Annual Report 2007

DJURSLANDS BANK
– vi bygger på lokale værdier

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5 Years survey and key figures

(1,000 kr.)	**2007**	2006	2005	2004	2003
Profit and Loss Accont					
Net interest income	**157.980**	141.450	132.016	133.562	132.702
Net interest and fee income	**230.478**	208.232	187.190	174.046	172.698
Value adjustments	**15.031**	28.498	30.033	15.512	42.622
Operational expenditure	**157.129**	145.021	134.488	122.623	118.680
herof staff and administrative expenses	**151.715**	140.758	129.506	116.914	113.118
Writedowns	**-9.141**	-13.838	4.696	12.022	22.879
Profit of associated and affiliated companies	**73**	76	60	-17	44
Profit before tax for the financial year	**102.269**	107.721	79.228	55.666	77.183
Profit for the financial year	**79.659**	83.292	59.876	41.777	63.625
Balance Sheet					
Assets					
Cash in hand and claims on credit institutions, etc.	**245.718**	215.968	252.818	132.894	199.909
Loans and other amounts due	**4.301.945**	3.535.614	2.820.627	2.351.315	2.127.320
Bonds and shares etc.	**781.872**	798.327	702.537	437.960	721.083
Assets under pooled schemes	**825.910**	732.116	570.403	437.888	0
Other assets	**161.973**	140.678	90.296	80.210	86.041
Total assets	**6.317.418**	5.422.703	4.436.681	3.440.267	3.134.353
Liabilities					
Due to credit institutions and central banks	**798.931**	835.691	359.519	224.441	226.085
Deposits and other amounts due	**3.386.518**	2.913.448	2.621.164	2.159.024	2.344.952
Deposits under pooled schemes	**859.272**	766.386	582.296	446.992	0
Other liabilities	**113.625**	116.415	158.660	135.032	133.982
Issued bonds at amortised cost	**300.000**	0	0	0	0
Subordinated debt	**225.659**	225.659	225.717	50.000	48.604
Equity	**633.413**	565.104	489.325	424.778	380.730
Total liabilities	**6.317.418**	5.422.703	4.436.681	3.440.267	3.134.353
Off-balance sheet items					
Guarantees, etc.	**2.249.677**	2.326.774	2.252.483	1.478.007	1.245.117
Other commitments	**1.696**	1.572	1.676	1.587	1.596
Total off-balance sheet items	**2.251.373**	2.328.346	2.254.159	1.479.594	1.246.713

5 Years survey and key figures

Key figures		**2007**	2006	2005	2004	2003
Solvency and capital ratio						
Solvency ratio	pct.	**13,2**	13,1	13,4	11,8	12,3
Core capital ratio	pct.	**10,1**	9,5	10,2	12,0	12,4
Earning ratios						
Profit on own funds before tax	pct.	**17,1**	20,4	17,3	13,6	21,9
Profit on own funds after tax	pct.	**13,3**	15,8	13,1	10,2	18,1
Earning/costs	kr.	**1,69**	1,82	1,57	1,41	1,55
Market risk ratios						
Interest rate risk	pct.	**1,8**	1,8	2,3	1,8	2,4
Foreign exchange standing - pos 1	pct.	**4,3**	3,6	2,5	1,2	1,2
Foreign exchange standing - pos 2	pct.	**0,0**	0,0	0,0	0,0	0,0
Credit risk ratio						
Lendings plus provisions on loans in relation to deposits	pct.	**103,0**	98,1	91,4	95,9	96,5
Extra cover in relation to the statutory liquidity requirement	pct.	**44,9**	60,0	61,9	104,5	106,2
Credit risk ratios						
The sum of large commitments	pct.	**97,2**	57,6	47,2	68,4	71,6
Share of outstandings with reduced interest	pct.	**0,1**	0,1	0,4	0,7	0,7
Provision percentage	pct.	**1,3**	1,5	2,1	3,3	3,9
The year's loss and writedown	pct.	**-0,1**	-0,2	0,1	0,3	0,6
The year's growth in lending	pct.	**21,7**	25,3	20,0	10,5	1,9
Lending in relation to equity capital	pct.	**6,8**	6,3	5,8	5,5	5,6
Return on share						
Profit for the year per share *	kr.	**57**	59	43	30	45
Net book value per share *	kr.	**469**	418	363	308	272
Dividend per share *	kr.	**7**	7	5	4	4
Stock value/result of the year per sl		**13,5**	11,8	13,2	14,1	6,9
Stock value/net book value per share		**1,64**	1,69	1,56	1,36	1,15
Stock value per share	kr.	**769**	705	564	420	313

*Calculated on a share size of DKK 20/share

The regulation regarding financial statements has been materially changed in 2005. The survey and key figurs for 2004 to 2007 has been prepared in compliance with the changed rules, figures from 2003 has not been changed. The figures from 2004 has not been changes regarding financial assets and liabilities.

Annual Report

Profit for the year better than expected
The profit for the year of DKK 79,7m was considerably better than expected at the beginning at the year, and is considered very satisfactory by the bank's management.

The profit before tax and value adjustments was DKK 87.2m and was thus over the forecast range of DKK 75 to 85m, which the bank had revised upwards after the 3 quarter 2007.

The profit before tax represents a 17.1% return on average shareholders' equity and a profit of DKK 73,0 per DKK 20 nominal share.

Background for the profit
The main reason for the profit achieved was a high level of activity driven by the very favourable economic climate and high employment.

In spite of the low level of activity in the housing marked, and the turbulence in financial markets in the second half of the year, there has been a significant demand for workers, which has been a solid fundament for the private demand and the business' demand for investments, an thus a positive basis for conduction of financial business.

In addition, Djurslands Bank can point to

- a large and stable inflow of customers
- 17.9% increase in deposits and 19.3% increase in loans.
- strong growth in the securities trading/fund management
- income from earlier write downs
- income of DKK 15,0m from value adjustments

In spite of the continuing and strong competition at the financial marked, the bank has had a large and stable inflow of new customers at the bank's branches in Djursland and Aarhus.

New customers and more business with existing customers led to a large 13% rise in the business volume.

Average deposits rose by 620m, which was more than expected for the year.

On of the main reasons for this is the bank's new high rate product in 1 quarter, as well as a good cash situation at the business customers.
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The continuing interest in pension saving led to a significant marked growth of 21% in deposits under pooled schemes thus also contributed to the growth in deposits.

In the area of lending, the average growth of about 602m was also above the expected level.

The increase in lending is equally split between businesses and private customer. Business' is mainly asking about loans with the purpose of investments in production expansions, while the demand from private customers mainly can be subscribed to financing of investments in real estate.

The average interest margin for the year was 0.4 percentage points lower than in 2006.
The main reason for this was the change in the composition of the bank's deposit and loan portfolio, since in particular, property loans with low interest rates, which were much in demand, reduce the interest margin.
In addition, tough competition between financial businesses is also contributing to a declining interest margin.

The banks long perspective focus on an equal growth in loans and deposits has meant that the bank only indirectly and in a very small scale has been affected by the insecurity and the increasing interest rate on the Interbank marked for liquidity.

In connection to this, it shall be mentioned that the bank does not have or have had positions in financial instruments with connections to the so called subprime loans.

Even though the number of real estate transactions has gone down, the bank has realised an increase in the profit from the real estate area.
The main cause to the increasing profit is an ongoing increase in the portfolio of arranged real estate loans, both to private and business customers.

Opposite this the activity level is considerably higher on another of the banks very important business areas, which is securities trading, asset and fund management.

The strong growth in pension saving and the increase in wealth as a result of rises in the property market are encouraging customers increasingly to invest and trade in securities.

Consequently, we have therefore, again in 2006, broken all previous records for the number of securities transactions and thus also the bank's income from them.
Also in 2007 we have conducted a very high number of securities transactions, and thus also increased the banks income from this area.

The very positive economic climate, combined with the bank's ongoing effort to improve the quality of its loan portfolio as well as the shift to a model based calculation of group depreciations, meant that the bank also in 2007 has realized a considerably decrease in the need for write downs on loans.

The positive value adjustments for the year were made up of a gain on the share and bond portfolio, and income from trading in currencies as well as in shares and bonds.

Operations
Net interest income rose by DKK 16.5m due to the fact that the rising volume of business has more than offset the decline in the interest margin.
Another reason is the rose in net interest income from a higher direct yield from the bank's bond portfolio caused by a higher yield level on bonds.

The markedly increased activity in the areas of securities trading/fund management was the main reason for the DKK 8,3m rise in net commission and fee income.

In all, the bank's total income rose by DKK 24,8m compared with 2006, corresponding to a rise of 11.8%.

Overall value adjustments on securities and foreign currencies amounted to a gain of DKK 15.0m, a fall of DKK 13.5m compared with 2006.
The main reason was that in 2006 a financial gain of DKK 10,5m ascribed to the sale of the last shares in Totalkredit, was booked.

The main reason for the positive value adjustments is positive value adjustments from the bank' s share portfolio amounting to DKK 9.8m, of which 8.5m can be ascribed to holding of sector shares.
Furthermore currency arbitrage has added DKK 3.7m, and the bond portfolio DKK 2.2m.

Total operating expenses increased by DKK 12.1m or 8.4%. The main reasons for this were
- increasing IT-expenses
- increasing payroll and pension expenses and
- a continuing modernisation of the bank's branches.

In addition, there were normal increase in the bank's other operating expenses.

The average number of employees, converted to full-time equivalents, was 189.9, a decrease of 0.3 compared with 2006. The number of employees has been lower than budget, and will be increased in 2008.

In connection with material renovations of branches, the he bank has in 2007 booked a one-time write down on domicile properties of DKK 1.5m.
Without this one-time expense, the increase in operation expenses would have been DKK 10.6m, equal an increase of 7.3%.

As announced in the "Financial statement 2006, the bank has joined a bonus incentive program with its employees at bank level. The agreement has triggered a bonus of DKK 2,2m in terms of shares to the employees as the goal for the basis earning ratio has been reached.
The shares has been taken from the banks own stock of shares.

For the financial year 2008 a similar agreement has been agreed up on. To trigger this bonus the bank shall continue to increase the basis earning ratio.

The figure for credit losses and provisions has lead to an income of DKK 9.1m, compared to an income of DKK 13.8m in 2006.

The main reasons for the income in 2007 are
- an increase in individual write downs and
- a decrease in group write downs on loans.

The increase on loans, which are individually written down is due to reversal of write downs on individual commitments and new write downs on individual commitments, where an objective indication on depreciation has been registered.

Even though the operation conditions in some lines have worsened, there has not yet been a general and clear development in the bank's registration of this, on the portfolio of loans to these lines.

The group write-downs in the financial years 2005 and 2006 were based on a qualified estimate, as the bank did not have a model for calculation, which full-filled the current demands for this.

In 2006 the qualified estimate was based on factual data and calculations on the most likely future effect of the cash-flow from each group of loans.

The bank has through 2007, been working on building up a rating model for use in group valuations and write downs on the portfolio of loans, and it was expected that the model could be used for the financial year 2007.

The work with this is now expected to be implemented in 2008 regarding the bank's portfolio of loans to private customers and in 2009 regarding the portfolio of loans to businesses.

Calculation of the group write-downs are therefore in the financial year 2007 performed on the foundation of a standard model developed by the trade association Lokale Pengeinstitutter and on the basics of a segmenting of the bank's customers.
The assumptions in the standard model are compared with the development in the bank's primary marked area and the development in the banks historical realised losses, and in those areas, where significant differences from the standard model can be realised, corrections have been made.

The change from the qualified estimates to the use of a model for calculation of the group write downs has lead to a reversal of DKK 12.4m on group write-downs.

Provisions on guaranties has in 2007 been reduced with DKK 3.7m due to a positive development in the risk of losses on individual guarantee lodgers

Total write downs on loans and provisions for guarantees amounts to DKK 84.3m at the end of the year, corresponding to 1.27% of the bank's loan and guarantee portfolio.

Allocation of profits
After tax of DKK 22.6m the profit for the year was DKK 79.7m.

At the bank's Annual General Meeting the Board of Directors will recommend,
- the payment of a dividend of DKK 7 per share, corresponding to DKK 9.8m, which is unchanged compared with 2006.
- that the remaining sum of DKK 69.9m be allocated to reserves.

After the proposed allocation of profits, the bank's shareholders' equity will amount to DKK 633.4m, an increase of 12.1%.

Capital
The bank's capital base amounts to DKK 713m and the equity ratio at the end of the year is 13.2%, which compares with the statutory minimum requirement of 8%.

The bank has in 2007 started using the standard method for credit risk applying to the new Basel II rules, which leads to relative lower weighted values due to the bank's portfolio of loans and guarantees.

The bank has during the year stress tested the need for capital. For further information see www.djurslandsbank.dk, where the total risk-reporting can be found.

During 2007 the bank gained 1,800 new shareholders, and the bank's DKK 28m nominal share capital is now owned by 14,850 shareholders.
Investeringsforeningen Sparinvest has notified the bank that it owns more than 5% of the share capital.

The bank's Board of Directors is accordingly to the articles authorised, to expand the share capital with up to DKK 28m, totalling DK 56m in one or more emissions in the period until 1. March 2012.

At the annual general meeting in Grenaa sports center 12. March 2008, the Board of Representatives and the Board of Directors will present a motion of

- the bank's share capital nom DKK 28m (1.400.000 shares of DKK 20) being reduced to nom. DKK 27m (1.350.000 shares of DKK 20) and accordingly to Companies Act §44a by payment to shareholders.
The reduction of 50.000 shares are purchased from the banks position of own shares, and it does not reduce the bank's solvency ratio.

- at the same time a split of the banks share capital from DKK 20 per share to DKK 10 per share, so that in the future the bank's share capital will consist of 2.700.000 shares of DKK 10 per share, and all with the same voting rights.

- the Board of Directors in the period until 1. March 2013 is authorised to expand the share capital with up to nom DKK 27m totalling DK56 in one or more emissions.

Balance sheet
The bank's balance sheet grew by DKK 895m and amounted to DKK 6,317,4m at the end of the year.
The increase corresponded to a rise of 16.5%.

Off-balance-sheet items decreased by DKK 77m, corresponding to a fall of 3.3% compared with 2006.

Liquidity
Due to the significant growth in the business volume and to strengthen the banks cash pool, a new bond deposit of DKK 300m in terms of "senior" capital has been signed on the Copenhagen Exchange at the beginning of 2007.

The bond deposit has a maturity of 3 years, and can be raised during the period.

For further strengthening of the cash pool a new "senior" capital bond will bee signed in the first half of 2008, as the demand for cash arises. Furthermore the size of liquidity lines will be adjusted to the growth of the bank.

Market risk
The bank's total interest risk in 2007 amounted to between 1.8% and 2.6% of the bank's core capital at the beginning of the year.
At the end of the year the interest risk amounted to 1.8% of the core capital after consolidation.

Throughout the year the exchange rate risk (indicator 1) amounted to no more than 4.3% of the bank's core capital at the beginning of the year.

Pension pools
The bank's two pension pools again yielded fully satisfactory returns in 2007 when compared with equivalent competing products.
The returns were 3.6% in Sikkerpuljen (the Safe Pool) and 4.2% in Mixpuljen (the Mix Pool).

Management
There have been no changes in the bank's Board of Executive or Board of Directors in 2007.

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

Since the end of the financial year the bank has – with effect from 1. January 2008 – sold its 50% share of Erhvervsparken A/S, Grenaa.
The sale is expected to trigger a profit of almost DKK 2,0m, which will be an income in the financial year 2008.

Besides this, no other events have occurred which would have an influence on the bank's Annual Report or its financial position.

In 2007 the bank issued the following stock exchange announcements.

05.01.2007	Revaluation of equity
08.01.2007	Financial calendar 2007
11.01.2007	Issue of bonds
29.01.2007	Prospect announcement bonds
30.01.2007	Prospect issue of bonds
21.02.2007	Annual Report for 2006
22.02.2007	Announcement of General Meeting
15.03.2007	General Meeting
02.05.2007	Interim Report for the first quarter of 2007
01.06.2007	Capital and number of votes
06.08.2007	Interim Report for the first half of 2007
01.11.2007	Interim Report for the first three quarters of 2007
02.11.2007	Financial calendar 2008

Expectations for 2008
The bank expects the economic climate in the society in 2008, will be at a lower level than in 2007.

A lower economic growth will lead to a reduction in the business' demand for investments and thereby reduce the demand for employers. The current high employment situation is therefore not expected to continue.

The risk of a decrease in the employment will though reduce the consumer confidence and therefore the demand for loans.

Based on this the bank expect that the growth in loans in 2008 will be at a lower level than in 2007, while the increase in deposits will continue at a unchanged high level.

The bank's growth is expected to come partly from more business with existing customers and partly from the expected continued inflow of new customers into the bank.
During the year the bank intends to establish a new branch with focus on customers outside the bank's natural geographical marked areas and evaluate on the possibilities for further establishment of a branch in the bank's geographical area, East-Jutland.

Competition in the financial sector is expected to continue with undiminished strength and with a gradually declining interest margin as a result.

The bank's risk profile on its own operations in the area of foreign currency and investments will remain at a cautious level, and the bank's current balanced growth in business volume will be maintained.

Due to the expected marked situation, credit losses and writedowns are expected to be at a higher level than in 2007.

Based on these assumptions, the profit for 2008, excluding value adjustments and tax, is expected to be in the region of DKK 75m to 85m.

For the bank's interim reporting for the 2008 financial year, please see the financial calendar issued via the Copenhagen Stock Exchange.

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 Århus area was opened in 1995, since when the number has risen to 5.
Most recently the bank opened a Finance Centre in the centre of Århus.

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.

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 and
- SG Finans

Customers
The bank advises and services around 35,000 private customers and around 2,900 business customers and public institutions.

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.

At the bank we give high priority to the principle of proximity and to personal dialogue with customers.
The bank believes strongly in the value of good knowledge regarding the customer and the economic situation of the customer, and thus the needs and wishes of the customer are the foundation of the bank's advice and services.

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.
About half of the bank's business and private customers have electronic access to the bank via NetBank or NetBank Erhverv.

Continuous, systematic surveys of the bank's customers, and other market surveys, are the basis for the bank's business development, including the product range, branch network and business policies.

Corporate Management and risk 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.

At www.djurslandsbank.dk 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 lives up to most of the recommendations, and for those recommendations that the bank does not live up to 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.

Shareholders
The bank is owned by 14,850 share-holders, of which only one shareholder owns more than 5% of the share capital. Please see page 6 of the Annual Report.

One of the bank's principal objectives is to secure for 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:

1-25 shares	= 1 vote
26-50 shares	= 2 votes
51-100 shares	= 3 votes
101-200 shares	= 4 votes
201-400 shares	= 5 votes
401 shares or more	= 6 votes

No shareholder or agent may cast more than a total of six votes.

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.

Employees
In the bank we put great emphasis on our human assets, and the organisation is based on a team-oriented working environment.
To measure the working environment, and as a basis for further development, a general job satisfaction surveys was carried out in 2007. It showed a general satisfaction score of 8,66 in a range from 1 to 10, which is a hign and satisfactionally level compared to other surveys in and outside the financial branch.
As welfare and motivation is fundamental to the banks development, an ongoing effort is put into improving it further.

The personal and professional development of the bank's employees is a very important element in the bank's development.

Systematic skills development shall ensure a high level of advice for the bank's customers and lead to committed and satisfied employees.

The bank is also aware of its social responsibilities.

Flexible, individual contracts of employment, including senior employee contracts, are thus a natural part of the bank's personnel policy.

Management

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 31 in 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 35.
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 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 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 6 to the Annual Report.
The fee for the Board of Directors is a fixed annual amount which is index-linked. The Board of Directors is not remunerated with share options.

The terms and conditions of employment of the Management are considered to be in line with normal practice in the area, and the terms and conditions are regularly reviewed.
The Management can be given a 12 months notice, and 24 months in case of merger with another company.
The Management participates on the same terms as all other employees in the bonus program, but does not receive any other incentive payments. No pension commitments have been made to the Management.

Executive appointments in other Danish limited companies held by members of Board of Direction and Executive Board.
Managing Director Ole Fast
Chairman in Grenaa Bowlingcenter A/S, Kolind Midtpunkt A/S and KØ Beton A/S.
Manager and member of Board of Directors in Peolia I A/S, Peolia II A/S and Djurslands Bowlinghus A/S.
Member of Board of Directors in Perstrup Beton Industri A/S and Hedensted lagerhoteller A/S.

Wholesaler Erik Nymann
Manager and deputy chairman in AUTO-G Dansk Grossist Union A/S.
Chairman in J.A.D.-Autodele A/S.
Manager and member of Board of directors 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.
Member of Board of Directors in S.Burchardt Nielsen Autodele A/S and Sydjydsk Reservedele A/S.

Car dealer Poul Erik Sørensen
Manager and member of directors in Havblink Holding A/S under establishment.
Chairman in Grenaa Bil-Center A/S, Grenaa Bil-Center af 2002 A/S and Bil-Center Grenaa A/S.
Managing Director Ole Selch Bak
Member of Board of Directors in Letpension Drift A/S and Letpension IT A/S.

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 Management, 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 Management, internal and external audits and continuous supervision by the Financial Supervisory Authority, the Board of Directors is kept fully aware of the risk management of the bank.

The risk management of all significant areas is evaluated and adapted continuously.

The bank's total risk report can be found at www.djurslandsbank.

Asset management

The Board of Directors 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 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, including a capital adequacy requirement of 8%, and The Danish Financial Supervisory Authorities has not set any higher requirement.

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 11%, which is 3% higher than the legal requirement. This is to ensure new capital at a low cost.

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

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 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.

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 its loan portfolio the bank also uses a credit rating based on factual financial information about the individual business or personal customer.
The credit rating is a determining element in work under way to create a model for the assessment of future losses, and thereby write-downs and provisions for the loan and guarantee portfolio.

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

- write-downs of significant loans
- individual write-downs and
- group write-downs.

All commitments of DKK 0.5 million or more 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 commitment, the endangered commitments are valued individually and the write-down is assessed 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. 11 groups exist, comprising one group of public authorities, one group of private customers and nine groups of corporate customers that have been subdivided into sector groups.

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.

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 0 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.

The bank only uses financial instruments to hedge risks.

Liquidity risks
Liquidity management must guarantee that there is sufficient liquidity to be able to pay off the bank's current payment obligations at any time.
As well as the fact that cash resources must comply with prevailing laws and regulations, it is also an element of the bank's liquidity policy that the bank will at all times be independent of other financial companies in terms of liquidity.

The bank's primary source of financing is deposits from the bank's customers.
In addition to this, the bank uses bonded loans in the form of senior capital with a term of up to three years.
Unsecured loans in the wholesale market are used for the daily procurement of liquidity and investment.
In addition to this, the bank has entered into multi-annual agreements on guaranteed lines of liquidity of DKK 300 million.
The guaranteed lines are regularly adjusted to the bank's needs in the short and long term and are not used in day-to-day liquidity management.

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

Operational risks

Operational risks can be described as the potential losses that the bank might incur as a consequence of operational errors and events caused by people, processes, systems or external events.
The risk can be ascribed to inappropriate behaviour by employees, system breakdown, breach of policies, failure to observe business processes, laws or regulations, etc.

To minimise operational risks, in purely organisational terms the bank has separated the performance of activities from the control of these.
The bank's internal audit function also performs an ongoing audit in order to achieve the greatest possible guarantee that policies, business processes, rules and procedures are observed.

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.

Profit and Loss Account

(DKK 1,000)

	Note	**2007**	2006
Interest income	2	**292.864**	207.698
Interest expenses	3	**134.884**	66.248
Net interest income		**157.980**	141.450
Dividend from share etc.		**1.854**	4.485
Fees and commission income	4	**76.553**	67.903
Fees and commission expenses		**5.909**	5.606
Net interest and fee income		**230.478**	208.232
Value adjustments	5	**15.031**	28.498
Other ordinary income		**4.675**	2.098
Staff costs and administrative expenses	6	**151.715**	140.758
Depreciation and writedowns of tangible assets		**5.414**	4.263
Writedowns		**-9.141**	-13.838
Profit of holdings in associated and affiliated companies	7	**73**	76
Profit before tax for the financial year		**102.269**	107.721
Tax	9	**22.610**	24.429
Profit for the financial year		**79.659**	83.292

Allocation of profit

Profit on holdings in associated and affiliated companies	**73**	76
Proposed dividend	**9.800**	9.800
Retained profit	**69.786**	73.416
Total allocated	**79.659**	83.292

Balance Sheet as at 31. december

(DKK 1,000)	Note	**2007**	2006
Cash in hand and claims at call on central banks		**59.538**	35.303
Due from credit institutions and central banks	*11*	**186.180**	180.665
Loans and other amounts due at amortised cost	*12*	**4.301.945**	3.535.614
Bonds at fair value		**591.010**	631.914
Shares, etc.		**190.862**	166.413
Holdings in associated companies	*13*	**250**	250
Holdings in affiliated companies	*13*	**1.412**	1.339
Assets under pooled schemes	*14*	**825.910**	732.116
Tangible assets		**76.325**	66.982
Investment properties	*16*	*2.565*	*2.479*
Domicile property	*17*	*73.760*	*64.503*
Other tangible assets	*18*	**10.567**	6.918
Tax assets		**1.337**	0
Deferred tax assets	*19*	**10.216**	8.707
Other assets		**61.866**	56.482
Total assets		**6.317.418**	5.422.703
Due to credit institutions and central banks	*21*	**798.931**	835.691
Deposits and other amounts due	*22*	**3.386.518**	2.913.448
Deposits under pooled schemes		**859.272**	766.386
Issued bonds at amortised cost	*23*	**300.000**	0
Tax liabilities		**0**	6.638
Other liabilities		**89.183**	82.846
Cut-off liabilities		**4.173**	2.645
Total debt		**5.438.077**	4.607.654
Provisions for pensions and similar obligations	*24*	**5.591**	5.923
Provisions regarding loss on guaranties		**14.263**	17.991
Other provisions		**415**	372
Provisions for commitments		**20.269**	24.286
Subordinated debt	*25*	**225.659**	225.659
Subordinated debt		**225.659**	225.659
Share capital		**28.000**	28.000
Share premium account		**5.274**	5.274
Revaluation reserves		**2.468**	2.468
Other reserves		**1.412**	1.339
Retained profit		**586.459**	518.223
Proposed dividend		**9.800**	9.800
Total equity		**633.413**	565.104
Total liabilities		**6.317.418**	5.422.703

Cash Flow Analysis

(DKK 1,000)

	2007	2006
Source of capital		
Operations		
Profit for the financial year	**79.659**	83.292
Loss and provisions on bad debts	**-9.141**	-13.838
Revaluation on investment land and property	**-36**	-150
Depreciation and writedowns of intangible and tangible assets	**5.414**	4.263
Dividend to shareholders	**-9.800**	-7.000
Source of capital from operations	**66.096**	66.567
Financial leverage		
Change in debt to credit institutions (net)	**-42.275**	489.978
Change in deposits	**565.956**	476.374
Change in issued bonds	**300.000**	0
Change in other liabilities	**-2.790**	-42.245
Change in subordinated capital investments	**0**	-58
Total financial leverage	**820.891**	924.049
Equity		
Own shares	**450**	-513
Total equity financement	**450**	-513
Total source of capital	**887.437**	990.103
Use of capital		
Change in cash in hand, etc. and treasury bills eligible for refinancing	**24.235**	-23.044
Change in loans and advances	**757.190**	701.149
Change in net pension assets	**93.794**	161.713
Change in bond holdings	**-40.904**	83.806
Change in share holdings	**24.449**	11.984
Change in associated and affiliated companies	**73**	76
Purchase of tangible assets	**18.940**	17.727
Purchase of small assets, expensed as part of depriciations	**1.430**	756
Change in other assets	**8.230**	35.936
Total use of capital	**887.437**	990.103

Equity

	Share capital	Shares premium account	Revalua-tion reserves	Other reser-ves	Proposed dividend	Retaine d profit	Total
Equity 01.01.2006	**28.000**	**5.274**	**2.468**	**1.263**	**7.000**	**445.320**	**489.325**
Paid dividend					-7.000		-7.000
Net purchase of own shares						-2.713	-2.713
Own shares reserved for employee program						2.200	2.200
Profit for the financial year				76	9.800	73.416	83.292
Equity 31.12.2006	**28.000**	**5.274**	**2.468**	**1.339**	**9.800**	**518.223**	**565.104**
Paid dividend					-9.800		-9.800
Udloddet medarbejderaktier						-2.200	-2.200
Net purchase of own shares						-1.600	-1.600
Own shares reserved for employee program						2.250	2.250
Profit for the financial year				73	9.800	69.786	79.659
Equity 31.12.2007	**28.000**	**5.274**	**2.468**	**1.412**	**9.800**	**586.459**	**633.413**

Number of shares 1.400.000

	2007	**2006**
Own shares		
Bookvalue of own shares	0	0
Number of own shares	49.589	48.427
Stock value per share	769	705
Total stock value	38.134	34.141
Percentage of own shares	3,5	3,5

Aktionærer

The following share holders owns more than 5% of the sharevalue:
Investeringsforeningen Sparinvest, Baneskellet 1, Hammershøj, 8830 Tjele

Notes

(DKK 1,000)

		2007	2006
1	**Solvency**		
	Solvency ratio accordingly to FIL § 124, subsection 1	**13,2%**	13,1%
	Core capital after deductions in percentage of total weighted items	**10,1%**	9,5%
	Equity	**633.413**	565.104
	Herof revaluation reserves	**-2.468**	-2.468
	Herof suggested dividend	**-9.800**	-9.800
	Tax assets	**-10.216**	-8.707
	Core capital before deduction of holding	**610.929**	544.129
	Half of Total of holding etc., more than 10% of capital base	**-63.008**	-42.927
	Core capital after deductions	**547.921**	501.202
	Subordinated capital investments	**225.659**	225.659
	Revaluation reserves	**2.468**	2.468
	Capital base before deductions	**776.048**	729.329
	Half of Total of holding etc., more than 10% of capital base	**-63.008**	-42.927
	Capital base after deductions	**713.040**	686.402
	Weighted values excl. values with marked risk	**5.080.138**	4.947.322
	Weighted values with marked risk	**330.198**	304.671
	Total weighted values	**5.410.336**	5.251.993
	Demand for capital accordingly to FIL § 124, subjection 2, 1	**432.827**	420.159
	Demand for capital accordingly to FIL § 124, subjection 2, 2	**37.283**	37.280
2	**Interest income**		
	Claims on credit institutions, etc.	**8.966**	6.532
	Loans and advances	**244.828**	180.659
	Bonds	**27.318**	17.075
	Total derivative financial instruments	**11.671**	3.266
	of which		
	Currency contracts	**1.841**	7.122
	Interest rate contracts	**9.830**	-3.856
	Other interest income	**81**	166
	Total interest income	**292.864**	207.698
3	**Interest expenses**		
	Credit institutions and central banks	**11.734**	7.037
	Deposits	**97.081**	49.244
	Issued bonds	**13.033**	0
	Subordinated debt	**12.518**	9.672
	Other interest expenses	**518**	295
	Total interest expenses	**134.884**	66.248

Notes

(DKK 1,000)

		2007	2006
4	**Fee and commission income**		
	Securities trading and custody account fees	**39.049**	32.488
	Payment services fees	**8.482**	8.609
	Loan fees	**11.778**	11.146
	Guarantee commissions	**14.234**	12.852
	Other fees and commissions	**3.010**	2.808
	Total fee and commission income	**76.553**	67.903
5	**Value adjustments**		
	Loan and advances at fair value	**-4.715**	-10.257
	Bonds	**2.161**	-5.205
	Shares, etc.	**9.776**	31.209
	Investment property	**50**	150
	Currency	**3.665**	2.392
	Derivatives	**4.822**	10.585
	Assets under pooled schemes	**1.387**	39.256
	Deposits under pooled schemes	**-2.115**	-39.632
	Total value adjustments	**15.031**	28.498
6	**Staff costs and administrative expenses**		
	Salaries and remuneration of Executive Board, Board of Directors and Board of Representatives		
	Executive Board	**1.967**	1.570
	Board of Directors	**717**	707
	Board of Representatives	**139**	135
	Total	**2.823**	2.412
	Staff costs		
	Salaries	**75.695**	71.959
	Pensions	**8.419**	7.939
	Financial services employer tax, etc.	**7.749**	7.517
	Total	**91.863**	87.415
	Other administrative expenses	**57.029**	50.931
	Total staff costs and administrative expenses	**151.715**	140.758
	Number of full-time equivalent staff (avg.)	**189,9**	**190,2**
7	**Profit of holdings in associated and affiliated companies**		
	Profit on holdings in affiliated companies	**73**	76
	Total profit on holdings in associated and affiliated companies	**73**	76

Notes

(DKK 1,000)

		2007	2006
8	**Write down on loans and advances**		
	Individual write downs		
	Write downs beginning	**58.768**	90.017
	Write downs in the financial year	**32.196**	11.858
	Changes in write downs regarding earlier years	**-19.523**	-36.600
	Finally lost regarding earlier write downs	**-3.364**	-6.507
	Individual write downs end	**68.077**	58.768
	Group write downs		
	Write downs beginning	**14.362**	17.231
	Write downs in the financial year	**0**	0
	Changes in write downs regarding earlier years	**-12.449**	-2.869
	Group write downs end	**1.913**	14.362
	Total write downs on loans and advances	**69.990**	73.130
9	**Tax**		
	Calculated tax charge for the year	**24.960**	28.032
	Deferred tax	**-1.608**	-3.188
	Adjustment of tax rate	**-89**	0
	Adjustment of prior-year tax charge	**-653**	-415
	Total tax	**22.610**	24.429
	Effective tax rate		
	Danish tax rate	**25,0%**	28,0%
	Non-taxable income and non-deductible expenses	**-1,7%**	-4,9%
	Adjustment of prior-year tax charge	**-0,7%**	-0,4%
	Others	**-0,5%**	0,0%
	Effective tax rate	**22,1%**	22,7%
	The non-taxable income in 2006 was mainly from the sale of shares in TotalKredit A/S		
10	**Audit fees**		
	Total fee to the accounting firm elected by the general meeting which perform the statutory audit	**406**	355
	Fees for non-audit services	**190**	14
	The bank has an internal audit department		
11	**Due from credit institutions and central banks**		
	Claims at notice on central banks	**149.876**	149.836
	Claims on credit institutions	**36.304**	30.829
	Total due from credit institutions and central banks	**186.180**	180.665
	By residual maturity		
	Up to 3 months	**171.271**	163.673
	Over 5 years	**14.909**	16.992
	Total due from credit institutions and central banks	**186.180**	180.665

Notes

(DKK 1,000)

		2007	2006
12	**Loans and other amounts due at amortised cost**		
	Loans and other amounts due at amortised cost	**4.301.945**	3.535.614
	Total loans and other amounts due at amortised cost	**4.301.945**	3.535.614
	By residual maturity		
	Demand deposits	**572.149**	451.395
	Up to 3 months	**334.277**	330.420
	From 3 months to 1 year	**1.390.385**	994.629
	From 1 to 5 years	**1.234.658**	1.132.113
	Over 5 years	**770.476**	627.057
	Total loans and other amounts due at amortised cost	**4.301.945**	3.535.614
	Specifikation of write downs		
	Loans and other amounts due at amortised cost, before write downs	**4.371.935**	3.608.744
	Write downs	**-69.990**	-73.130
	Total loans and other amounts due at amortised cost	**4.301.945**	3.535.614
	Broken down by sector and industry		
	Public sector	**2,4**	3,4
	Business		
	Agriculture, hunting and forestry	**13,3**	12,0
	Fishing	**0,3**	0,5
	Manufacturing industry, quarring, electricity- and gas etc.	**2,7**	3,1
	Construction	**4,5**	4,6
	Wholesale and retail trade, hotels and restaurants	**6,0**	5,3
	Transport, post and communication	**2,4**	3,2
	Finance, insurance etc.	**2,6**	2,5
	Real estate administration and real estate business activities	**11,7**	11,6
	Other businesses	**6,7**	5,7
	Total business	**50,2**	48,5
	Private	**47,4**	48,1
	Total	**100,0**	100,0
13	**Holdings in associated companies**		
	Erhvervsparken A/S, Grenaa		
	Part of shares	**50%**	50%
	Holdings in affiliated companies		
	Djurs-Invest ApS, Grenaa		
	Part of shares	**100%**	100%
	Equity	**1.412**	1.339
	Profit for the financial year	**73**	76
	The activity in the companies are immaterial.		
14	**Assets under pooled schemes**		
	Bonds at fair value	**583.787**	470.313
	Shares	**242.123**	261.803
	Total	**825.910**	732.116

Notes

(DKK 1,000)

15 Related parties

	2007	2006	**2007**	2006
	Affiliated companies		Affiliated Companies	
Loans and advances	**0**	0	**31.401**	28.029
Deposits	**602**	596	**3.500**	356

16 Investment property

	2007	2006
Marked value at January 1	**2.479**	1.250
Additions	**50**	1.079
Revaluation of marked value	**36**	150
Marked value at December 31	**2.565**	2.479

17 Domicile property

Marked value at January 1	**64.503**	52.685
Additions	**12.157**	12.526
Disposals	**-500**	0
Depreciation	**-900**	-708
Impairment charges of marked value, booked in the financial statement	**-1.500**	0
Marked value at December 31	**73.760**	64.503

In 2007 external experts have evaluated the value of 3 of the banks domicile properties, the total bookvalue of these 3 buildings at 31/12 2007 was t.d.kr. 27.779.
No experts where used in 2006.

18 Other tangible assets

Total cost at January 1	**16.940**	12.818
Additions	**6.733**	4.122
Total cost at December 31	**23.673**	16.940
Depreciation and impairment at January 1	**10.022**	7.223
Depreciation	**3.084**	2.799
Depreciation and impairment at December 31	**13.106**	10.022
Carrying amount at December 31	**10.567**	6.918

19 Deferred tax assets and liabilities

Deferred tax at January 1	**8.707**	3.714
Change in tax rate	**-933**	0
Change in deferred tax due to own shares	**834**	1.805
Change in deferred tax due, without own shares	**1.608**	3.188
Deferred tax at December 31	**10.216**	8.707

Notes

(DKK 1,000)

20 Split of deferred tax on assets and liabilities

	31/12 2007 Deferred tax assets	31/12 2007 Deferred tax liabilities	31/12 2006 Deferred tax assets	31/12 2006 Deferred tax liabilities
Tangible assets	**0**	**134**	0	149
Cut of on fees and commissions	**3.124**	**0**	3.515	0
Own shares	**9.347**	**0**	9.535	0
Provisions for commitments	**1.398**	**0**	1.658	0
Other	**1.493**	**5.012**	1.131	6.983
Deferred tax total	**15.362**	**5.146**	15.839	7.132

Deferred tax of unquoted stocks amount to DKK 2,706,000
As it is the banks intention to keep the stocks for more than 3 years, there will be no tax obligation, and therefore no liability has been booked on these stocks.

21 Due to credit institutions and central banks

	2007	2006
Due to credit institutions	**798.931**	835.691
By residual maturity		
Amounts payable on demand	**302.065**	225.691
Up to 3 months	**496.866**	610.000
Total due to credit institutions and central banks	**798.931**	835.691

22 Deposits and other amounts due

Amounts payable on demand	**2.611.664**	2.177.038
At notice	**171.160**	224.481
Time deposits	**309.623**	249.083
Special deposits	**294.071**	262.846
Total deposits and other amounts due	**3.386.518**	2.913.448
By residual maturity		
Amounts payable on demand	**2.702.614**	2.282.305
Up to 3 months	**426.566**	425.304
From 3 months to 1 year	**38.992**	24.904
From 1 to 5 years	**40.798**	36.436
Over 5 years	**177.548**	144.499
	3.386.518	2.913.448

23 Issued bonds at amortised cost

From 1 to 5 years	**300.000**	0
Total issued bonds	**300.000**	0

24 Provisions for pensions and similar obligations

Provision for pensions and similar commitments	**5.591**	5.923
	5.591	5.923
Paid to former members of the Executive Board	**616**	492

Notes

(DKK 1,000)

		2007	2006
25	**Subordinated debt**		
	Floating rate loan in DKK, maturity 2012, Option to prepay from 2009	50.000	50.000
	Floating rate loan in DKK, maturity 2013, Option to prepay from 2010	75.000	75.000
	Floating rate loan in DKK, maturity 2014, Option to prepay from 2011	100.659	100.659
	Total subordinated capital investments	225.659	225.659
	Signing fee	0	0
	Part of capital base	225.659	225.659
26	**Equity - shares**		
	Number of shares each of nom value kr. 20.	1.400	1.400
	Share capital nom value DKK 28.000 (1.000 kr.)		
	Number of own shares, beginning	48.427	50.391
	Net additions / disposals	1.162	-1.964
	Number of own shares, end	49.589	48.427
	Nom value of own shares, beginning	969	1.008
	Net additions / disposals	23	-39
	Nom value of own shares, end	992	969
	Part of own shares, beginning	3,5%	3,6%
	Net additions / disposals	0,0%	-0,1%
	Part of own shares, end	3,5%	3,5%
27	**Guarantees, etc.**		
	Financial guarantees	728.143	846.425
	Loss guarantees	938.394	849.442
	Registration guarantees	246.917	236.017
	Other guarantees	336.223	394.890
		2.249.677	2.326.774
28	**Other commitments**		
	Other commitments	1.696	1.572
		1.696	1.572
29	**Credit risk on other financial instruments**		
	Positive market value after netting		
	Authorities (with weighted risk 0%)	0	0
	Credit institutions, etc. (with weighted risk 20%)	4.715	930
	Customers (with weighted risk 100%)	3.125	3.347
30	**Outstanding owings**		
	Outstanding owings in other works	0	1.668
31	**Exchange rate risk**		
	Exchange rate indicator 1 in % of core capital after deductions	4,3%	3,6%
	Exchange rate indicator 2 in % of core capital after deductions	0,0%	0,0%

Notes

(DKK 1,000)

		2007	2006
32	Interest rate risk		
	Total interest rate risk on liabilities, etc.	**9.762**	9.862
	Interest rate risk by foreign currency with highest interest rate risk		
	DKK	**9.719**	9.833
	NZD	**0**	0
	CHF	**10**	28
	Other currencies	**33**	1

The rate risks on fixed-interest assets DKK 333,100,000 - excluding mortgage deeds - are covered by interest swaps for nominel DKK 331,300,000.
Exchange rate adjustments to market value of loans and swaps have not been corrected.

33 Other financial instruments

The bank uses exchange rate- and interest futures as well as interests- and exchange rate swaps. Interest swaps have been signed with the intention of covering the banks portefolio of loans with fixed interests. The remaining financial instruments are used for covering the custumers businesses in relation 1:1

34 Close parties

Transaktions with close parties

Close parties covers the Board of Directors and the Board of Managment. None transactions have been entered into except those mentioned in note 6.

	2007	2006
Loans etc to the management		
Executive Board	**550**	150
Board of Directors	**22.015**	15.728
Board of Representatives	**260.575**	162.052
Collaterals for engagements with		
Executive Board	**180**	150
Board of Directors	**4.276**	2.481

35 Election of board of directors

	First election	**Chosen again**	**On election**
Erik Nymann	1990	1992, afterwoods every 2 år.	2008
Ole Fast	1994	1995, afterwoods every 2 år.	2009
Jakob Arendt	1995	1997, afterwoods every 2 år.	2009
Helle Bærentsen	2006		2010
Tina Klausen	1998	2002, afterwoods every 4 år.	2010
Ole Birk Nielsen	1994	1996, afterwoods every 2 år.	2008
Jan B. Poulsen	2002	2006	2010
Poul Erik Sørensen	2002	2004, afterwoods every 2 år.	2008
Uffe Vithen	2006		2009

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 other Danish disclosure requirements for the annual reports of listed financial businesses.

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 equity.

Financial instruments are recognised at the time of trading.

The applied accounting policies have been consistently with last year.

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 and provisions regarding loss on guaranties.

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.

For writedowns on loans and receivables, significant estimates are associated with quantifying the risk that not all future payments will be received.

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.

The costs of incentive schemes are recognised in the profit and loss account in the financial year to which the cost relates. 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 directly in equity for the part which can be ascribed to items recognised directly in equity.

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
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.

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 of DKK 0.5 million or more 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.
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. 11 groups exist, comprising one group of public authorities, one group of private customers and nine groups of corporate customers that have been subdivided into sector groups.

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.

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.

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 measured at cost price.

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.

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 market value in accordance the yield method in Annex 8 of the Executive Order.

Domicile property is measured at revalued amount, which is the marked value less deducted depreciations and impairments. Yield and yield percentage is dependent of place and condition. Depreciations are calculated on the

basis of an expected life time of 50 years. The base for depreciation is cost deducted with scrap value. Depreciations are booked in the profit and loss account, while rising in the revalued value are booked directly on the equity as a part of revaluation reserves, unless it is depreciations, which earlier have been booked in the profit and loss account.
In 2007 external experts have evaluated the value of three of the bank's properties.

After initial recognition residential properties are measured at their reappraised value. Revaluation is carried out so frequently that significant differences to the market value do not arise.

Upon initial recognition tangible fixed assets are measured at cost price. The cost price includes the acquisition price and costs directly associated with the acquisition.

Rises in the reappraised value of residential properties are recognised under revaluation reserves under shareholders' equity. Falls in value are recognised in the profit and loss account, unless they are reversals of previous revaluations.

Changes in the market value of investment properties are recognised in the profit and loss account.

Other tangible assets
Other tangible assets and furnishing of leased premises is measured at cost price less accumulated depreciation, amortisation and writedowns. 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.

Dividends
Dividends are recognised as a liability commitment at the time of adoption at the General Meeting. The proposed dividend for the financial year is shown as a separate item under shareholders' equity.

Issued bonds
Issued bonds are measured at amortised cost. Any portfolio of own issued bonds is offset.

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.

Own shares
Acquisition and disposal amounts and dividends from own shares are recognised directly in shareholders' equity under retained profits.

Signatures by the Board of Executives and Directors

We have today presented the annual report 2007 for 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.

The management's review includes a fair presentation of the development in the bank's activities and financial position as well as a description of the most material risks and elements of uncertanity thta may affect the bank

We consider the accounting policies appropriate for the annual report to provide a true and fair view of the bank's financial position, result and cash flow.

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

Grenaa, 20 February 2008
Board of Executive
Ole Bak

/ **Martin Ring Andersen**
Chief Accountant

Grenaa, 20 February 2008
Board of Directors

Erik Nymann *Chairman*	**Ole Fast** *Deputy Chairman*	**Jakob Arendt**
Helle Bærentsen	**Tina Klausen**	**Ole Birk Nielsen**
Jan B. Poulsen	**Poul Erik Sørensen**	**Uffe Vithen**

Internal auditors´ report on the financial statement

We have audited the Annual Report of Djurslands Bank A/S for the financial year 2007. The Financial statement has been prepared in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

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

The audit has been performed in accordance with the division of duties agreed with the external auditors and has included an assessment of procedures and internal controls established, including the risk management organised by Management relevant to the 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.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the procedures and internal controls established, including the risk management organised by Management relevant to the company’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 company’s financial position at 31 December 2007 and of its financial performance and its cash flows for the financial year 2007 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

Grenaa, 20 February 2008

Djurslands bank A/S

Internal audit

Jens Reckweg

Manager Internal audit

The independent auditors' report

To the shareholders of Djurslands Bank A/S
We have audited the annual report of Djurslands Bank A/S for the financial year 1 January - 31 December 2007, which comprises the statement by the Executive and Supervisory Boards, Management's review, accounting policies, income statement, balance sheet, statement of changes in equity and notes. The annual report has been prepared in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

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 and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and using appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the 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 2007 and of the results of its operations for the financial year 1 January - 31 December 2007 in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

Aarhus, 20 February 2008

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

Jakob Nyborg	**Kristian Winkler**
State Authorised	State Authorised
Public Accountant	Public Accountant