Annual Report 2010

DJURSLANDS BANK

– vi bygger på lokale værdier

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Management report

Financial overview

(1,000 kr.)	**2010**	2009	2008	2007	2006
Profit and Loss Accont					
Net interest income	**187.442**	194.090	184.176	157.980	141.450
Net interest and fee income	**254.386**	255.073	245.580	230.478	208.232
Value adjustments	**24.340**	30.996	-24.921	15.031	28.498
Operational expenditure	**194.717**	193.562	176.461	157.129	145.021
herof staff and administrative expenses	**172.694**	166.484	165.711	151.715	140.758
herof payment to the Private Preparedness Initiative	**16.153**	21.154	5.502	0	0
Writedowns	**39.267**	46.999	30.728	-9.141	-13.838
herof writedowns in the Private Preparedness Initiative / Roskilde Bank	**12.120**	13.880	5.947	0	0
Profit of associated and affiliated companie	**38**	87	2.973	73	76
Profit before tax for the financial year	**48.951**	51.153	20.522	102.269	107.721
Profit for the financial year	**36.785**	39.969	17.766	79.659	83.292
Selected assets and liabilities					
Equity	**680.714**	635.710	588.239	633.413	565.104
Capital base	**767.567**	701.561	725.304	713.040	686.402
Total deposits	**4.482.541**	4.276.901	4.172.662	4.245.790	3.679.834
Loans and other amounts due	**3.819.926**	3.893.372	4.235.007	4.301.945	3.535.614
Total assets / liabilities	**6.550.058**	6.294.894	6.518.733	6.317.418	5.422.703
Off-balance sheet items	**1.439.574**	1.404.110	1.390.640	2.251.373	2.328.346
Selected keys figures					
Solvency ratio	**15,7**	14,2	13,0	12,3	13,1
Individual solvency demand ratio	**8,0**	8,0	8,0	8,0	0,0
Core capital ratio	**14,3**	11,7	9,5	9,4	9,5
Profit on own funds before tax	**7,4**	8,4	3,4	17,1	20,4
Basic earning / costs excl. Expense Private Preparedness	**1,45**	1,51	1,46	1,50	1,45
Extra cover in relation to the statutory liquidity requirement	**211,5**	195,1	100,5	44,9	60,0
The year's loss and writedown	**0,7**	0,9	0,5	-0,1	-0,2
Lending in relation to equity capital	**5,6**	6,1	7,2	6,8	6,3
Stock value / net book value per share	**0,66**	0,65	0,65	1,64	1,69

Further survey and key figures is available in note 1.

Management report
Annual Review

Annual result higher than expected
The annual profit of DKK 36,8m is higher than expected at the beginning of the year, and is deemed by the bank's Board and Management to be satisfactory, under the present macroeconomic conditions.

Before write-downs, value adjustment of securities and currencies and tax the profit was DKK 63.9m, which is inside the expected guidance of DKK 50-70m which was announced at the beginning of the year.

Profit before value adjustments and tax amounts to DKK 24.6m, which is an improvement of DKK 4.5m compared to 2009.
The result of DKK 24.6m is after payments of DKK 28.3m to Bank Package I.
This amount is composed of a guarantee commission paid to the state of DKK 16.2m, and provisions for losses on needy banks at DKK 12.1m.

The profit before tax of DKK 49m represents a return on the average equity of 7.4%, equaling DKK 18 (per DKK 10 share).

In addition, management at the expiry of the banking package I and II are pleased to note that the bank had no need to use the government guarantees for accession subordinated debt or liquidity, as well as the state does not own shares in the bank.

Background for the result
The economic crisis which is one of the aftermath of the international financial crisis continues to be reflected in the direction in the bank's financial results.

Despite continued improvement in socio economic trends through 2010, there has not been adequate consumer confidence to boost private consumption and thus enhance market opportunities for businesses in the Danish market.

The relatively low socio-economic growth has maintained historically low interest rates, although this has not increased loan demand from private customers.
The economic crisis, have increased the private interest of customers to settle debts and increase savings.

With this development, commercial companies have been very reluctant to make new investments, and loan demand here has therefore been at a very low level.

The low interest rate and the positive developments in the international economy has resulted in sharply rising stock prices, and thus a greater optimism and activity in the asset management area

For the bank, these developments led to

- An increase in deposits and a decrease in loan
- Higher activity and higher income from real estate, trust activities and fund management
- unchanged lending risks but lower write-downs on credit portfolio.
- Higher positive price adjustment of security holdings and
- continued large payments to the state for Bank Package I and write-downs associated herewith.

Despite the lack of underlying growth in its business volume, the bank has for year generated a satisfactory result on core earnings.

One main reason for this is that an increasing proportion of the bank's customers have chosen to gather their financial transactions at the bank, and an increased activity in the mortgage business and asset management.

Another reason is an increasing customer influx to the bank's branches on Djursland and Aarhus. Especially in the second half year the inflow of both private and business customers have increased. The development is very satisfactory, especially given the significant negative publicity, especially for the small banks up to the expiration of the unlimited guarantee by the end of the third quarter.

Despite the increased inflow of customers, the bank's business volume is not developed as expected and the bank's lending is realized below budget.

On the lending side, the lower investment appetite and conversion to long-term mortgages caused the bank's average lending to business customers over the years has decreased by approx. DKK 105m.

Also lending to the bank's private customers has declined - over years by an average of approx. DKK 75m.
The general increase in disposable income has allowed for a larger settlement of existing loans and the lack of growth in private consumption has led to a low demand for new loans. Meanwhile, the very low interest rates led to a rescheduling of bank loans to longer-term mortgages.

The bank's total deposits on the other hand, have over the year increased by approx. DKK

200m corresponding to a very satisfactory increase of 6%.
2 / 3 of the increase is attributable to the bank's private customers, where it specifically is not assigned share of savings which are increased. Payments to pension savings in the bank have declined compared to previous years. The main reason is customers reduced possibilities for deductions for payments to pension schemes in banks.

The average interest margin for the year has been on the same level as in 2009. On a portion of the loan portfolio for business customers is the bank's risk premium increased, but the very low interest rates have simultaneously led to a decline in earnings on the total portfolio of loans and deposits.

The increased turnover in the property market and a high activity in converting mortgage loans, has led the bank to achieve a higher profit from this.
In addition, a growing portfolio of facilitated mortgage loans for both private and business customers, and hence an increase in earnings from mortgage lending.

Also on another of the bank's major business areas - securities, asset management and asset management - activity has increased, and the bank's earnings from here has increased by approx. 15% compared to 2009.

Slow economic growth and the limited progress of private consumption have resulted in some of the bank's business customers continue to get poorer economic performance than previously. A smaller proportion of these businesses will, in the current national economic situation, could have trouble servicing their debt, which is the main reason for the bank's provisions on loans. Also at a smaller proportion of the private customers the bank realizes challenges of servicing the debt, mainly because of unemployment and divorce, combined with the sale of private property.

Generally, the bank's credit portfolio is of good quality, because of the bank's long-term focus on credit quality and the spread between private clients and companies, sectors and industries, together with good geographical spread.
Consequently, the bank's write-downs on loans are at a relatively low level compared with the banking sector in general.
Reference is also made to the separate section on credit risk management.

The declining interest rate level has resulted in rising bond prices, which is the main reason for a relatively high overall positive price adjustment of securities and currency.

Operations
Overall, the bank's total revenues are at an unchanged level compared to 2009.

Net interest income fell by DKK6.7m. The decrease is a combination of reduced revenue from the decline in lending portfolio, as well as a significantly less direct interest in the bank's growing portfolio of bonds.

To minimize the risk of capital losses on the bond portfolio if interest rates rise, the bank has over the year chosen to reduce the bank's total interest rate risk. This has led to the direct interest of the bond portfolio dropped by 1.5% points compared to 2009.

Conversely, the bank realized a net increase of DKK 6.4m in fee and commission income equivalent to an increase of 10.7%.
The main reason is a significant increase in the activities of securities trading and fund management and the mortgage lending business.

Value adjustment of securities and currency represents a very satisfactory gain of DKK 24.3m.
The capital gain on the bond portfolio represents DKK 12.4m, on the share portfolio DKK 8.8m, while currency trade has contributed positively by DKK 3.5m.

Total operating expenses increased by DKK 1.2m or 0.6%. The main causes for this are
• the bank's payment of DKK 16.2m to Bank Package I - a drop of DKK 5.1m compared to 2009
• an increase in wage and pension costs of DKK 2.8m due to collectively agreed wage increases
• an increase in IT spending of DKK 2.9m and
• general increases in the bank's other operating expenses.

The average number of employees converted to full-time employees in 2010 amounted to 194 - the equivalent of 5 less than in 2009. The average figure includes the 198 employees in the beginning of 2010 and at the end of the year, the number was 193.

Write-downs and losses
The amount of losses and write-downs of loans and provisions for guarantees amounted to DKK 39.3m in 2010 compared to DKK 47m in 2009, representing a satisfactory decrease of DKK 7.7m.

The depreciation amounts are essentially composed of

• an increase in group-wise impairment on loans by DKK1m

• Individual impairment of loans, especially on business exposures, with DKK 43.7m
• Reversal of previous write-downs of DKK 12.4m and
• extraordinary write-downs of DKK 12.1m to failing banks (Bank Package I/ The Private Preparedness Initiative)

For a breakdown thereof refer to Note 9

Within the business sector it is mainly on the credit portfolio to agriculture the bank makes the largest percentage basis write-downs. The overall economic challenges for agriculture are increasing. A smaller proportion of the bank's agricultural customers will with the current market conditions therefore also have difficulties in servicing their debt and the bank therefore writes down on these exposures.

The calculation of the group write-downs in the 2010 financial year – as in the previous 3 years – has been based on a standard model developed by the trade association known as Lokale Pengeinstitutter (local banks) based on division of the bank’s customers into segments.
The assumptions of the standard model have been compared with developments in the bank’s primary market area and developments in the bank’s historically ascertained losses, and in areas where significant deviations from the standard model have been ascertained, corrections have been made accordingly. In addition, when making a managerial assessment of the group write-downs, the bank has included already occurred events, the effects of which have not yet been integrated into the basic data of the standard model.

The total write-downs on loans and provisions for guarantees ex The Private Preparedness Initiative / Bank Package I amounted to DKK 168,7m at the end of the year, corresponding to 3.1% of the bank’s loan and guarantee portfolio.

The total realized credit loss amount to DKK 47.4m in 2010 compared to DKK 5.1m in 2009.
The satisfactory low level corresponds to 0.14% of the credit portfolio.

The ratio of the bank's largest exposures represents at year-end 91% compared to the average in the sector on 90%.
The main reason for the rise in the ratio compared to previous years is that the bank in 2010 has provided construction loans to 2 legally independent non-profit housing associations.
Acc. new legislation, the exposures are consolidated into one company due to a common administration company, and the total commitment must thus be included in the ratio of large exposures.

As shown in the management review's special section on risk management, the bank has set a maximum exposure of large exposures amounting to a ratio on 70%, and the exposure will be reduced accordingly.

The bank's total provisions for The Private Preparedness Initiative / Bank Package 1 represents at the end of the year DKK 29m, corresponding to the bank's share of the sector's first guarantee limit of DKK 10 billion. The amount of DKK 29m are expected written off as losses in the first quarter of 2011, when the final statement from The Private Preparedness Initiative expected to be delivered.

The last guarantee frame for the sector regarding the Private Preparedness Initiative / Bank Package of 10 billion. DKK becomes not effective and the bank's share of DKK 29m from this is deleted in the bank's guarantee obligations.

Allocation of profits
After taxes of DKK 12.2m, the profit for the year was DKK 36.8m.

At the bank’s annual general meeting, the Board will propose that the profit for the year, DKK 36.8m, be transferred to the reserves.

The transition is to strengthen the bank's capital base as much as possible and in order to settle the remaining equity loan of DKK 101m.

Following the proposed allocation of profits, the bank’s equity will amount to DKK 680.7m, representing an increase of 7.4%. Further information is given under the notes and in the explanatory statement regarding the shareholders’ equity.

Capital
The bank’s capital base amounted to DKK 767.6m and the solvency ratio at the end of the year amounted to 15.7%, whereof core capital amounts to 14.3%,
The bank’s own calculated solvency ratio requirement is 7.67% and therefore the statutory requirement of 8%, will be applicable.
Therefore the bank has a very satisfying solvency ratio, which amounts to 7.7%-points more than the solvency need, equal to DKK 377m.
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 www.diurslandsbank.dk, which contains the full report on the banks capital demand.

As revealed by the bank's annual report for 2009 would be the bank's board in first half of

2010, assess the need for admission of additional subordinated capital. At the bank's general meeting of 16 March 2010 the Board of Directors was therefore given the shareholder authorization to obtain additional subordinated capital in the form of hybrid and or additional capital within a frame of up to DKK 100m.

The board of Directors chose to use this frame by raising DKK 50m hybrid core capital with effect from 27th May 2010.
The hybrid core capital was included on market conditions and without government guarantee. For further information see note 26

The hybrid core capital would partly replace a subordinated bond loan of DKK 75m, the bank chose to redeem the first November 2010 in connection with a predetermined interest rate rise on the loan.
The remaining subordinated capital of approx. DKK 101m is further described under note 26

In accordance with the bank’s articles of association, the bank’s Board of Directors is entitled, up to 1 March 2015, 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 15,500 shareholders.
As announced at the Stock Exchange the 4. June 2010, Sparinvest, a mutual fund, informed the bank that it had reduced its part of the share capital, and therefore no shareholders own more than 5% of the share capital.

The bank has previously paid a portion of the guarantee commission to the Government for Bank Package I with its own shares, and Government ownership was therefore 3.92% of the bank’s share capital at the beginning of the year.
As revealed by the published announcement of 22 September 2010, the bank bought back the stake and sold to an investor.
The state is now not a shareholder in the bank..

Balance Sheet
The bank’s balance sheet increased by DKK 225m, amounting to DKK 6,550m at the end of the year, equal a decrease of 4%. The main cause for this is a increase of the bank’s deposits.

Off-balance-sheet items were increased by DKK 35.5m, corresponding to a increase of 2.5% compared with 2009.

Liquidity
The bank’s liquidity situation in 2010 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 2010, the bank had excess liquidity cover of more than 211%, i.e. DKK 1,500m.

At the 12 January 2010 the bank had paid in DKK 300m of issued bonds.

Despite that the liquidity surplus coverage was more than DKK 1,000m the bank decided to apply for a state guarantee of up to DKK 1,000m for admission of new senior capital for use by the end of 2010.
The state guarantee was granted, but the bank did not need to take advantage of it and the frame of guarantee is therefore lapsed at the end of 2010.

As revealed by the bank's interim report for 2010, the bank has with effect from 1st October 2010, instead taken home a three-year loan of DKK 300 million without state guarantee and a rate at a slightly lower level than the alternative of state guarantee.

The loan was made to further enhance the considerable excess liquidity in connection with the expiry of the banking package in by. 30. September 2010.
In addition, the bank note with satisfaction that the bank could not detect any significant customer reactions at the end of the general state guarantee.

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

Market risks
The bank’s total interest-rate risk in 2010 amounted to between -0.19% and 1.75% of the bank’s core capital at the beginning of the year.
At the end of the year, the interest-rate risk was 0.42% of the core capital after consolidation.

In the year under review, the exchange-rate risk (indicator 1) was max. 2.0% of the bank’s core capital at the beginning of the year.

Pension funds
The bank’s pension funds has realized a satisfying result in 2010, caused by the markedly decrease in interest rates and increasing stock prices.

The return was 4.16% in the Safe Investment Fund and 9.20%% in the Mixed Investment Fund.

Board and Management
There has been no change in 2010 to the bank's management.
Please refer to the separate section thereof.

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

After the end of the financial year, the public company Financial Stability has taken over Amagerbanken after its bankruptcy.

The Bank has no exposure to Amagerbanken in the form of credit facilities, bonds or shares.

However the bank is liable, like the other Danish banks for the loss as deposit guarantee funds will face in connection with Amagerbanken bankruptcy. The bank's latest calculated share of the sector's representations to the Guarantee Fund for Depositors represents 0.43%
No further events occurred which have affected the Bank's annual report or its financial position.

In 2010, the bank issued the following stock exchange announcements:

24.02.2010 Annual Report 2009
03.03.2010 Notice of the Annual General Meeting.
03.03.2010 Proposal for Articles of Association
17.03.2010 Minutes of General Meeting
17.03.2010 Approved Articles of Association
07.05.2010 Interim report, Q1 2010
25.05.2010 Djurslands Bank issues hybrid core capital
04.06.2010 Major shareholder announcement
13.08.2010 Interim Report, Q1-Q2 2010
01.09.2010 IT cooperation between Bank Data and Jyske Bank
22.09.2010 Djurslands Bank acquires shareholding from Financial Stability A/S
01.10.2010 Djurslands Bank prepay subordinated capital
02.11.2010 Interim Report, Q1-Q3 2010
30.12.2010 Financial calendar 2011

Expectations for 2011
The bank expects the growth of the national economy to remain at a relative low level in 2011.

The low economic growth will clearly reduce companies' willingness to invest, so the demand for labor will be reduced. The present level of unemployment is thus expected to be unchanged or slightly decreasing.

Despite the current very low housing interest rates, private consumption is expected only to be slightly higher 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 a continued growth in deposits
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.

The Board and Management will in the 1 half of 2011 evaluate on the need for obtainment of new subordinated capital, all dependent on the growth of the bank's business volume.

Based on the enhanced capital resources in the sector competition are expected to increase. The expected continued increase in the risk surcharges on part of the credit portfolio is not expected to take full effect on earnings and interest margins are therefore expected at a similar level.

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 2010 – 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 2010, this includes the loss from the bankruptcy of Amagerbanken.

The bank's interim reporting for 2011 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 Århus 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.

In 2009 the bank has established a new branch – PlusBank – for customers with addresses outside the bank's natural geographic area – and customers who have moved outside the bank's local 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.

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 Investerinsbank

Customers
The bank advises and services around 33,000 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.
More than 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.

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 de recommendations prepared by the Danish Bankers Association.

At www.djurslandsbank.dk the bank's shareholders 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 15,500 share-holders, no shareholder owns 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 42 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 37.
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 7 to the Annual Report.

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

Chairmann
Wholesaler Erik Nymann, Nymann Autoparts
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, Auto-G Holstebro A/S and Sydjydsk Reservedele A/S.

Vice deputy
Manager Uffe Vithen, DOKI Administration (Beder-Malling Boligforening og Arbejdernes Andelsboligforening)

Chairmann for the audit bit committee
CFO Ejner Søby, Danish Crown
Membor of Board of directors in Jydsk Automobil Centrum A/S

Farmer and crop consultant Jacob Arendt, Djurslands Landboforening.

Banker Helle Bærentsen, Djurslands Bank

Staff manager Tina Klausen, Djurslands Bank

Bank clerk Jan B. Poulsen, Djurslands Bank

Realestate dealer and partner Mikael Lykke Sørensen, Nybolig

Car dealer Poul Erik Sørensen, Grenaa Bilcenter A/S
Manager and member of directors in Grenaa Bil-Center A/S, Grenaa Bil-Center af 2002 A/S and Bil-Center Grenaa A/S.
Member of Board of directors in HSM-Industires A/S

Board of Executives
Managing Director Ole Selch Bak
Member of Board of directors in Letpension Drift A/S, Letpension IT A/S, the association Bankdata and the association of local banks.

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. Lønudvalget 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 see 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 tothe 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 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.

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 receive a fixed fee and without incentive pay elements. The total remuneration consisting of salary, pension and other goods negotiated between the salery commission and the executive board, and final approved by the board of directors. The total salery is described in an individual contract. The salary is adjusted annually based on wage growth in financial industry standard agreement. The bank makes no commitment pension burden on the bank after the termination of employment.
Current pension contributions paid by the bank, agreed only as a share of the fixed remuneration

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 finance chief, 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 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.

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 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 Mana-gement, internal and external audits and contin-uous supervision by the Financial Supervisory Authority, the Board of Directors is kept fully aware of the risk management of the bank.

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

For the full risk report, please go to www.djurslandsbank.dk and see the section about the bank / shareholder (only published in danish).

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, 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 the banks own calculated solvency ratio requirement plus 4%-point (eaqual 12%) 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.

The Bank's own calculated solvency ratio requirement at the end of the year was 7,67%, and therefore the statutory minimum requirement of 8% applies.

For the full report on this aspect, please go to www.djurslandsbank.dk.

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.

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.

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 (as against the industry average of 90%).
• 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

- 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 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 re-ceivable 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.

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.
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 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 can 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.

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 alter-nates.

In accordance with the applicable legislation, the external auditors prepare the basis for the audit of the bank, including the division of responsi-bilities 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

Djurslands Bank is based on the set of values printed on the back of the Annual Report, to which reference is made.

These values, together with the Bank's environmental policy, are anchored in the Bank's ongoing work with social responsibility.

Clients
The Bank gives priority to a community principle and personal dialogue with clients.
The Bank finds it important to have good knowledge of the client and the client's financial situation, which includes the customer's individual needs and wishes as a basis for the Bank's advice and services.

The Bank's local branches are the pivotal element for personal, individual advisory services.

Systematic, ongoing surveys among the Bank's clients, as well as other market surveys, form the basis for the Bank's business development, including its product range, branch network and business policies.

Staff
The Bank gives high priority to human values; and the Bank organisation is based on a team-oriented working environment.

For measuring the working environment – and as a basis for further development – job satisfaction surveys are carried out among staff on a regular basis.
The most recent survey in 2009 showed a general satisfaction score of 6.2 on a scale of 1 to 7, which is a high, satisfactory level compared with other workplaces within and outside the financial sector.
Since job satisfaction and motivation form the basis of the Bank's development, targeted efforts are being made to further improve job satisfaction.
In support of these efforts, the Bank has laid down a set of management values, which can be read at www.djurslandsbank.dk, and a new satisfaction survey will be conducted in 2011.

Personal and professional development of the Bank's staff is an essential element in implementing the Bank's business strategy and furthering its development.
The Bank works with systematic skills enhancement to ensure that the Bank's clients are offered high-quality advice and that the Bank's staff is dedicated and satisfied.

The Bank works on an ongoing basis with staff health status and development.
The Bank offers each employee a health check, as well as resulting advice and guidance. This was done for the first time in 2008 repeated in 2010.

The Bank's social responsibility forms an integral part of the Bank's staff policy, which includes flexible and individual contracts of employment – including flexitime contracts and seniors' contracts.

Local community
Through its value proposition "Local and visible", the Bank makes a targeted effort to support the development of local communities at and in the Aarhus region.

The Bank's focus over the years on operating a financially health company ensures that the Bank continues to be able to fund and support viable businesses in the local communities, thereby also supporting employment and the settling of new residents.

Djurslands Bank is part of the local community; through sponsorships and cooperation agreements, we support local clubs in a broad sense – in sports, culture and business development.
In addition, the Bank supports local initiatives through a broad range of cultural events and activities offered to the Bank's clients.

Through their personal involvement and commitment, the Bank's staff also contributes to the business, culture, sports and politics – which the Bank considers to be very natural and essential to the development of society.

The environment
The Bank's environmental policy states, among other things, that the Bank wishes to comply with and support the development of Danish environmental policy legislation.

As an *enterprise,* the Bank carries out its environmental policy by complying with applicable laws and regulations.
In addition, the Bank places substantial focus on its own use of energy, technical equipment, buildings and paper.

As a *workplace,* the Bank carries out its environmental policy through its staff policy. Reference is made to the section on staff.

As a *credit provider,* the Bank carries out its environmental policy through the Bank's client and credit policy.
When the Bank processes loan applications from businesses, environmental aspects of the business form a natural element and requirement in the credit assessment.

The Bank helps private individuals and businesses with loans for the purpose of installing environmental improvement features.
Some of this funding consists in passing on loans from the Nordic Investment Bank for environmental improvements in transport, agriculture and energy.

Profit and Loss Account

(DKK 1,000)

	Note	2010	2009
Interest income	*3*	**242.691**	295.620
Interest expenses	*4*	**55.249**	101.530
Net interest income		**187.442**	194.090
Dividend from share etc.		**882**	1.291
Fees and commission income	5	**72.944**	65.957
Fees and commission expenses		**6.882**	6.265
Net interest and fee income		**254.386**	255.073
Value adjustments	*6*	**24.340**	30.996
Other ordinary income		**4.171**	5.558
Staff costs and administrative expenses	*7*	**172.694**	166.484
Depreciation and writedowns of tangible assets		**5.870**	5.924
Other operational expenditures		**16.153**	21.154
Writedowns	9	**39.267**	46.999
Profit from holdings in associated and affiliated companies	8	**38**	87
Profit before tax for the financial year		**48.951**	51.153
Tax	*10*	**12.166**	11.184
Profit for the financial year		**36.785**	39.969

Allocation of profit

Profit on holdings in associated and affiliated companies	**38**	87
Proposed dividend	**0**	0
Retained profit	**36.747**	39.882
Total allocated	**36.785**	39.969

Balance Sheet as at 31. december

(DKK 1,000)	Note	2010	2009
Cash in hand and claims at call on central banks		**70.534**	58.347
Due from credit institutions and central banks	*12*	**49.682**	73.572
Loans and other amounts due at amortised cost	*13*	**3.819.926**	3.893.372
Bonds at fair value		**1.351.168**	1.051.832
Shares, etc.		**182.024**	166.504
Holdings in affiliated companies	*14*	**1.636**	1.598
Assets under pooled schemes	*15*	**876.788**	866.884
Tangible assets		**76.391**	77.762
Investment properties	*17*	*2.665*	*2.865*
Domicile property	*18*	*73.726*	*74.897*
Other tangible assets	*19*	**11.928**	11.969
Tax assets		**1.458**	4.961
Temporary assets		**2.526**	600
Other assets		**101.925**	83.493
Cut-off assets		**4.072**	4.000
Total assets		**6.550.058**	6.294.894

Due to credit institutions and central banks	*22*	**1.027.373**	738.864
Deposits and other amounts due	*23*	**3.587.396**	3.384.750
Deposits under pooled schemes		**895.145**	892.151
Issued bonds at amortised cost	*24*	**0**	300.000
Other liabilities		**166.592**	138.247
Cut-off liabilities		**2.206**	4.651
Total debt		**5.678.712**	5.458.663
Provisions for pensions and similar obligations	*25*	**5.989**	5.489
Provisions for deferred tax	*20, 21*	**4.592**	2.132
Provisions regarding losses on guarantees		**29.000**	16.880
Other provisions for liabilities		**392**	361
Total provisions for commitments		**39.973**	24.862
Subordinated debt	*26*	**150.659**	175.659
Total subordinated debt		**150.659**	175.659
Share capital		**27.000**	27.000
Share premium account		**5.274**	5.274
Revaluation reserves		**2.468**	2.468
Other reserves		**1.636**	1.598
Retained profit		**644.336**	599.370
Total equity		**680.714**	635.710
Total liabilities		**6.550.058**	6.294.894

Cash Flow Analysis

(DKK 1,000)

	Note	2010	2009
Operations			
Profit for the financial year		**48.951**	51.153
Writedowns	9	**39.267**	46.999
Revaluation on investment land and property	*17*	**200**	0
Depreciation and writedowns of tangible assets		**5.870**	5.924
Profit on holding in affiliated companies	*8*	**-38**	-87
Tax		**-6.203**	9.774
		88.047	113.763
Change in loans and other amounts before writedowns		**34.179**	294.636
Change in assets under pooled schemes		**-9.904**	-116.979
Change in bonds		**-299.336**	-537.788
Change in shares		**-15.520**	-8.910
Change in temporary assets		**-1.926**	-600
Change in other assets		**-18.504**	20.024
Change in assets at credit institutions		**23.890**	488.561
Change in due to credit institutions		**288.509**	-297.106
Change in deposits and other amounts due		**205.640**	104.239
Change in issued bonds		**-300.000**	0
Change in other liabilities		**25.900**	-44.687
Change in provisions for liabilities excl. deferrred tax		**12.651**	14.112
Cash flows from operation activities		**33.626**	29.265
Purchase of tangible assets	*17, 18, 19*	**-5.191**	-5.163
Sales of tangible assets	*17, 18, 19*	**533**	513
Cash flows from investing activities		**-4.658**	-4.650
Purchase / sale and revaluation of own shares		**8.219**	13.298
Tax on own shares		**0**	-5.796
Change in subordinated debt		**-25.000**	-50.000
Cash flow from financing activities		**-16.781**	-42.498
Cash flows for the year		**12.187**	-17.883
Cash, end		**70.534**	58.347
Cash, beginning		**58.347**	76.230
Cash flows for the year		**12.187**	-17.883

Equity

	Share capital	Shares premium account	Revaluation reserves	Other reserves	Retained profit	Total
Equity 31.12.2008	**27.000**	**5.274**	**2.468**	**1.511**	**551.986**	**588.239**
Net purchase of own shares					13.004	13.004
Own shares reserved for the Private Preparedness Initiative					-5.502	-5.502
Profit for the financial year				87	39.882	39.969
Equity 31.12.2009	**27.000**	**5.274**	**2.468**	**1.598**	**599.370**	**635.710**
Net purchase of own shares					8.219	8.219
Profit for the financial year				38	36.747	36.785
Equity 31.12.2010	**27.000**	**5.274**	**2.468**	**1.636**	**644.336**	**680.714**

Number of shares 2.700.000, nom. value DKK 10

	2010	2009
Own shares		
Bookvalue of own shares	**0**	0
Number of own shares	**4.614**	62.977
Stock value per share	**166**	157
Total stock value	**766**	9.887
Percentage of own shares	**0,2**	2,3

Shareholders

No share holders owns more than 5% of the sharevalue

Notes

(1,000 kr.)

1 Survey and key figures

	2010	2009	2008	2007	2006
Profit and Loss Accont					
Net interest income	**187.442**	194.090	184.176	157.980	141.450
Net interest and fee income	**254.386**	255.073	245.580	230.478	208.232
Value adjustments	**24.340**	30.996	-24.921	15.031	28.498
Operational expenditure	**194.717**	193.562	176.461	157.129	145.021
herof staff and administrative expens	**172.694**	166.484	165.711	151.715	140.758
herof payment to the Private Preparedness Initiative	**16.153**	21.154	5.502	0	0
Writedowns	**39.267**	46.999	30.728	-9.141	-13.838
herof writedowns in the Private Preparedness Initiative / Roskilde Bank	**12.120**	13.880	5.947	0	0
Profit of associated and affiliated comp	**38**	87	2.973	73	76
Profit before tax for the financial year	**48.951**	51.153	20.522	102.269	107.721
Profit for the financial year	**36.785**	39.969	17.766	79.659	83.292

Balance Sheet

	2010	2009	2008	2007	2006
Assets					
Cash in hand and claims on credit institutions, etc.	**120.216**	131.919	638.363	245.718	215.968
Loans and other amounts due	**3.819.926**	3.893.372	4.235.007	4.301.945	3.535.614
Bonds and shares etc.	**1.533.192**	1.218.336	671.638	781.872	798.327
Assets under pooled schemes	**876.788**	866.884	749.905	825.910	732.116
Other assets	**199.936**	184.383	223.820	161.973	140.678
Total assets	**6.550.058**	6.294.894	6.518.733	6.317.418	5.422.703
Liabilities					
Due to credit institutions and central banks	**1.027.373**	738.864	1.035.970	798.931	835.691
Deposits and other amounts due	**3.587.396**	3.384.750	3.390.111	3.386.518	2.913.448
Deposits under pooled schemes	**895.145**	892.151	782.551	859.272	766.386
Other liabilities	**208.771**	167.760	196.203	113.625	116.415
Issued bonds	**0**	300.000	300.000	300.000	0
Subordinated debt	**150.659**	175.659	225.659	225.659	225.659
Equity	**680.714**	635.710	588.239	633.413	565.104
Total liabilities	**6.550.058**	6.294.894	6.518.733	6.317.418	5.422.703
Off-balance sheet items					
Off-balance sheet items	**1.439.574**	1.404.110	1.390.640	2.251.373	2.328.346

Notes

		2010	2009	2008	2007	2006
1 Survey and key figures (continued)						
Solvency and capital ratio						
Solvency ratio *	pct.	**15,7**	14,2	13,0	12,3	13,1
Core capital ratio *	pct.	**14,3**	11,7	9,5	9,4	9,5
Earning ratios						
Profit on own funds before tax	pct.	**7,4**	8,4	3,4	17,1	20,4
Profit on own funds after tax	pct.	**5,6**	6,5	2,9	13,3	15,8
Earning/costs	kr.	**1,21**	1,21	1,10	1,69	1,82
Basic earning / costs	kr.	**1,33**	1,35	1,41	1,50	1,45
Basic earning / costs excl. expense Private Preparedne:	kr.	**1,45**	1,51	1,46	1,50	1,45
Market risk ratios						
Interest rate risk	pct.	**0,4**	1,5	2,3	1,8	1,8
Foreign exchange standing - pos	pct.	**1,4**	0,8	2,2	4,3	3,6
Foreign exchange standing - pos	pct.	**0,0**	0,0	0,0	0,0	0,0
Credit risk ratio						
Lendings plus provisions on loans in relation to deposits	pct.	**89,0**	94,4	104,1	103,0	98,1
Extra cover in relation to the statutory liquidity requirement	pct.	**211,5**	195,1	100,5	44,9	60,0
Credit risk ratios						
The sum of large commitments**	pct.	**91,0**	73,3	72,7	97,2	57,6
Share of outstandings with reduced interest	pct.	**1,0**	0,7	0,5	0,1	0,1
Provision percentage	pct.	**3,6**	2,9	2,0	1,3	1,5
The year's loss and writedown	pct.	**0,7**	0,9	0,5	-0,1	-0,2
The year's growth in lending	pct.	**-1,9**	-8,1	-1,6	21,7	25,3
Lending in relation to equity capit	pct.	**5,6**	6,1	7,2	6,8	6,3
Return on share						
Profit for the year per share **	kr.	**14**	15	7	28	30
Net book value per share **	kr.	**253**	241	230	235	209
Dividend per share **	kr.	**0,0**	0,0	0,0	3,5	3,5
Stock value/result of the year per shai		**12,2**	10,6	22,8	13,5	11,8
Stock value/net book value per share		**0,66**	0,65	0,65	1,64	1,69
Stock value per share**	kr.	**166**	157	150	385	352

* due to implementation of BASEL II in 2007, the calculation of the solvency - and core capital ratio have been changed. 2005-2006 has not been changed

** The shares have been split in 1:2 in 2008, the size has been changed from 20 kr. to 10 kr.

*** The rules for accounting of the sum of large commitments have been tightened in 2010. Figures for 2006 - 2009 have not been complied to these rules

Notes

(DKK 1,000)

		2010	2009
2	**Solvency**		
	Solvency ratio accordingly to FIL § 124, subsection 1	**15,7%**	14,2%
	Core capital after deductions in percentage of total weighted items	**14,3%**	11,7%
	Equity	**680.714**	635.710
	Herof revaluation reserves	**-2.468**	-2.468
	Hybrid core capital	**50.000**	0
	Core capital before deduction of holding	**728.246**	633.242
	Half of total of holding etc., more than 10% of capital base	**-31.903**	-54.904
	Core capital after deductions	**696.343**	578.338
	Subordinated capital investments	**100.659**	175.659
	Revaluation reserves	**2.468**	2.468
	Capital base before deductions	**799.470**	756.465
	Half of total of holding etc., more than 10% of capital base	**-31.903**	-54.904
	Capital base after deductions	**767.567**	701.561
	Weighted values excl. values with marked risk	**4.634.047**	4.705.978
	Weighted values with marked risk	**242.798**	249.284
	Total weighted values	**4.876.845**	4.955.262
	Demand for capital accordingly to FIL § 124, subjection 1, 1	**390.148**	396.421
	Demand for capital accordingly to FIL § 124, subjection 1, 2	**37.208**	37.208
3	**Interest income**		
	Claims on credit institutions, etc.	**1.727**	4.429
	Loans and advances	**203.746**	245.978
	Bonds	**38.048**	39.236
	Total derivative financial instruments	**-1.023**	5.463
	herof		
	Currency contracts	***2.881***	1.601
	Interest rate contracts	***-3.904***	3.862
	Other interest income	**193**	514
	Total interest income	**242.691**	295.620
4	**Interest expenses**		
	Credit institutions and central banks	**8.077**	14.546
	Deposits	**39.298**	65.962
	Issued bonds	**173**	10.039
	Subordinated debt	**7.285**	10.663
	Other interest expenses	**416**	320
	Total interest expenses	**55.249**	101.530

Notes

(DKK 1,000)

		2010	2009
5	**Fee and commission income**		
	Securities trading and custody account fees	**26.497**	23.031
	Payment services fees	**9.447**	7.670
	Loan fees	**28.928**	27.403
	Guarantee commissions	**5.032**	4.416
	Other fees and commissions	**3.040**	3.437
	Total fee and commission income	**72.944**	65.957
6	**Value adjustments**		
	Loan and advances at fair value	**158**	2.007
	Bonds	**12.358**	19.249
	Shares, etc.	**8.795**	9.314
	Investment property	**-200**	0
	Currency	**3.518**	2.708
	Derivatives	**11**	-1.909
	Assets under pooled schemes	**39.624**	64.325
	Deposits under pooled schemes	**-39.924**	-64.698
	Total value adjustments	**24.340**	30.996
7	**Staff costs and administrative expenses**		
	Salaries and remuneration of Executive Board, Board of Directors and Board of Representatives		
	Board of Executives, wage, free car, holiday payment	**1.840**	1.754
	Board of Executives, pension	**334**	321
	Board of Directors	**857**	761
	Board of Representatives	**156**	150
	Total	**3.187**	2.986
	Specification of saleries for the Board of Directors		
	Chairman	**148**	145
	Deputy chairman	**111**	109
	Chairman for the audit committee	**111**	72
	Adjustment due to earlier years salerie to the audit committee	**45**	0
	Other board members, per member	**74**	72
	Specification of saleries for the Representatives		
	Chairmann	**6**	6
	Other members	**3**	3
	Staff costs		
	Salaries	**85.975**	84.473
	Pensions	**11.377**	10.833
	Social security expenses	**841**	694
	Taxes	**8.340**	7.748
	Total	**106.533**	103.748
	Other administrative expenses	**62.974**	59.750
	Total staff costs and administrative expenses	**172.694**	166.484
	Number of full-time equivalent staff (avg.) in the financial year		
	Calculated according to the ATP-method	**200,0**	204,3
	Calculated according to work-time percentages	**193,6**	198,8
8	**Profit of holdings in associated and affiliated companies**		
	Profit on holdings in affiliated companies	**38**	87
	Total profit on holdings in associated and affiliated companies	**38**	87

Notes

(DKK 1,000)

		2010	2009
9	**Write down on loans and advances**		
	Individual write downs		
	Write downs beginning	**132.910**	103.353
	Write downs in the financial year	**43.748**	51.306
	Changes in write downs regarding earlier years	**-12.438**	-18.242
	Finally lost regarding earlier write downs	**-6.028**	-3.507
	Individual write downs end	**158.192**	132.910
	Group write downs		
	Write downs beginning	**9.496**	5.831
	Write downs in the financial year	**988**	3.665
	Group write downs end	**10.484**	9.496
	Total write downs on loans and advances	**168.676**	142.406
	Expenses in the financial year from write downs on loans and advances		
	Write downs in the financial year from loans and advances	**44.736**	54.971
	Write downs in the financial year from provisions	**12.120**	13.880
	Reversal of write downs in ealier financial years	**-12.438**	-18.242
	Realized losses, written down in earlier financial years	**-6.028**	-3.507
	Realized losses	**7.426**	5.108
	Interest from debitors with writedowns	**-6.549**	-5.211
	Writedowns	**39.267**	46.999
10	**Tax**		
	Calculated tax charge for the year	**9.704**	2.491
	Deferred tax	**2.460**	8.307
	Adjustment of prior-year tax charge	**2**	386
	Total tax	**12.166**	11.184
	Effective tax rate		
	Danish tax rate	**25,0%**	25,0%
	Non-taxable income and non-deductible expenses	**-0,1%**	-3,3%
	Adjustment of prior-year tax charge	**0,0%**	0,8%
	Others	**0,0%**	-0,6%
	Effective tax rate	**24,9%**	21,9%
	The non-taxable income was mainly from non-public shares		
11	**Audit fees**		
	Total fee to the accounting firm elected by the general meeting which perform the statutory audit	**540**	560
	Fees for non-audit services	**228**	254
	The bank has an internal audit department		
12	**Due from credit institutions and central banks**		
	Claims on credit institutions	**49.682**	73.572
	Total due from credit institutions and central banks	**49.682**	73.572
	By residual maturity		
	Up to 3 months	**19.536**	40.788
	Over 5 years	**30.146**	32.784
	Total due from credit institutions and central banks	**49.682**	73.572

Notes

(DKK 1,000)

		2010	2009
13	**Loans and other amounts due at amortised cost**		
	Loans and other amounts due at amortised cost	**3.819.926**	3.893.372
	Total loans and other amounts due at amortised cost	**3.819.926**	3.893.372
	By residual maturity		
	Demand deposits	**389.672**	417.684
	Up to 3 months	**253.781**	399.308
	From 3 months to 1 year	**1.454.002**	1.245.677
	From 1 to 5 years	**776.001**	999.113
	Over 5 years	**946.470**	831.590
	Total loans and other amounts due at amortised cost	**3.819.926**	3.893.372
	Specifikation of gross loans		
	Loans and other amounts due at amortised cost, before write downs	**3.988.602**	4.035.778
	Write downs	**-168.676**	-142.406
	Total loans and other amounts due at amortised cost	**3.819.926**	3.893.372
	Broken down by sector and industry		
	Public sector	**3,7**	3,6
	Business		
	Agriculture, hunting, forestry and fishing	**13,5**	14,2
	Industry and raw materials extraction	**2,3**	2,4
	Energy supply	**1,6**	1,6
	Building and construction	**5,5**	5,1
	Trade	**4,6**	4,9
	Transport, hotels and restaurants	**3,1**	2,9
	Information and communication	**0,4**	0,3
	Financing and insurance	**1,5**	2,5
	Real estate	**11,6**	10,1
	Other businesses	**12,1**	10,7
	Total business	**56,2**	54,7
	Private	**40,1**	41,7
	Total	**100,0**	100,0
14	**Holdings in affiliated companies**		
	Djurs-Invest ApS, Grenaa		
	Part of shares	**100%**	100%
	Equity	**1.636**	1.598
	Profit for the financial year	**38**	87
15	**Assets under pooled schemes**		
	Bonds at fair value	**660.129**	687.099
	Shares	**216.659**	179.785
	Total	**876.788**	866.884

Notes

(DKK 1,000)

16 Related parties

	2010	2009
	Affiliated Companies	
Loans and advances	**0**	0
Deposits	**603**	607

17 Investment property

Marked value beginning	**2.865**	2.865
Revaluation of marked value	**-200**	0
Marked value end	**2.665**	2.865

External experts have not been used in 2009 and 2010.

18 Domicile property

Marked value beginning	**74.897**	74.380
Additions	**0**	1.670
Disposals	**-273**	-252
Depreciation	**-898**	-901
Marked value end	**73.726**	74.897

External experts have not been used in 2009 and 2010.

19 Other tangible assets

Total cost at beginning	**31.264**	30.904
Additions	**5.191**	3.493
Disposals	**-1.313**	-3.133
Total cost at end	**35.142**	31.264
Depreciation and impairment beginning	**19.295**	17.142
Depreciation	**5.063**	5.148
Disposals	**-1.144**	-2.995
Depreciation and impairment end	**23.214**	19.295
Carrying amount end	**11.928**	11.969

20 Deferred tax assets and liabilities

Deferred tax beginning	**-2.132**	18.392
Reclassification regarding earlier years	**0**	-6.798
Change in deferred tax due to own shares	**0**	-5.419
Change in deferred tax due, without own shares	**-2.460**	-8.307
Deferred tax end	**-4.592**	-2.132

Notes

(DKK 1,000)

21 Split of deferred tax on assets and liabilities

	2010 Deferred tax assets	2010 Deferred tax liabilities	2009 Deferred tax assets	2009 Deferred tax liabilities
Tangible assets	**0**	**455**	149	376
Cut of on fees and commissions	**3.288**	**0**	3.088	0
Provisions for commitments	**1.497**	**0**	1.372	0
Other	**665**	**9.587**	1.622	7.987
Deferred tax total	**5.450**	**10.042**	6.231	8.363

22 Due to credit institutions and central banks	**2010**	2009
Due to credit institutions	**1.027.373**	738.864
By residual maturity		
Amounts payable on demand	**602.773**	564.264
Up to 3 months	**0**	50.000
From 3 months to 1 year	**24.920**	0
From 1 to 5 years	**399.680**	99.680
Over 5 years	**0**	24.920
Total due to credit institutions and central banks	**1.027.373**	738.864
23 Deposits and other amounts due		
Amounts payable on demand	**2.579.161**	2.327.067
At notice	**138.688**	146.000
Time deposits	**520.190**	554.247
Special deposits	**349.357**	357.436
Total deposits and other amounts due	**3.587.396**	3.384.750
By residual maturity		
Amounts payable on demand	**2.753.792**	2.422.610
Up to 3 months	**190.841**	245.347
From 3 months to 1 year	**80.105**	432.628
From 1 to 5 years	**322.238**	45.840
Over 5 years	**240.420**	238.325
	3.587.396	3.384.750
24 Issued bonds at amortised cost		
Up to 3 months	**0**	300.000
Total issued bonds	**0**	300.000
25 Provisions for pensions and similar obligations		
Provision for pensions and similar commitments	**5.989**	5.489
Total provision for pensions	**5.989**	5.489
Paid to former members of the Executive Board	**1.160**	1.077

Notes

(DKK 1,000)

		2010	2009
26	**Subordinated debt**		
	Floating rate loan in DKK, maturity 2013, prepaid 2010	**0**	75.000
	Floating rate loan in DKK (2,7%), maturity 2014, Option to prepay from 201	**100.659**	100.659
	Total subordinated capital investments	**100.659**	175.659
	Hybrid core capital		
	Fixed rate loan in DKK, issued in 2010 without guarantee from the state	**50.000**	0
	Total hyrid core capital	**50.000**	0
	The hybrid core capital can be prepaid in 2015		
	Signing fee	**750**	0
	Part of capital base	**150.659**	175.659
27	**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	**62.977**	144.823
	Additions	**330.017**	182.768
	Disposals	**-388.380**	-264.614
	Number of own shares, end	**4.614**	62.977
	Nom value of own shares, beginning	**630**	1.448
	Net additions / disposals	**-584**	-818
	Nom value of own shares, end	**46**	630
	Part of own shares, beginning	**2,3%**	5,4%
	Net additions / disposals	**-2,1%**	-3,1%
	Part of own shares, end	**0,2%**	2,3%
28	**Off balance sheet items**		
	Financial guarantees	**776.480**	738.474
	Loss guarantees	**218.295**	216.358
	Registration guarantees	**128.692**	116.440
	Other guarantees	**316.107**	332.838
		1.439.574	1.404.110

The bank has joined the Goverment guarante by participating in the Private Preparedness Initiative. Statement frem the Private Preparedness Initiative has led to the provision of 29 million DKK equal t the bank's share of the guarantee for the first 10 billon DKK by Bank Package I. The bank has an additional share of the guarantee obligation on the outer 10 billion DKK of the 35 billion DKK in Bank Package I. The Private Preparedness Initiative has stated that the proportion of the guarantee in excess of 25 billion DKK shall not be paid.

The bank participates in a IT-cooperation with other banks via the computer center Bankdata. A departure from this will result in payment of a withdrawal benefit of 157 million DKK as at 31.12.2010.

Notes

(DKK 1,000)

29 Derivative financial instruments

The bank uses foreign-exchange and interestrate contracts and -swaps

Interestswaps are used towards loans with fixed interestrates

The remaining financial instruments are used to cover customers contracts etc in relation 1:1.

	2010 Nominal value	2010 Net market value	2010 Positive market value	2010 Negative market value
Foreign-exchange contracts, purchase				
Up to 3 months	**98.939**	**2.714**	**2.847**	**133**
From 3 months to 1 year	**19.274**	**168**	**353**	**185**
From 1 to 5 years	**2.898**	**-57**	**0**	**57**
Market value	**121.111**	**2.825**	**3.200**	**375**
Foreign-exchange contracts, sale				
Up to 3 months	**531.529**	**-15.049**	**244**	**15.293**
From 3 months to 1 year	**24.049**	**-248**	**206**	**454**
From 1 to 5 years	**2.898**	**57**	**57**	**0**
Market value	**558.476**	**-15.240**	**507**	**15.747**
Foreign-exchange swaps				
From 3 months to 1 year	**130.507**	**0**	**15.146**	**15.146**
From 1 to 5 years	**224.870**	**0**	**29.267**	**29.267**
Over 5 years	**27.430**	**0**	**4.165**	**4.165**
Market value	**425.554**	**0**	**54.055**	**54.055**
Foreign-exchange contracts and swaps	**1.105.141**	**-12.415**	**57.762**	**70.177**
Interestrate contracts, purchase				
Up to 3 months	**2.389**	**5**	**5**	**0**
Market value	**2.389**	**5**	**5**	**0**
Interestrate swaps				
From 3 months to 1 year	**639**	**-10**	**0**	**10**
From 1 to 5 years	**185.757**	**-2.759**	**4.141**	**6.900**
Over 5 years	**254.406**	**-8.228**	**8.503**	**16.731**
Market value	**440.802**	**-10.997**	**12.644**	**23.641**
Interestrate contracts and swaps	**443.191**	**-10.992**	**12.649**	**23.641**
Unsettled spot contracts				
Foreign-exchange, purchase	**4.179**	**-6**	**0**	**6**
Foreign-exchange, sale	**744**	**5**	**5**	**0**
Interestrate contracts, purchase	**6.690**	**-17**	**9**	**26**
Interestrate contracts, sale	**6.610**	**21**	**29**	**8**
Sharecontracts, purchase	**10.944**	**-23**	**48**	**71**
Sharecontracts, sale	**11.015**	**23**	**72**	**49**
Market value	**40.182**	**3**	**163**	**160**
Total				
Foreign-exchange contracts and swaps, total	**1.105.141**	**-12.415**	**57.762**	**70.177**
Interestcontracts and swaps, total	**443.191**	**-10.992**	**12.649**	**23.641**
Spot, total	**40.182**	**3**	**163**	**160**
Market value	**1.588.514**	**-23.404**	**70.574**	**93.978**

Notes

(DKK 1,000)

29 Derivative financial instruments (continued)

	2009 Nominal value	2009 Net market value	2009 Positive market value	2009 Negative market value
Foreign-exchange contracts, purchase				
Up to 3 months	8.537	132	141	9
From 3 months to 1 year	11.843	327	327	0
Market value	20.380	459	468	9
Foreign-exchange contracts, sale				
Up to 3 months	371.990	-365	833	1.198
From 3 months to 1 year	17.305	-181	150	331
Market value	389.295	-546	983	1.529
Foreign-exchange swaps				
From 3 months to 1 year	15.338	0	338	338
From 1 to 5 years	827.986	0	31.213	31.213
Over 5 years	87.609	0	8.461	8.461
Market value	930.933	0	40.012	40.012
Foreign-exchange contracts and swaps	1.340.608	-87	41.463	41.550
Interestrate contracts, purchase				
Up to 3 months	1.674	2	2	0
From 3 months to 1 year	1.662	1	1	0
Market value	3.336	3	3	0
Interestrate swaps				
Up to 3 months	374	-3	0	3
From 3 months to 1 year	1.546	-31	0	31
From 1 to 5 years	165.177	-2.902	3.768	6.670
Over 5 years	239.850	-7.868	5.682	13.550
Market value	406.947	-10.804	9.450	20.254
Interestrate contracts and swaps	410.283	-10.801	9.453	20.254
Unsettled spot contracts				
Foreign-exchange, purchase	10.619	1	2	1
Foreign-exchange, sale	27.178	0	0	0
Interestrate contracts, purchase	24.824	-15	21	36
Interestrate contracts, sale	24.782	42	56	14
Sharecontracts, purchase	7.713	83	122	39
Sharecontracts, sale	7.709	-72	40	112
Market value	102.825	39	241	202
Total				
Foreign-exchange contracts and swaps, total	1.340.608	-87	41.463	41.550
Interestcontracts and swaps, total	410.283	-10.801	9.453	20.254
Spot, total	102.825	39	241	202
Market value	1.853.716	-10.849	51.157	62.006

Credit risk on other financial instruments	**2010**	2009
Positive market value after netting		
Authorities (with weighted risk 0%)	**0**	0
Credit institutions, etc. (with weighted risk 20%)	**1.913**	1.600
Customers (with weighted risk 100%)	**68.661**	49.557
	70.574	51.157

Notes

(DKK 1,000)

30 Foreign exchange risk

	2010	2009
Valutafordeling på hovedvalutaer (netto)		
EUR	**4.178**	1.934
GBP	**910**	372
CHF	**1.683**	772
NOK	**402**	596
Exchange rate indicator 1 in % of core capital after deductions	**1,2%**	0,8%
Exchange rate indicator 2 in % of core capital after deductions	**0,1%**	0,0%

31 Financial risk and riskcontrolling

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

Credit risk:

The risk of loss, due to breact 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 regaring 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 about credit risk, market risk and liquidity risk page 11 to 13, further information can be found in this section.

32 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 metholds of valuation.

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

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 interst on issued bonds and subordinated debt is determined by the market interest fluktation within periods of 3 to 6 months. Based upon this it is valuated that the book value equals the market value.

Notes

(DKK 1,000)

32 Current value of financial instruments (continued)

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.

	2010 Book value	**2010** Market value	2009 Book value	2009 Market value
Assets				
Loans and other amounts due	**######**	**3.854.731**	3.893.372	3.893.372
Liabilities				
Deposits and other amounts due	**######**	**3.596.573**	3.384.750	3.404.699

	2010	2009
33 Interest rate risk		
Total interest rate risk on liabilities, etc.	**2.938**	8.567
Interest rate risk by foreign currency with highest interest rate risk		
DKK	**2.935**	8.564
NZD	**1**	**2**
Other currencies	**2**	1

34 Credit risk

Maximum credit exposure (loans and off-balance sheet items)		
Loans and other amounts due at amortised cost	**3.988.602**	4.035.778
Guarantees	**1.439.574**	1.404.110
Credit commitments	**1.751.808**	1.443.703
Maximim credit exposure	**7.179.984**	6.883.591
Broken down by sector and industry		
Public sector	**288.958**	202.905
Business		
Agriculture, hunting, forestry and fishing	**907.628**	926.566
Industry and raw materials extraction	**172.524**	184.702
Energy supply	**119.535**	123.134
Building and construction	**361.668**	352.645
Trade	**412.115**	388.935
Transport, hotels and restaurants	**239.546**	212.502
Information and communication	**37.022**	23.813
Financing and insurance	**92.424**	144.701
Real estate	**845.143**	730.206
Other businesses	**808.745**	680.349
Total business	**3.996.350**	3.767.553
Private	**2.894.676**	2.913.133
Total	**7.179.984**	6.883.591

Credit risk

Creditmanagement and th risk is a material area in the banks riskmanagement, as loans are far the largest part of the banks assets.
For more information read page 11 "management report".

Describtion of securities

Collateral are as a main rule done by security in the form of mortage in proporties, pledge in physical assets and bonds.
Furthermore securities can be done by security in shares, resignation statements and guarantees.

Notes

(DKK 1,000)

34 Credit risk (continued)

Credit quality on loans, which are not overdued or written down.

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.

Overdue loans

Overdued loans, which have not been written down	**2010**	2009
0-90 days overdue	**33.999**	47.862
More than 90 days overdue	**2.320**	4.945
	36.319	52.807

Securities cannot be specified.

Writedowns

See specification in note 9.

Interest on loans with writedowns	**5.211**	3.839

35 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 the year, the average interest rate had been 100 base point higher, the result for the year before tax, all else being equal, would be 2.9 mio DKK lower (2009: 8.6 mio DKK lower). This change is primarily due to acurrent market value adjustment of the bank's fixed-interest bonds. The lower level of interest rate risk in 2010 compared with 2009 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 traget for the scope of tehe 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 off 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 the year, the result for the year before tax, all else being equal, would be 0.2 mio DKK lower (2009: 0.1 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.

Notes

(DKK 1,000)

35 Sensitivity to each type of market risk (continued)

Share risk
Had the value of the bank's shareholding been 10% lower on the 31 December 2009, the result for the year, all else being equal, would be 18 mio. DKK lower (2009: 16 mio. DKK lower) due to a negative current value adjustment of the share portfolio. The share risk is evaluated as higher in 2010 than 2009, because of a higher 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.

36 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 7-

Loans etc to the management		
Executive Board	**300**	300
Board of Directors	**9.561**	9.455
Board of Representatives	**296.935**	316.457
Interest rates		
Executive Board	**6,5%**	6,5%
Board of Directors	**3,0-10,3%**	2,5-10,3%
Collaterals for engagements with		
Executive Board	**180**	180
Board of Directors	**962**	734

37 Election of board of directors

	First election	**Chosen again**	**On election**
Erik Nymann (chairman)	1990	1992, afterwoods every 2 year	2012
Uffe Vithen (deputy chairman)	2006	2007, afterwoods every 2 year	2011
Jakob Arendt	1995	1997, afterwoods every 2 year	2011
Helle Bærentsen	2006	2010, afterwoods every 4 year	2014
Tina Klausen	1998	2002, afterwoods every 4 year	2014
Jan B. Poulsen	2002	2006, afterwoods every 4 year	2014
Ejner Søby (chairmann for the Audit Committee)	2009		2011
Mikael Lykke Sørensen	2008	2010, afterwoods every 2 year	2012
Poul Erik Sørensen	2002	2004, afterwoods every 2 year	2012

Notes

38 The board of directors and board of executives shareholdings, end of the year

The board of directors	**2010**	2009
Erik Nymann	**6.240**	6.240
Uffe Vithen	**496**	366
Jakob Arendt	**4.040**	4.040
Helle Bærentsen	**628**	444
Tina Klausen	**1.340**	1.180
Jan B. Poulsen	**1.797**	1.112
Ejner Søby	**800**	300
Mikael Lykke Sørensen	**1.274**	1.274
Poul Erik Sørensen	**7.330**	7.330
The board of executives		
Ole Bak	**4.152**	2.992

Stated in accordance with the rules on insiders.

39 Events occurred after the reporting date

Following Amagerbanken bankruptcy on 6 February 2011 it is expected that the bank guarantee commitment to the Deposit Protection fund, will be topical. The obligation is recognized when it can be measured with sufficient reliability. The Bak's most recently completed share of the sector's representations to the Deposit Protection fund is 0.43%.

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.

Changes in the note requirement in force for 2011 and volunteers for 2010 are not implemented in the annual report for 2010.

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.

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 fair value in accordance with Annex 8 of the Executive Order. Fair value adjustments are recognised in the income statement under "Investment property".

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 2010 external experts have not evaluated the bank's properties.

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.

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.

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.

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.

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 2010 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 opionion that the annual report includes a fair presentation of the bank's assets, liabilities and financial position as of the 31 December 2010 and of the result of the banks activities and cash flow for the financial year 1 January - 31 December 2010.

WFurthermore 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, 23 February 2011
Board of Executive
Ole Bak

/ **Martin Ring Andersen**
Chief Accountant

Grenaa, 23 February 2011
Board of Directors

Erik Nymann *Chairman*	**Uffe Vithen** *Deputy Chairman*	**Jakob Arendt**
Helle Bærentsen	**Tina Klausen**	**Jan B. Poulsen**
Ejner Søby	**Mikael Lykke Sørensen**	**Poul Erik Sørensen**

Internal auditors´ report on the financial statement

We have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January – 31 December 2010 page 16- 38. The Financial statement includes the profit and loss account, balance sheet, equity, cash flow analysis, notes and applied accounting policies. 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 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.

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 2010 and of its financial performance and its cash flows for the financial year 1 January – 31 December 2010 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

Grenaa, 23 February 2011

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 2010 page 16- 38. The Financial statement includes the profit and loss account, balance sheet, equity
, cash flow analysis, notes and applied accounting policies. 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.

Furthermore, in connection with the audit, we have read the management report, which has been prepared in accordance with the Danish Financial Business Act and 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 2010 and of the results of its operations for the financial year 1 January - 31 December 2010 in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

Aarhus, 23 February 2011

KPMG
Statsautoriseret Revisionspartnerselskab

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