit before tax for the financial year		61.130	32.064
Tax	12	14.010	8.783
Profit for the financial year		47.120	23.281
Comprehensive income			
Profit for the financial year i.e. profit and loss account		47.120	23.281
Other comprehensive income			
Value adjustments of domicile property		6.450	1.600
Other comprehensive income after tax		6.450	1.600
Total comprehensive income for the financial year		53.570	24.881
Allocation of profit			
Revaluation reserves		6.450	1.600
Legal reserves		26	102
Proposed dividend		6.750	0
Retained profit		40.344	23.179
Total allocated		53.570	24.881

Balance Sheet as at 31. december

(DKK 1,000)

	Note	2012	2011
Assets			
Cash in hand and claims at call on central banks		72.738	41.818
Due from credit institutions and central banks	13	72.173	83.655
Loans and other amounts due at amortised cost	14	3.609.442	3.948.183
Bonds at fair value	15	1.686.030	1.311.547
Shares, etc.		189.690	175.521
Holdings in affiliated companies	16	1.764	1.738
Assets under pooled schemes	17	847.429	836.490
Tangible assets		80.486	75.493
Investment properties	19	2.565	2.665
Domicile properties	20	77.921	72.828
Other tangible assets	21	7.948	8.915
Tax assets		1.383	856
Deferred tax assets	22, 23	1.863	0
Other assets		82.472	98.114
Cut-off assets		4.028	4.036
Total assets		6.657.446	6.586.366
Liabilities			
Due to credit institutions and central banks	24	1.204.477	1.268.122
Deposits and other amounts due	25	3.593.379	3.533.775
Deposits under pooled schemes		909.707	864.237
Other liabilities		124.992	148.886
Cut-off liabilities		3.984	3.055
Total debt		5.836.539	5.818.075
Provisions for pensions and similar obligations	26	5.905	6.223
Provisions for deferred tax	22, 23	0	6.143
Provisions regarding losses on guarantees	10	6.462	31
Other provisions for liabilities		884	418
Total provisions for commitments		13.251	12.815
Subordinated debt	27	50.000	50.000
Total subordinated debt		50.000	50.000
Share capital		27.000	27.000
Share premium account		0	5.274
Revaluation reserves		10.518	4.068
Legal reserves		764	738
Retained profit		712.624	668.396
Proposed dividend		6.750	0
Total equity		757.656	705.476
Total liabilities		6.657.446	6.586.366

Cash Flow Analysis

(DKK 1,000)

	Note	2012	2011
Operational activities			
Profit for the financial year		61.130	32.064
Writedowns	9	47.876	38.260
Revaluation on investment land and property	19	100	0
Depreciation and writedowns of tangible assets		13.137	7.948
Profit on holding in affiliated companies	8	-26	-102
Tax		-22.543	-6.630
		99.674	71.540
Change in loans and other amounts before writedowns		290.865	-166.517
Change in assets under pooled schemes		-10.939	40.298
Change in bonds		-374.483	39.621
Change in shares		-14.169	6.503
Change in temporary assets		0	2.526
Change in other assets		15.650	3.847
Change in assets at credit institutions		11.482	-33.973
Change in due to credit institutions		-63.645	240.749
Change in deposits and other amounts due		105.074	-84.529
Change in other liabilities		-22.965	-16.857
Change in provisions for liabilities excl. deferred tax		6.579	-28.709
Cash flows from operation activities		43.123	74.499
Investments activities			
Purchase of tangible assets	19, 20, 21	-11.365	-2.437
Sales of tangible assets	19, 20, 21	552	0
Cash flows from investing activities		-10.813	-2.437
Financing activities			
Purchase / sale and revaluation of own shares		-1.390	-119
Change in subordinated debt		0	-100.659
Cash flow from financing activities		-1.390	-100.778
Cash flows for the year		30.920	-28.716
Cash, end		72.738	41.818
Cash, beginning		41.818	70.534
Cash flows for the year		30.920	-28.716

Equity

(DKK 1,000 kr.)

	<u>Share capital</u>	<u>Shares premium account</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Proposed dividend</u>	<u>Retained profit</u>	<u>Total</u>
Equity 31.12.2010	27.000	5.274	2.468	636	0	645.336	680.714
Net purchase of own shares						-119	-119
Other comprehensive income			1.600				1.600
Profit for the financial year				102	0	23.179	23.281
Equity 31.12.2011	27.000	5.274	4.068	738	0	668.396	705.476
Reclassification		-5.274				5.274	0
Net purchase of own shares						-1.390	-1.390
Other comprehensive income			6.450				6.450
Profit for the financial year				26	6.750	40.344	47.120
Equity 31.12.2012	27.000	0	10.518	764	6.750	712.624	757.656

Number of shares 2.700.000, nom. value DKK 10

Legal reserves relating to the revaluation reserve at the bank affiliated company.
Revaluation reserve relates to revaluation of domicile properties.

	<u>2012</u>	<u>2011</u>
Own shares		
Bookvalue of own shares	0	0
Number of own shares	14.389	2.974
Stock value per share	136	132
Total stock value	1.957	393
Percentage of own shares	0,5	0,1

Shareholders

Shareholders who owns more than 5% of the sharevalue

- Henrik Østenkjær Lind personally and through the companies Lind Invest ApS and Danish Commodities A / S

Notes

1 Main- and key figures

(DKK 1,000)	2012	2011	2010	2009	2008
Profit and Loss account					
Net interest income	187.570	185.611	187.442	194.090	184.176
Net interest and fee income	273.216	256.862	254.386	255.073	245.580
Value adjustments	26.392	4.905	24.340	30.996	-24.921
Operational expenditure	195.836	195.895	194.717	193.562	176.461
herof staff and administrative expenses	175.383	177.162	172.694	166.484	165.711
herof payment to sector solutions	7.316	10.785	16.153	21.154	5.502
Writedowns on loans	47.876	38.260	39.267	46.999	30.728
herof writedowns on sector solutions	0	0	12.120	13.880	5.947
Profit from holdings in affiliated companies	26	102	38	87	2.973
Profit before tax for the financial year	61.130	32.064	48.951	51.153	20.522
Profit for the financial year	47.120	23.281	36.785	39.969	17.766
Balance sheet					
Assets					
Cash in hand and claims on credit institutions, etc.	144.911	125.473	120.216	131.919	638.363
Loans and other amounts due	3.609.442	3.948.183	3.819.926	3.893.372	4.235.007
Bonds and shares etc.	1.875.720	1.487.068	1.533.192	1.218.336	671.638
Assets under pooled schemes	847.429	836.490	876.788	866.884	749.905
Other assets	179.944	189.152	199.936	184.383	223.820
Total assets	6.657.446	6.586.366	6.550.058	6.294.894	6.518.733
Liabilities					
Due to credit institutions and central banks	1.204.477	1.268.122	1.027.373	738.864	1.035.970
	3.593.379	3.533.775	3.587.396	3.384.750	3.390.111
Deposits and other amounts due	909.707	864.237	895.145	892.151	782.551
Deposits under pooled schemes	142.227	164.756	208.771	167.760	196.203
Issued bonds	0	0	0	300.000	300.000
Subordinated debt	50.000	50.000	150.659	175.659	225.659
Equity	757.656	705.476	680.714	635.710	588.239
Total liabilities	6.657.446	6.586.366	6.550.058	6.294.894	6.518.733
Off-balance sheet items					
Off-balance sheet items	880.905	945.600	1.439.574	1.404.110	1.390.640

Notes

1 Main- and key figures

		2012	2011	2010	2009	2008
Solvency and capital ratio						
Solvency ratio *	pct.	16,6	15,3	15,7	14,2	13,0
Core capital ratio *	pct.	17,3	16,0	14,3	11,7	9,5
Earning ratios						
Profit on own funds before tax	pct.	8,4	4,5	7,4	8,4	3,4
Profit on own funds after tax	pct.	6,4	3,3	5,6	6,5	2,9
Earning/costs		1,25	1,14	1,21	1,21	1,10
Basic earning / costs		1,42	1,33	1,33	1,35	1,41
Market risk ratios						
Interest rate risk	pct.	0,1	0,3	0,4	1,5	2,3
Foreign exchange standing - pos 1	pct.	4,0	9,2	1,4	0,8	2,2
Foreign exchange standing - pos 2	pct.	0,0	0,0	0,0	0,0	0,0
Liquidity risk ratio						
Lendings plus provisions on loans in relation to deposits	pct.	84,2	93,7	89,0	94,4	104,1
Extra cover in relation to the statutory liquidity requirement	pct.	206,5	170,4	211,5	195,1	100,5
Credit risk ratios						
The sum of large commitments**	pct.	71,5	77,0	91,0	73,3	72,7
Share of outstandings with reduced interest	pct.	0,7	1,1	1,0	0,7	0,5
Provision percentage	pct.	4,1	3,4	3,6	2,9	2,0
The year's loss and writedown	pct.	1,0	0,8	0,7	0,9	0,5
The year's growth in lending	pct.	-8,6	3,4	-1,9	-8,1	-1,6
Lending in relation to equity capital		4,8	5,6	5,6	6,1	7,2
Return on share						
Profit for the year per share *	kr.	17	9	14	15	7
Net book value per share *	kr.	282	262	253	241	230
Dividend per share *	kr.	2,5	0,0	0,0	0,0	0,0
Stock value/result of the year per share		7,8	15,3	12,2	10,6	22,8
Stock value/net book value per share		0,48	0,50	0,66	0,65	0,65
Stock value per share*	kr.	136	132	166	157	150

* The rules for accounting of the sum of large commitments have been tightened in 2010. Figures for 2008 - 2009 have not been complied to these rules

Notes

(DKK 1,000)	2012	2011
2 Solvency		
Solvency ratio	16,6%	15,3%
Core capital ratio	17,3%	16,0%
Equity	757.656	705.476
Herof revaluation reserves	-10.518	-4.068
Herof proposed dividend	-6.750	0
Deferred tax assets	-1.863	0
Hybrid core capital	50.000	50.000
Core capital before deduction of holding	788.525	751.408
Half of total of holding etc., more than 10% of capital base	-40.793	-35.894
Core capital after deductions	747.732	715.514
Revaluation reserves	10.518	4.068
Capital base before deductions	758.250	719.582
Half of total of holding etc., more than 10% of capital base	-40.793	-35.894
Capital base after deductions	717.457	683.688
Weighted values excl. values with marked risk	4.031.304	4.197.519
Weighted values with marked risk	297.225	275.978
Total weighted values	4.328.529	4.473.497
3 Interest income		
Claims on credit institutions, etc.	1.679	1.580
Loans and advances	214.894	211.173
Bonds	20.537	34.969
Total derivative financial instruments herof	-5.054	-1.938
Currency contracts	484	1.119
Interest rate contracts	-5.538	-3.057
Other interest income	219	283
Total interest income	232.275	246.067
Of which income from genuine purchase and resale transactions represent	0	0
4 Interest expenses		
Credit institutions and central banks	8.287	14.818
Deposits	31.155	37.813
Subordinated debt	4.892	7.412
Other interest expenses	371	413
Total interest expenses	44.705	60.456
Of which expenses from genuine purchase and resale transactions represent	0	0
5 Fee and commission income		
Securities trading and custody account fees	29.070	28.631
Payment services fees	12.279	10.059
Loan fees	37.807	29.169
Guarantee commissions	5.429	5.507
Other fees and commissions	3.497	3.245
Total fee and commission income	88.082	76.611
Payed fee and commissions are not deducted in the above		

Notes

(DKK 1,000)	2012	2011
6 Value adjustments		
Loan and advances at fair value	708	5.220
Bonds	15.117	1.533
Shares, etc.	9.073	648
Investment property	-100	0
Currency	2.799	2.965
Derivatives	-646	-5.162
Assets under pooled schemes	40.331	-15.477
Deposits under pooled schemes	-40.890	15.178
Total value adjustments	26.392	4.905
7 Staff costs and administrative expenses		
Remuneration of Executive Board, board of Directors and Representatives	3.425	3.212
Staff costs	107.755	109.849
Administrative expenses	64.203	64.101
Total staff and administrative costs	175.383	177.162
Staff costs		
Salaries	86.219	87.617
Pensions	10.639	11.365
Social security expenses	1.027	984
Taxes	9.870	9.883
Total	107.755	109.849
Salary equals the accrued remuneration.		
Number of full-time equivalent staff (avg.) in the financial year		
Calculated according to the ATP-method	189,6	195,9
Calculated according to work-time percentages	182,1	189,7
Salaries and remuneration of Executive Board, Board of Directors and Board of Representatives		
Fixed payment		
Board of Executives, wage, free car, holiday payment	1.938	1.874
Board of Executives, pension	350	346
Board of Directors	978	835
Board of Representatives	159	157
Total	3.425	3.212
There is no variable payment, or pension obligations		
Number of board of executive members	1	1
Number of board of directors members	9	9
Specification of remuneration to the board of directors members		
Erik Nymann, chairmann	213	152
Uffe Vithen, deputy chairman	128	114
Jacob Arendt (retired 21.03.2012)	21	76
Helle Baerentsen	85	76
Tina Klausen	85	76
Jan B. Poulsen	85	76
Ejner Soeby, audit committee Chairman	128	114
Mikael Lykke Soerensen	85	76
Peter Zacher Soerensen (elected 21.03.2012)	64	0
Poul Erik Soerensen	85	76

Notes

(DKK 1,000)

2012 2011

7 Staff costs and administrative expenses (continued)

Specification of salaries for the Representatives

Chairmann	6	6
Other members	3	3

Other employees with significant influence on the bank's risk profile

Fixed payment

Salaries, company car, pension etc.	6.372	6.125
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Total payment to employees with significant influence on the risk profile	6.372	6.125
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Number of employees with significant influence on the risk profile	6	6
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There is no variable payment, or pension obligations

8 Profit of holdings in affiliated companies

Profit on holdings in affiliated companies	26	102
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Total profit on holdings in affiliated companies	26	102
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9 Write down on loans and advances

Individual write downs

Write downs beginning	163.219	158.192
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Write downs in the financial year	65.688	60.100
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Changes in write downs regarding earlier years	-18.335	-18.055
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Finally lost regarding earlier write downs	-36.346	-37.018
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Individual write downs end	174.226	163.219
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Group write downs

Write downs beginning	10.305	10.484
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Write downs in the financial year	-407	-179
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Group write downs end	9.898	10.305
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Total write downs on loans and advances	184.124	173.524
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Expenses in the financial year from write downs on loans and advances

Write downs in the financial year from loans and advances	65.281	59.921
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Write downs in the financial year from provisions	6.431	-121
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Reversal of write downs in ealier financial years	-18.335	-18.055
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Realized losses, written down in earlier financial years	-36.346	-37.018
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Realized losses	37.713	40.362
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Interest from debtors with writedowns	-6.868	-6.829
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Writedowns	47.876	38.260
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Reasons for individual impairment

	2012		2011	
	Loans before writedowns	Writedowns	Loans before writedowns	Writedowns
Bankruptcy / liquidation	34.699	18.844	7.706	6.876
Suspension of payments / granted	850	866	108	108
Debt restructuring initiated / granted	1.343	698	23.466	22.721
Engagement terminated	24.270	15.906	18.710	10.992
Other causes	279.877	137.912	286.663	122.522
Total	341.039	174.226	336.653	163.219

Notes

(1.000 kr.)

9 Write down on loans and advances (continued)

Loans with objective indicators of impairment by sectors

	2012	2012	2011	2011
	Loans before writedowns	Writedowns	Loans before writedowns	Writedowns
Business				
Agriculture, hunting, forestry and fishing	68.276	28.093	91.463	43.289
Industry and raw materials extraction	1.357	1.237	2.750	2.176
Building and construction	29.906	9.358	3.991	2.086
Trade	12.745	8.012	23.938	8.812
Transport, hotels and restaurants	3.814	2.404	4.170	2.817
Information and communication	1.567	1.254	270	231
Financing and insurance	5.132	5.063	1.326	1.323
Real estate	98.179	44.573	97.931	38.505
Other businesses	49.503	20.808	38.849	15.188
Total business	270.479	120.802	264.688	114.427
Private	70.560	53.424	71.965	48.792
Total	341.039	174.226	336.653	163.219

The value of collateral on loans, which have objective indicators of impairment

	2012	2011
Collateral in real estate	105.798	108.320
Collateral in operating equipment	26.314	13.954
Collateral in securities and deposits	388	880
Collateral in mortgages	27.771	32.370
Collateral in sureties	3.885	385
Total	164.156	155.909

10 Provisions regarding losses on guarantees

Provisions are made for guarantees, if there is found to be a risk of loss

Guarantees with provisions	6.543	1.305
Provision on guarantees	6.462	31

11 Audit fees

Total fee to the accounting firm elected by the general meeting which perform the statutory audit

	410	397
By services		
Statutory audit	351	322
Other declarations with security	59	48
Advice on tax	0	4
Other services	0	23
Total audit fee	410	397

The bank has an internal audit department

Notes

(DKK 1,000)	2012	2011
12 Tax		
Calculated tax charge for the year	21.604	7.232
Deferred tax	-7.647	1.551
Adjustment of prior-year tax charge	53	0
Total tax	14.010	8.783
Effective tax rate		
Danish tax rate	25,0%	25,0%
Non-taxable income and non-deductible expenses	-2,0%	2,5%
Adjustment of prior-year tax charge	0,1%	0,0%
Others	-0,2%	-0,1%
Effective tax rate	22,9%	27,4%
The non-taxable income and non-deductible expenses are mainly depreciations on domicile properties, non-deductible part of the representative costs and gain on unlisted capital investments.		
13 Due from credit institutions and central banks		
Claims on credit institutions	72.173	83.655
Total due from credit institutions and central banks	72.173	83.655
By residual maturity		
Up to 3 months	68.995	56.279
Over 5 years	3.178	27.376
Total due from credit institutions and central banks	72.173	83.655
14 Loans and other amounts due and off-balance items		
Loans and other amounts due	3.609.442	3.948.183
Total loans and other amounts due	3.609.442	3.948.183
By residual maturity		
Demand deposits	346.760	538.518
Up to 3 months	321.874	359.801
From 3 months to 1 year	1.227.702	1.311.018
From 1 to 5 years	771.231	793.058
Over 5 years	941.875	945.788
Total loans and other amounts due	3.609.442	3.948.183
Specifikation of gross loans		
Loans and other amounts due before write downs	3.793.566	4.121.707
Write downs	-184.124	-173.524
Total loans and other amount due	3.609.442	3.948.183
Gross loans and off-balance items		
Loans and other amounts due before write downs	3.793.566	4.121.707
Off-balance items	880.905	945.600
Total loans and off-balance items	4.674.471	5.067.307

Notes

(DKK 1,000)

2012 2011

14 Loans and other amounts due and off-balance items (continued)

Broken down by sectors and industry (in percentage)

Public sector	<u>5,4</u>	<u>7,7</u>
Business		
Agriculture, hunting, forestry and fishing	13,4	13,1
<i>Crop farming</i>	4,5	4,1
<i>Cattle farming</i>	5,1	5,3
<i>Pig farming</i>	1,1	1,3
<i>Other farming</i>	2,5	2,2
<i>Fishing</i>	0,2	0,2
Industry and raw materials extraction	2,0	2,1
Energy supply	2,2	1,8
Building and construction	6,2	6,3
Trade	4,8	4,0
Transport, hotels and restaurants	3,2	3,0
Information and communication	0,4	0,4
Financing and insurance	2,1	2,1
Real estate	12,4	12,3
Other businesses	11,1	10,4
Total business	<u>57,8</u>	<u>55,5</u>
Private	<u>36,8</u>	<u>36,8</u>
Total	<u>100,0</u>	<u>100,0</u>

15 Bonds at fair value

The Bank has deposited bonds at Nationalbanken and VP as collateral for clearing and settlement, etc.. for a total of t.DKK 175,396.

The bank has borrowed against t.DKK 300.000 at Nationalbanken.

16 Holdings in affiliated companies

Djurs-Invest ApS, Grenaa		
Part of shares	100%	100%
Equity	1.764	1.738
Profit for the financial year	26	102

The company's balance and activity are insignificant.

17 Assets under pooled schemes

Bonds at fair value	625.641	643.217
Shares	221.788	193.273
Total assets	<u>847.429</u>	<u>836.490</u>

18 Intercompany with affiliated companies

Deposits	<u>595</u>	<u>600</u>
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19 Investment property

Marked value beginning	2.665	2.665
Revaluation of marked value	-100	0
Marked value end	<u>2.565</u>	<u>2.665</u>

External experts have not been used in 2011 and 2012.

Notes

(DKK 1,000)	2012	2011
20 Domicile property		
Marked value beginning	72.828	73.726
Additions	6.929	0
Depreciation	-984	-898
Value adjustments to current value for the year, recognized in total income	6.450	1.600
Value adjustments to current value for the year, recognized in P&L	-7.302	-1.600
Marked value end	<u>77.921</u>	<u>72.828</u>

External experts have not been used in 2011 and 2012.

21 Other tangible assets		
Total cost at beginning	33.009	35.142
Additions	4.435	2.436
Disposals	-5.244	-4.569
Total cost at end	<u>32.200</u>	<u>33.009</u>
Depreciation and impairment beginning	24.094	23.214
Depreciation	5.402	5.449
Disposals	-5.244	-4.569
Depreciation and impairment end	<u>24.252</u>	<u>24.094</u>
Book value at end	<u>7.948</u>	<u>8.915</u>

22 Deferred tax assets and tax liabilities		
Deferred tax liabilities beginning	-6.143	-4.592
Changes due to earlier years	359	0
Change in deferred tax due, without own shares	7.647	-1.551
Deferred tax assets and tax liabilities end	<u>1.863</u>	<u>-6.143</u>

23 Split of deferred tax assets and tax liabilities

	2012	2012	2011	2011
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tangible assets	453	514	192	481
Cut of on fees and commissions	3.465	0	3.509	0
Provisions for commitments	1.476	0	1.556	0
Other	1.525	4.542	1.239	12.158
Total deferred tax	<u>6.919</u>	<u>5.056</u>	<u>6.496</u>	<u>12.639</u>

24 Due to credit institutions and central banks	2012	2011
Due to credit institutions	<u>1.204.477</u>	<u>1.268.122</u>
By residual maturity		
Amounts payable on demand	529.717	868.442
From 3 months to 1 year	324.920	24.920
From 1 to 5 years	349.840	374.760
Total due to credit institutions and central banks	<u>1.204.477</u>	<u>1.268.122</u>

Notes

(DKK 1,000)	2012	2011
25 Deposits and other amounts due		
Amounts payable on demand	2.613.796	2.483.266
At notice	113.793	119.798
Time deposits	517.189	558.612
Special deposits	348.601	372.099
Total deposits and other amounts due	3.593.379	3.533.775
By residual maturity	2.687.375	2.563.961
Amounts payable on demand	130.696	218.596
Up to 3 months	303.038	224.466
From 3 months to 1 year	237.782	266.682
From 1 to 5 years	234.488	260.070
Over 5 years	3.593.379	3.533.775
26 Provisions for pensions and similar obligations		
Provision for pensions and similar commitments	5.905	6.223
Total provision for pensions	5.905	6.223
Paid to former members of the Executive Board	1.245	1.224
27 Subordinated debt		
Hybrid core capital		
Fixed rate loan in DKK (9,5%), issued in 2010	50.000	50.000
Total hybrid core capital	50.000	50.000
The hybrid core capital are with indefinite termination date but can be redeemed in 2015.		
The core capital remunerates until 27 may 2015 with an interest equal to the 5 year danish swap-interest rate with additional 6,3%.		
Signing fee payed this year	0	0
Part of capital base	50.000	50.000
28 Equity - shares		
Number of shares each of nom value kr. 10.	2.700.000	2.700.000
Share capital nom value DKK 27.000 (1.000 kr.)		
Number of own shares, beginning	2.974	4.614
Additions	140.481	160.701
Disposals	-129.066	-162.341
Number of own shares, end	14.389	2.974
Nom value of own shares, beginning	30	46
Net additions / disposals	114	-16
Nom value of own shares, end	144	30
Part of own shares, beginning	0,1%	0,2%
Net additions / disposals	0,4%	-0,1%
Part of own shares, end	0,5%	0,1%
Total purchase	18.776	25.298
Total sale	17.212	24.684
Own shares are bought and sold as part of the bank's common stock trading.		

Notes

(DKK 1,000)

29 Derivative financial instruments

The bank uses foreign-exchange and interestrate contracts and -swaps
Financial instruments are used to cover customers contracts etc in relation 1:1.
and towards loans with fixed interestrates

	2012	2012	2012	2012
	Nominal value	Net market value	Positive market value	Negative market value
Foreign-exchange contracts, purchase				
Up to 3 months	33.238	62	381	319
From 3 months to 1 year	32.992	-153	214	367
Market value	66.230	-91	595	686
Foreign-exchange contracts, sale				
Up to 3 months	166.994	1.460	1.711	251
From 3 months to 1 year	38.468	239	382	143
Market value	205.462	1.699	2.093	394
Foreign-exchange swaps				
From 3 months to 1 year	13.477	0	1.888	1.888
Market value	13.477	0	1.888	1.888
Foreign-exchange contracts and swaps	285.169	1.608	4.576	2.968
Interestrate swaps				
From 3 months to 1 year	92.030	-1.716	550	2.266
From 1 to 5 years	177.509	-5.604	3.754	9.358
Over 5 years	368.557	-9.754	36.499	46.253
Market value	638.096	-17.074	40.803	57.877
Interestrate contracts and swaps	638.096	-17.074	40.803	57.877
Unsettled spot contracts				
Foreign-exchange, purchase	48.669	27	29	2
Foreign-exchange, sale	281	2	2	0
Interestrate contracts, purchase	10.225	10	19	9
Interestrate contracts, sale	10.215	0	13	13
Sharecontracts, purchase	7.691	-108	29	137
Sharecontracts, sale	7.692	111	138	27
Market value	84.773	42	230	188
Total				
Foreign-exchange contracts and swaps, total	285.169	1.608	4.576	2.968
Interestcontracts and swaps, total	638.096	-17.074	40.803	57.877
Spot, total	84.773	42	230	188
Market value	1.008.038	-15.424	45.609	61.033

Notes

(DKK 1,000)

29 Derivative financial instruments (continued)

	2011	2011	2011	2011
	Nominal value	Net market value	Positive market value	Negative market value
Foreign-exchange contracts, purchase				
Up to 3 months	39.196	909	976	67
From 3 months to 1 year	15.148	-968	254	1.222
Market value	54.344	-59	1.230	1.289
Foreign-exchange contracts, sale				
Up to 3 months	272.943	-3.951	578	4.529
From 3 months to 1 year	17.550	995	1.245	250
Market value	290.493	-2.956	1.823	4.779
Foreign-exchange swaps				
Up to 3 months	56.349	0	7.932	7.932
From 3 months to 1 year	15.506	0	2.235	2.235
From 1 to 5 years	110.139	0	15.991	15.991
Market value	181.994	0	26.158	26.158
Foreign-exchange contracts and swaps	526.831	-3.015	29.211	32.226
Interestrate contracts, purchase				
Up to 3 months	807	1	1	0
Market value	807	1	1	0
Interestrate swaps				
From 3 months to 1 year	6.583	-180	0	180
From 1 to 5 years	246.078	-5.050	5.695	10.745
Over 5 years	305.825	-10.900	27.556	38.456
Market value	558.486	-16.130	33.251	49.381
Interestrate contracts and swaps	559.293	-16.129	33.252	49.381
Unsettled spot contracts				
Foreign-exchange, purchase	5.083	1	1	0
Foreign-exchange, sale	606	0	1	1
Interestrate contracts, purchase	14.603	8	13	5
Interestrate contracts, sale	14.603	9	15	6
Sharecontracts, purchase	8.609	67	80	13
Sharecontracts, sale	8.608	-59	14	73
Market value	52.112	26	124	98
Total				
Foreign-exchange contracts and swaps, total	526.831	-3.015	29.211	32.226
Interestcontracts and swaps, total	559.293	-16.129	33.252	49.381
Spot, total	52.112	26	124	98
Market value	1.138.236	-19.118	62.587	81.705
			2012	2011
Credit risk on derivative financial instruments				
Credit institutions, etc. (with weighted risk 20%)			3.753	2.058
Customers (with weighted risk 100%)			41.856	60.529
			45.609	62.587

Notes

(DKK 1,000)	2012	2011
30 Off balance sheet items		
Financial guarantees	316.667	299.262
Loss guarantees	208.582	212.198
Registration guarantees	77.123	107.611
Other guarantees	278.533	326.529
Total off balance sheet items	880.905	945.600

Like the other Danish banks, the bank is liable for losses sustained by the Bank Depositi Guarantee Fund. The last statement of the bank's share of the sector's surety constitute 0.43%.

The bank participates in a IT-cooperation with other banks via the IT-center Bankdata. An exit from this will result in payment of a withdrawal benefit of DKK 189 million as at 31.12.2012.

31 Foreign exchange exposure

Currencies breakdown for the main currencies (net)

EUR	26.444	61.516
GBP	274	285
CHF	255	1.268
NOK	462	452
Other currencies	2.573	2.013
Total	30.008	65.534

Exchange rate indicator 1 in % of core capital after deductions (positions)	4,0%	9,2%
Exchange rate indicator 2 in % of core capital after deductions (risk)	0,0%	0,0%

32 Financial risk and riskmanagement

The bank is exposed to various types of financial risks, which consists of:

Credit risk: The risk of loss, due to breach of contracts from counterparts

Market risk: The risk of loss due to changes in market value from the banks assets and liabilities.

Liquidity risk: The risk of loss due to unusual high increase in financial costs. The risk of loss if the bank is cut of from entering into new businesscontracts due to lacking financing, or the risk regarding the banks lacking ability to fulfilling business contracts when dued because of lacking financing.

The banks management of financial risk is described in the management reports section

"Risk management" page 12 to 15, further information can be found in this section.

33 Current value of financial instruments

The current value is amount at which a financial asset can be sold or the amount at which a financial liability can be redeemed between agreed independent parties. The current values of financial assets and liabilities valued on active markets are calculated on the basis of observed market prices on the balance sheet date. The current values of financial instruments which are not valued on active markets are calculated on the basis of generally recognised methods of valuation.

Bonds, shares etc, and derivatives financial instruments are measured in the accounts at market value such that included book values correspond to current values.

Notes

(DKK 1,000)

33 Current value of financial instruments (continued)

The writedowns on loans are assessed such that they correspond to changes in credit quality. The difference from current value is assessed as fees and commissions received and for fixed-interest loans, the value adjustment which is independent of the interest level and which can be calculated by comparing the actual market interest rate with the nominal rate applying to the loans.

The current value of claims on credit institutions and central banks is determined under the same method as for loans, but the bank has not currently made any writedowns on claims on credit institutions and central banks.

Issued bonds and subordinated debt are measured at amortised cost price. The difference between book and current values is calculated on the basis of prices on the market for own listed issues. The interest on issued bonds and subordinated debt is determined by the market interest fluctuation within periods of 3 to 6 months. Based upon this it is valuated that the book value equals the market value.

For fixed-interest financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost price, the difference from current values is estimated to be the value adjustment which is independent of interest level.

	2012	2012	2011	2011
	Book value	Market value	Book value	Market value
Assets				
Due from credit institutions and central banks	72.173	72.173	83.655	83.655
Loans and other amounts due	3.609.442	3.651.133	3.948.183	3.987.908
Bonds at fair value	1.686.030	1.686.030	1.311.547	1.311.547
Shares, etc.	189.690	189.690	175.521	175.521
Assets under pooled schemes	847.429	847.429	836.490	836.490
Total assets	6.404.764	6.446.455	6.355.396	6.395.121
Liabilities				
Deposits and other amounts due	3.593.379	3.607.936	3.533.775	3.545.769
Deposits under pooled schemes	909.707	909.707	864.237	864.237
Subordinated debt	50.000	50.000	50.000	50.000
Total liabilities	4.553.086	4.567.643	4.448.012	4.460.006

34 Interest rate risk

Total interest rate risk on liabilities, etc.	442	1.826
Interest rate risk by foreign currency with highest interest rate risk		
DKK	406	1.028
EUR	28	794
CHF	7	4
Other currencies	1	0

Notes

(DKK 1,000)

2012 2011

35 Credit risk

Creditmanagement and -risk is a material area in the banks riskmanagement, as loans are far the largest part of the banks assets.

In addition to the information in this note 35 and accompanying notes 36 and 37 refers to the general description of credit management in the management report page 12 under "creditrisk".

Maximum credit exposure on claims on credit instituions and central banks, bonds and other assets

Due from credit instituions and central banks	72.173	83.655
Bonds at fair value	1.686.030	1.311.547
Other assets	82.472	98.114
Maximum credit risk	<u>1.840.675</u>	<u>1.493.316</u>

Maximum credit exposure on loans, guarantees and credit commitments before securities

Loans and other amounts due at amortised cost	3.793.566	4.121.707
Guarantees	880.905	945.600
Credit commitments (credits)	1.616.053	1.691.015
Credit commitments (framework agreements)	279.908	65.000
Maximum credit exposure	<u>6.570.432</u>	<u>6.823.322</u>

Total maximum credit exposure	<u>8.411.107</u>	<u>8.316.638</u>
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Broken down by sector and industry, loans, gurantees and credit commitments

Public sector	536.740	489.504
Business		
Agriculture, hunting, forestry and fishing	785.667	841.886
Industry and raw materials extraction	139.686	140.935
Energiforsyning	139.988	127.933
Building and construction	367.412	394.514
Trade	322.898	349.924
Transport, hotels and restaurants	233.450	244.278
Information og kommunikation	26.684	29.524
Financing and insurance	120.830	118.964
Real estate	728.449	782.757
Other businesses	659.755	684.519
Total business	<u>3.524.819</u>	<u>3.715.234</u>
Private	<u>2.508.873</u>	<u>2.618.584</u>
Total	<u>6.570.432</u>	<u>6.823.322</u>

Creditrisk on largest sector

Agriculture, hunting, forestry and fishing make up the largest single industry in the Bank's total lending, gurantees and credit commitments with 12,0%.

The allocation of loans, guarantees and credit commitments TDKK 785,667 is	2012	2012
Crops	289.767	37%
Pig farming	275.014	35%
Cattle farming	65.104	8%
Other farming, hunting and forestry	140.791	18%
Fishing	14.991	2%

To counter the bank's risk on agricultural exposures, the bank has reserved capital of TDKK 123,296 in the banks solvency calculation

Notes

(DKK 1,000)

35 Credit risk (continued)

Description of securities

When the bank's credit risk is not minimal, it is generally a requirement that the customer makes full or partial security for the exposure.

The collateral is mainly by mortgage on properties, pledge in physical assets, debts, liquid securities and deposits and mortgages. As a general rule safety are also made in companies' shares, letter of subordination and surety. A large part of these sureties are provided by companies or persons with a group related to the debtor. For prudential reasons, the bank does not calculate with any independent value on these sureties.

The value of collateral is determined based on established assessment principles for any kind and type of securities.

	2012	2011
Securities on loans and guarantees		
Collateral in real estate	1.383.384	1.548.049
Collateral in operating equipment	469.008	451.580
Collateral in securities and deposits	223.571	220.139
Collateral in mortgages	709.758	717.943
Collateral in sureties	49.515	40.794
Total	<u>2.835.236</u>	<u>2.978.505</u>

The calculation of the value of mortgages takes account of the property's estimated trading price reduced by a percentage to cover the uncertainty of pricing and costs of realization.

Other tangible assets values are calculated on the basis of market price reduced by a percentage to cover the depreciation due to age.

Securities are measured at official exchange rates reduced by a percentage to cover unexpected sudden circumstances. Deposits in the bank are stated at nominal value

Mortgages, etc. consists mainly of indirect mortgages on properties where the bank on behalf of the client takes home mortgage against the guarantee to mortgage banks. These guarantees are secured by indirect mortgage on the property, and the valuation equivalent to the guaranteed amount.

Notes

(DKK 1,000)

36 The quality of loans and guarantees, which are not overdue and before writedowns

The bank regularly monitors the quality of the loans and related securities, and make on the basis of analysis and stress tests, a hedge of danger signals and hazard signs as early as possible, including by monitoring and managing overdrafts.

Specification of the quality of exposures and loans

Private customers with commitment over 1 million DKK and business customers with commitment over 1% of capital base (7.2 million DKK) is creditrated after the FSA model. In 2011 1% of capital base was (6.8 million DKK).

	2012	2012	2011	2011
	Exposure	Hereof loans	Exposure	Hereof loans
Public sector				
High (grade 3 og 2A)	530.600	215.279	489.504	383.755
I alt	530.600	215.279	489.504	383.755
Private				
High (grade 3 og 2A)	610.728	209.714	613.635	229.493
Medium (grade 2B)	106.292	38.675	102.858	35.102
Low (grade 2C)	45.207	33.250	41.704	21.479
Total	762.227	281.639	758.197	286.074
Business				
High (grade 3 og 2A)	1.270.342	653.460	1.618.603	841.348
Medium (grade 2B)	375.633	300.902	576.912	392.919
Low (grade 2C)	447.284	373.443	206.470	148.174
Total	2.093.259	1.327.805	2.401.985	1.382.441
Total public, private and business	3.386.086	1.824.723	3.649.686	2.052.270

For other exposures, the bank's internal rating model are used.

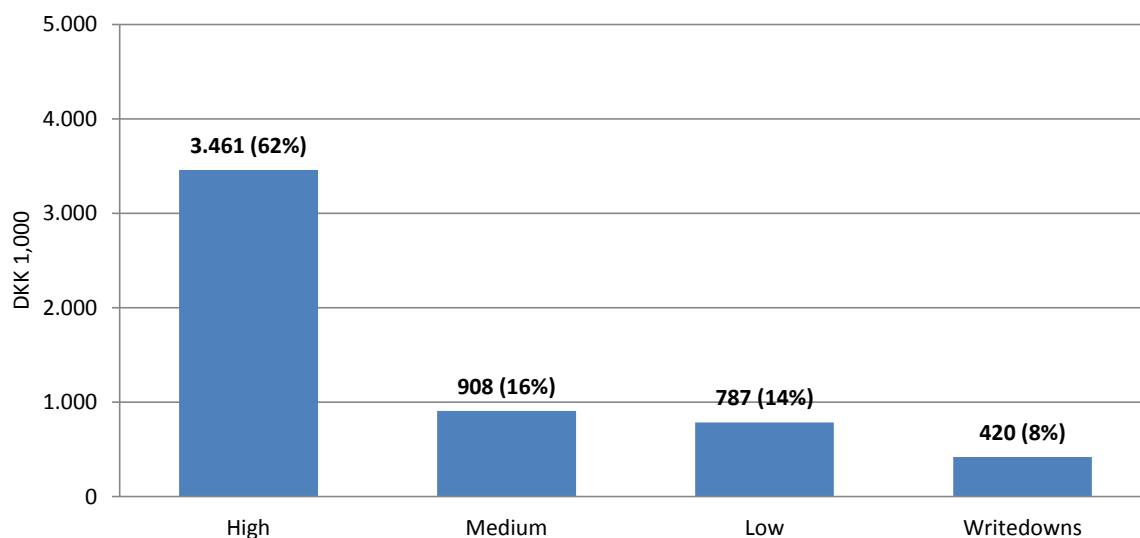
The rating is made on private customers exposures from 100 TDKK to 1,000 TDKK and business customers exposures between 750 TDKK and 1% of capital base (7,200 TDKK)

	2012	2011
	Exposure	Exposure
Private		
High	700.405	753.694
Medium	203.436	168.742
Low	91.917	74.999
Total	995.758	997.435
Business		
High	349.161	357.279
Medium	222.631	145.279
Low	202.141	178.580
Total	773.933	681.138
Total private and business	1.769.691	1.678.573

Notes

(DKK 1,000)

Distribution of the credit quality of rated exposures (including exposures with write-downs)



Unrated exposures with private customers amounts to 0.7 billion DKK hereof 85% of this meet the bank's demands for disposable income. Non-rated engagements with small business customers / private customers amounts to 0.3 billion DKK.

37 Overdue loans, which have not been written down

2012 2011

Overdue loans, which have not been written down is specified as follows

0-90 days overdue

26.240 32.060

More than 90 days overdue

2.225 5.052

Total

28.465 37.112

Broken down by sector and industry

	2012 0-90 days overdue	2012 More than 90 days overdue	2011 0-90 days overdue	2011 More than 90 days overdue
Public sector	23	0	1	0
Business				
Agriculture, hunting, forestry and fishing	7.948	17	12.289	250
Industry and raw materials extraction	440	16	819	135
Energy supply	189	0	0	0
Building and construction	916	21	1.423	1.295
Trade	1.266	142	861	107
Transport, hotels and restaurants	1.230	80	2.149	40
Information and communication	190	100	233	70
Financing and insurance	63	1	426	0
Real estate	5.217	0	2.294	24
Other businesses	1.968	122	4.239	1.318
Total business	19.427	499	24.733	3.239
Private	6.790	1.726	7.326	1.813
Total	26.240	2.225	32.060	5.052

Data regarding securities are not available.

Notes

38 Sensitivity to each type of market risk

In connection with the bank's monitoring of market risks and calculation of the adequate capital base, a number of sensitivity calculations are made which include the following market risk variables:

Interest rate risk

The sensitivity calculation in relation to the bank's interest rate risk is based on the interest rate risk key figure, reported by the Danish FSA. This key figure shows the effect on core capital after deduction of a change in the interest rate of 1 percentage point, corresponding to 100 base point. The calculation shows that if, at the end of 2012, the average interest rate had been 100 base point higher, the result for the year after tax and equity, all else being equal, would be 0.3 mio DKK lower (2011: 1.4 mio DKK lower). This change is primarily due to a current market value adjustment of the bank's fixed-interest bonds. The lower level of interest rate risk in 2012 compared with 2011 is due to an increase in the share of non-fixed-interest bonds.

In the stress tests conducted in connection with calculating the adequate capital base, the bank has chosen to use a scenario, whereby the bank is exposed to a 2,00 percentage increase in the interest rate for items inside and outside the trading portfolio, and a negative shift in the relationship between short and long term rates of 0.7%.

Foreign exchange risk

The sensitivity calculation in relation to the bank's foreign exchange risk is based on the Foreign Exchange Indicator 1-key figure, reported by the Danish FSA. Foreign Exchange Indicator 1 expresses a simplified target for the scope of the bank's positions in foreign currency and is calculated as the greatest of the sum of all the short foreign exchange positions and the sum of all the long foreign exchange positions. In the event of an increase in the exchange rate of 2,5% of Foreign Exchange Indicator 1 at the end of 2012, the result for the year after tax and equity, all else being equal, would be 0.6 mio DKK lower (2011: 1.2 mio DKK lower) mainly due to foreign exchange adjustments. The adjustment is immaterial.

In the stress tests conducted in connection with calculating the adequate capital base, the bank has chosen to use a scenario, whereby the bank is exposed to an increase of 2,25 in Euro and to an increase of 12 percentage in other exchange rates.

Share risk

Had the value of the bank's shareholding been 10% lower on the 31 December 2012, the result after tax for the year and equity, all else being equal, would be 14.2 mio. DKK lower (2011: 13.2 mio. DKK lower) due to a negative current value adjustment of the share portfolio. The share risk is evaluated as slightly lower in 2012 than 2011, because of a lower stock of shares.

In the stress tests conducted in connection with calculating the adequate capital base, the bank has chosen to use a scenario, whereby the bank is exposed to a loss of 15% of the value of its shareholding in companies that support the operation of the bank (sector shares) and a decline of 30% of the value of its shareholding in all other companies.

Risk on buildings

Had the value of the bank's buildings been 10% lower on the 31 December 2012, the result after tax for the year and equity, all else being equal, would be 8.1 mio. DKK lower (2011: 7.5 mio. DKK lower) - the main part comes from domicile buildings.

Notes

(1.000 kr.) **2012** 2011

39 Close parties

Transaktions with close parties

Close parties covers the Board of Directors and the Board of Management. No transactions have been entered into except those mentioned in note 7.

Lån m.v. til direktion og bestyrelse

Loans etc to the management

Executive Board	0	0
Board of Directors	14.311	21.396

Interest rates

Executive Board	8,8%	7,8%
Board of Directors	2,5-11,0%	3,8-11,5%

Collaterals for engagements with

Executive Board		
Board of Directors	180	180
Board of Directors	16.936	11.243

40 Election of board of directors

	First election	Chosen again	On election
Erik Nymann (chairman since 2001)	1990	1992, efterfølgende hvert 2 år.	2014
Uffe Vithen (deputy chairman since 2009)	2006	2007, efterfølgende hvert 2 år.	2013
Helle Bærentsen	2006	2010	2014
Tina Klausen	1998	2002, efterfølgende hvert 4 år.	2014
Jan B. Poulsen	2002	2006, efterfølgende hvert 4 år.	2014
Ejner Søby (chairman for the Audit Committee since 2009)	2009	2011	2013
Mikael Lykke Sørensen	2008	2010, efterfølgende hvert 2 år.	2014
Peter Zacher Sørensen	2012		2013
Poul Erik Sørensen	2002	2004, efterfølgende hvert 2 år.	2014

41 The board of directors and board of executives shareholdings, end of the ye **2012** 2011

The board of directors

	stk.	stk.
Erik Nymann (chairman since 2001)	6.240	6.240
Uffe Vithen (deputy chairman since 2009)	496	496
Helle Bærentsen	945	775
Tina Klausen	1.657	1.487
Jan B. Poulsen	2.286	2.116
Ejner Søby (chairman for the Audit Committee since 2009)	1.800	1.300
Mikael Lykke Sørensen	1.274	1.274
Peter Zacher Sørensen	955	430
Poul Erik Sørensen	240	7.330

The board of executives

Ole Bak	6.469	4.299
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The holdings include also if any controlled companies stocks.

Applied accounting policy

The Annual Report has been prepared in accordance with the Danish Financial Business Act, including the Executive Order on the presentation of financial reports by credit institutions and investment companies etc. (the Executive Order) and additional Danish disclosure requirements for annual reports of listed financial companies.

The Annual Report is presented in Danish kroner and rounded to the nearest 1.000 DKK.

The accounting policies applied are consistent with those adopted in the preceding year.

As a result of a clarification of the rules of accounting notice, there was made changes to accounting estimates relating to loans and receivables at amortized cost in the interim report.

The increase in impairment losses on loans and receivables, and provisions for losses on guarantees, as a result of the clarification of the rules is estimated in amount to total DKK 15m

The banks affiliated company is immaterial, which is the reason why no consolidated report is prepared.

Recognition and measurement in general

Assets are recognised on the balance sheet when, as a result of an earlier event, it is probable that the bank will enjoy future financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised on the balance sheet when the bank, as a result of an earlier event, has a legal or actual obligation and it is probable that the bank will be deprived of future financial benefits and the value of the liability can be measured reliably.

Upon initial recognition assets and liabilities are measured at market value. However, at the time of their initial recognition tangible assets are measured at cost price. Measurement after initial recognition is carried out as described for each individual item below.

Recognition and measurement take into account foreseeable risks and losses, arising before the annual report is presented which validate or invalidate the situation which prevailed at the balance sheet date.

Income is recognised in the profit and loss account as it is earned, while costs are recognised at the amounts relating to the financial year. However, value growth in residential properties is recognised directly in the comprehensive income.

Financial instruments are recognised at the time of trading.

Accounting estimates

The calculation of the accounting value of certain assets and liabilities entails an estimate of how future events will affect the value of these assets and liabilities. The most significant estimates relate to writedowns on loans, provisions regarding loss on guaranties and valuation of the banks properties.

The estimates made are based on assumptions which the management consider reasonable, but which are uncertain. In addition, the bank is affected by risks and uncertainties which may mean that the actual results differ from the estimates.

The areas where estimates have the most significant effect on the financial statements are:

- Impairment losses on loans and provisions for guarantees
- Fair value of property
- Fair value of unlisted / illiquid securities

Impairment losses on loans and other receivables are made to take account of the impairments that occurred after initial recognition. Write-downs are made as a combination of individual and grouped impairments and are associated with a number of estimates. There are estimates associated with the assessment of identification of loans, there is objective evidence of impairment, the determination of future cash flows and the value of collateral. The assumptions for the estimates may be incomplete, inaccurate. Moreover, unexpected future events can occur. Given these uncertainties, it may be necessary to modify the previous estimates, either because of new information, more experience or subsequent developments. A worsening of the exposures will lead to further writedowns. As a result of the above clarification of the accounting rules there has been an alteration of estimates.



Return method is used to measure the fair value of domicile properties. In connection with fair value measurement estimates are made of expected market rent, return requirements and maintenance costs. These estimates are subject to some uncertainty. Market rent and return requirements depend substantially on location. Market rent is in the range of DKK 600 - DKK 1,400 per. sqm. and the required return is in the range 5.3% - 8.0%.

For securities that are only to a limited extent based on observable market data are subject associated with estimates. . This applies particularly to the unlisted and illiquid stocks where there is a non-active market.

Sensitivity calculation of shares and property are disclosed in note 38.

Applied accounting policy

Foreign currency

Income and expenditure in foreign currencies are re-calculated into Danish kroner at the exchange rate at the transaction date.

Balances and stocks of currencies are valued at the National Bank of Denmark set exchange rates at year end.

Profit and loss account

Interest, fees and commission

Interest income and interest expenses are recognised in the profit and loss account in the financial year to which they relate.

Fee and commission income which forms an integrated part of the effective return on a loan is recognised together with the yield to maturity for the loan concerned.

Other fees are recognised in the profit and loss account at the transaction date.

Staff costs and administrative expenses

Staff costs cover wages and salaries, social costs and pensions etc. for the bank's staff and costs for pension schemes for former bank managers.

Stock based payment is booked at marked value at the date of allocation.

Tax

The tax for the year, which comprises current tax and changes in deferred tax, is recognised in the profit and loss account for the part which can be ascribed to the profit for the year, and in other comprehensive income for the part which can be ascribed to other comprehensive income.

Current tax liabilities or current tax assets are recognised on the balance sheet and calculated as estimated tax on the taxable income for the year adjusted for tax paid on account.

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

Deferred tax assets are recognised on the balance sheet at the value at which the asset is expected to be able to be realised.

Djurslands Bank A/S is taxed jointly with its 100%-owned subsidiary Djurs-Invest ApS. The actual Danish corporate tax is divided between the companies in proportion to their taxable incomes.

Balance sheet

Cash in hand and claims at call on central banks

Cash in hand and claims at call on central banks are initially recognized at fair value and subsequently measured at amortized cost.

Due to and from credit institutions and central banks

Amounts due from credit institutions and central banks includes due to other credit institutions and time deposits in central banks. Debt consists of credit institutions short debt and time deposits in Djurslands Bank.

Due to and from credit institutions are measured at amortized cost.

Loans

Listed loans and loans which are included in a trading portfolio are measured at market value. Other loans are measured at their amortised cost price, which usually corresponds to the nominal value less arrangement fees etc. less provisions for losses incurred but not yet realised.

All commitments are valued individually with a view to confirming whether there is an objective indication of any depreciation in value on the basis of actual events that have occurred.

Objective evidence for impairment of receivables and loans, if one or more of the following events have occurred:

- The borrower is experiencing significant financial difficulties
- Borrower's breach of contract, for example in the form of failure to comply with payment obligations for principal and interest
- The bank grants the debtor reliefs in terms which would not be considered if it was not due to the borrower's financial difficulties
- It is probable that the borrower will go bankrupt or are subject to other financial reconstruction.

If an objective indication is confirmed and this involves an impact on the size of expected future payment flows, a write-down is performed. The loan is written down if necessary, applying the difference between the book value before the write-down and the present value of expected future payments.

Regardless of the size of the commitment, the endangered commitments are valued individually and the write-down is performed correspondingly.

Loans and other amount that are not written down individually are included in the base data for group write-downs. An assessment of objective indication for losses is performed on the group.

Group assessments are made for groups of loans and receivables with uniform characteristics in relation to credit risks. 17 groups exist, comprising one group of public authorities, one group of private customers and 15 groups of corporate customers that have been subdivided into sector groups.

Applied accounting policy

Group assessments are in 2007 made using a segmentation model developed by the Association of Local Banks, which is responsible for maintaining and developing the model. The segment model determines relations in the individual groups between ascertained losses and a number of significant explanatory macro economical variables via a linear regression analysis. Such explanatory macro economic variables include unemployment, housing prices, interest rate, number of bankruptcies / compulsory sales etc.

The macro economical segment model is generally calculated on the basis of loss data for the entire banking sector. Djurslands Bank has therefore assessed whether the model estimates should be adjusted to the credit risk on the bank's own loan portfolio.

This assessment has led to an adjustment of the model estimates to own conditions, and the adjusted estimates, subsequently form the basis of the calculation of the group write-down. Each group of loans and receivables produces an estimate expressing the percentage impairment attached to a specific group of loans and receivables as at the balance sheet date. Comparing this value to the original loss risk on the individual loan and the loss risk on the loan at the beginning of the relevant financial period generates the individual loan's contribution to the group write-down. The write-down is calculated as the difference between the carrying amount and the discounted value of expected future payments.

In addition, the bank has in the managerial assessment of grouped write-downs recognized already occurred events where the impact is not yet include in the standard model's data base.

The risk of guarantees lodged by the bank is assessed individually. On the basis of the probability that the guarantee will lead to a drain on the bank's resources, including the risk of whether the bank can achieve cover for the expected payment from a debtor, an assessment is performed of whether a provision should be made for the estimated risk of loss.

Bonds

Bonds traded in active markets are measured at fair value. Fair value is calculated at the closing price at the balance sheet date.

Repo and reserve transactions

Securities sold under agreements to repurchase the same remain on the balance sheet. Consideration received is recognised as a debt and the difference between selling and buying prices is recognised over the life as interest in the income statement.

Repo and reverse transactions are recognised and measured at fair value as they are regarded as an integral part of the trading portfolio and

form part of ongoing risk management and determination of gains thereon.

Shares

Shares which are traded on active markets are measured at market value. The market value is calculated on the basis of the closing price at the balance sheet date.

Non-liquid and unlisted shareholdings, where it is not considered possible to calculate a reliable market value, are normally also measured at market value, in case it is possible to measure a market value, the cost price is used.

The assessments of the unlisted shares are set to trade courses. Trade courses are calculated on the most important of the bank's unlisted shares at net asset value.

Shareholdings in associated companies

Shareholdings in subsidiaries are recognised and measured according to the equity method.

The Company's share in the profit after tax of the businesses is recognised in the profit and loss account. Net revaluations of shareholdings are transferred to revaluation reserves to the extent that the accounting value exceeds the cost price.

Assets under pooled schemes

All pool assets and deposits are recognized in separate balance sheets. Return on pooled assets and distributions to pool participants are recognized under "value adjustments".

Property, plant and buildings

Property, plant and buildings consist of two types "Investment and Domicile properties". Those properties which are used to bank activities are categorised as Domicile properties, while other properties are seen as Investment properties.

After initial recognition investment properties are measured at fair value in accordance with Annex 9 of the Executive Order. Fair value adjustments are recognised in the income statement under "Investment property".

Domicile property is measured at revaluated amount, which is the marked value less deducted depreciations and impairments. Yield and yield percentage is dependent of place and condition. Revaluations are carried out with sufficient regularity so that the carrying amount does not differ significantly from the amount that would be determined using fair value at the balance sheet date.

Depreciations are calculated on the basis of an expected life time of 50 years.

The base for depreciation is revaluated value deducted with scrap value. Depreciations are booked in the profit and loss account, while

Applied accounting policy

rising in the revaluated value are booked in other comprehensive income as a part of revaluation reserves, unless it is depreciations, which earlier have been booked in the profit and loss account.

No external experts have evaluated the bank's properties during the year.

Other tangible assets

Other tangible assets and furnishing of leased premises is measured at cost price less accumulated depreciation, amortisation and write-downs. Depreciation and amortisation are on a straight-line basis over an expected lifetime of 3-8 years. The base for depreciation is cost deducted with scrap value.

Derivatives

Derivatives are measured at marked value, which is generally based on observable market prices at the balance sheet date.

Derivatives are included in other assets or other liabilities. Changes in the market value of derivatives are recognized as part of value adjustments.

Financial liabilities

Deposits, issued bonds and subordinated debt are measured at amortized cost. There is offset by holding of own issued subordinated debt. Other liabilities are measured at net realizable value

Provisions for liabilities

Liabilities, guarantees and other commitments which are uncertain with regard to their size or date of settlement are recognised as provisions for liabilities if it is likely that the liability will result in a drain on the financial resources of the business and the liability can be measured reliably. The liability is calculated at the present value of the costs required to discharge the liability. Provisions for liabilities relating to staff are made on a statistical actuarial basis.

However, guarantees are not measured as being lower than the commission received for the guarantee accrued over the guarantee period.

Equity

Revaluation reserve relating to revaluation of tangible assets net of deferred taxes on the appreciation. The reserve is dissolved when the assets are sold or removed.

Dividends are recognized as a liability at the time of adoption by the General Assembly. The proposed dividend is shown as a separate item under equity.

Purchase and sales and dividends from shares are recognized directly in retained earnings under equity.

Cash flow statement

The cash flow statement is presented using the indirect method and presents cash flows from operating, investing and financing activities as well as cash at the beginning and the end of the year.

Cash flows from operating activities are determined as the net profit before tax for the year adjusted for non-cash operating items, taxes paid as well as changes in working capital.

Cash flows from investing activities include purchases and sale of companies and activities concerning purchases and sale of property, plant and equipment.

Cash flows from financing activities include changes in equity, subordinated capital, purchase of own shares and dividends paid.

Cash comprise cash and balances on demand with central banks.

Main- and key figures

Main- and key figures are set in accordance with the accounting requirements of the Order and in accordance with the Danish Society of Financial Analysts guidelines.

Signatures by the Board of Executives and Directors

The Board of Directors and the Board of Executives have today reviewed and approved the annual report 2012 of Djurslands Bank A/S

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

It is our opinion that the annual report includes a fair presentation of the bank's assets, liabilities and financial position as of the 31 December 2012 and of the result of the banks activities and cash flow for the financial year 1 January - 31 December 2012.

Furthermore it is our opinion, that the management report includes a fair presentation of the development in the bank's activities and financial position.

The annual report is recommended for approval at the general meeting.

Grenaa, 20 February 2012

Board of Executives

Ole Bak

/ Martin Ring Andersen
Chief accountant

Grenaa, 20 February 2012

Board of Directors

Erik Nymann
Chairman

Uffe Vithen
Deputy chairman

Helle Bærentsen

Tina Klausen

Jan B. Poulsen

Ejner Søby

Mikael Lykke Sørensen

Peter Zacher Sørensen

Poul Erik Sørensen

Internal auditors´ report

To capital owners in Djurslands Bank A / S

Report on the Financial Statement

I have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January – 31 December 2012. The Financial statement includes the profit and loss account, comprehensive income, balance sheet, cash flow analysis, equity, notes, main and key figures and applied accounting policies. The Financial statement has been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

The audit is conducted in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. and International Standards on Auditing. Those standards require that the audit is planned and performed to obtain reasonable assurance whether the Annual Report is free from material misstatement.

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

I have participated in the audit of the most material and risk-related areas, and I believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

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

Furthermore, in our opinion, the Annual Report gives a true and fair view of the bank's financial position at 31 December 2012 and of the bank's financial performance and cash flows for the financial year 1 January – 31 December 2012 in accordance with the Danish Financial Business Act.

Statement on the management report

I have in accordance with the Financial Business Act read the management report. I have not performed any additional procedures in addition to the audit of the financial statements. It is in this context I believe that the information in the management report is consistent with the financial statement.

Grenaa, 20 February 2013

Internal audit

Jens Reckweg

Manager Internal audit

The independent auditors' report

To capital owners in Djurslands Bank A / S

Report on the Financial Statement

We have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January – 31 December 2012. The Financial statement includes the profit and loss account, comprehensive income, balance sheet, equity, cash flow analysis, key and main figures, notes and applied accounting policies. The Financial statement has been prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of the annual report in accordance with the Danish Financial Business Act. Furthermore management has the responsibility for the internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the bank's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

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

Our audit did not result in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the bank's financial position at 31 December 2012 and of the results of the bank's operations for the financial year 1 January - 31 December 2012 in accordance with the Danish Financial Business Act.

Statement on the management report

We have in accordance with the Financial Business Act read the management report. We have not performed any additional procedures in addition to the audit of the financial statements. It is in this context we believe that the information in the management report is consistent with the financial statement.

Aarhus, 20 February 2013

KPMG

Statsautoriseret Revisionspartnerselskab

Jakob Nyborg
State Authorised
Public Accountant

Jon Midtgaard
State Authorised
Public Accountant