Annual Report 2011

DJURSLANDS BANK
– vi bygger på lokale værdier

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

Management report

Financial overview

(1,000 kr.)	**2011**	2010	2009	2008	2007
Profit and Loss Accont					
Net interest income	**185.611**	187.442	194.090	184.176	157.980
Net interest and fee income	**256.862**	254.386	255.073	245.580	230.478
Value adjustments	**4.905**	24.340	30.996	-24.921	15.031
Operational expenditure	**195.895**	194.717	193.562	176.461	157.129
herof staff and administrative expenses	**177.162**	172.694	166.484	165.711	151.715
herof payment to the Private Preparedness Initiative	**10.785**	16.153	21.154	5.502	0
Writedowns	**38.260**	39.267	46.999	30.728	-9.141
herof writedowns in the Private Preparedness Initiative / Roskilde Bank	**0**	12.120	13.880	5.947	0
Profit of associated and affiliated companie	**102**	38	87	2.973	73
Profit before tax for the financial year	**32.064**	48.951	51.153	20.522	102.269
Profit for the financial year	**23.281**	36.785	39.969	17.766	79.659
Selected assets and liabilities					
Equity	**705.476**	680.714	635.710	588.239	633.413
Capital base	**683.688**	767.567	701.561	725.304	713.040
Total deposits	**4.398.012**	4.482.541	4.276.901	4.172.662	4.245.790
Loans and other amounts due	**3.948.183**	3.819.926	3.893.372	4.235.007	4.301.945
Total assets / liabilities	**6.586.366**	6.550.058	6.294.894	6.518.733	6.317.418
Off-balance sheet items	**945.600**	1.439.574	1.404.110	1.390.640	2.251.373
Selected keys figures					
Solvency ratio	**15,3**	15,7	14,2	13,0	12,3
Individual solvency demand ratio	**8,5**	8,0	8,0	8,0	8,0
Core capital ratio	**16,0**	14,3	11,7	9,5	9,4
Profit on own funds before tax	**4,6**	7,4	8,4	3,4	17,1
Basic earning / costs excl. expense to the Private Preparedness Initiative	**1,41**	1,45	1,51	1,46	1,50
Extra cover in relation to the statutory liquidity requirement	**170,4**	211,5	195,1	100,5	44,9
The year's loss and writedown	**0,8**	0,7	0,9	0,5	-0,1
Lending in relation to equity capital	**5,6**	5,6	6,1	7,2	6,8
Stock value / net book value per share	**0,50**	0,66	0,65	0,65	1,64

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

Management report
Annual Review

Profit DKK 32,1m before tax
The result before write-downs, value adjustment of securities and currencies and tax was DKK 65.3m, which is inside the expected guidance of DKK 60-75m which was announced at the beginning of the year.

Profit before value adjustments and tax amounts to DKK 27.2m, which is an improvement of DKK 2.5m compared to 2010.

The years positive value adjustments represent DKK 4.9m, which is DKK 19.4m lower than in 2010. The lower value adjustments is the main reason that profit before tax of DKK 32.1m is 16.9m lower than in 2010.

The annual profit of DKK 23.3m is deemed by the bank's Board and Management to be satisfactory, under the present macroeconomic conditions.

The profit before tax of DKK 32.1m represents a return on the average equity of 4.6%, equaling DKK 12 (per DKK 10 share).

In addition, the management are pleased to note,
• that the bank does not have any kind of government guarantees for responsible capital or liquidity
• In the 4th quarter of 2011 the bank has redeemed the remaining subordinated loan and the bank's capital base now consists of 93% equity and
• that the bank complies with all requirements of the FSA's forthcoming Supervisors Diamond.

Background for the result
The low economic growth in Denmark has strongly impacted the bank's financial results in 2011

The negative development in the European debt crisis has exacerbated the financial crisis and led to a sharp slowdown in business investment and private consumption in Denmark.

The development has, despite the historically low interest rates, resulted in a very low loan demand from both private customers and businesses.
Economic development has simultaneously increased customer interest to settle the debt and increase savings.

Furthermore the economic crisis has caused financial problems for several banks, with knock-on effect throughout the financial sector.

For the bank, these general development has led to
- A slightly increase in interest margin
- Higher activity and higher income from trust activities and fund management
- Larger realized write-downs on credit portfolio but unchanged demand for write-downs
- positive price adjustment of security holdings and
- continued material payments to suffering banks

Despite the low growth in its business volume, the bank has for the year generated a satisfactory result on the core earning.

One of the main reasons 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 main reason is an increasing primarily influx of private customer to the bank's branches on Djursland and especially to the bank's 5 branches in the Aarhus area.

The Bank's average deposit was DKK 80m higher than in 2010, equivalent to an increase of 1.8%.
The major part of the larger deposits can be attributed to greater savings from the bank's private clients, and especially on pensions. First, the bank's private customers continuously increasing payments to pensions accounts, and secondly, customers have greatly desired to collect pension savings in the bank.

In spite of the great reluctance of both private and business customers, the average loan was DKK 108m higher in 2011 than in 2010 - a satisfactory increase of 2.8%.
The main reason is large construction loans to housing associations, and greater lending to public authorities.
In business lending, low Danish krone rate and the highly volatile exchange rates led to a significant rescheduling of foreign currency loans to loans in Danish kroner.
In the private customer side low interest rates has led to a rescheduling of bank loans to mortgages. However, the development has been compensated for by the continuous influx of new customers to the bank and the bank's loan portfolio to private customers is therefore at an unchanged level compared to 2010.

The average interest margin has been at a slightly higher level than in 2010. The main reason is that the bank's risk premium on a portion of the loan portfolio for business customers has been increased.

The activity in the mortgage area has been at a very low level. The main reason is the continued uncertainty about price developments in the housing market and general economic development.
The low turnover of property and a low activity with conversion of mortgages, has led to a marked decrease of 34% in bank guarantees.

On the capital management business area the activity has been increasing, which is the main reason for the increase in bank fees and commission earnings, and in addition, earnings have been growing in the payment area.

Slow economic growth and the lacking progress of private consumption have resulted in some of the bank's business customers continues to get poorer economic performance than previously. A smaller proportion of these businesses will, in the current economic situation, risk having 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, divorce and often combined with worsened sales conditions for private homes.

Generally, the bank’s credit portfolio is of good quality, because of a continued and 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 and note 36.

Of rationalization concerns the bank at the end of 2011 organizational merged the bank's remote banking department Plus Bank with the Aarhus Department. The development of the virtual approach to the bank, as well as advising and servicing these customers will be from the Aarhus Department.

Operations
Overall, the bank's total revenues has increased by DKK 2.7m compared to 2010.

Net interest income fell by DKK 1.8m. The decrease is a combination of higher revenue from the lending and deposit portfolio, as well as a significantly less direct interest in the bank's 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 0.6% points compared to 2010.

Conversely, the bank realized a net increase of DKK 4.6m in fee and commission income equivalent to an increase of 6.9%.
The main reason is a significant increase in the activities of securities trading and fund management and the payment service area.

Value adjustment of securities and currency represents a satisfactory gain of DKK 4.9m. The capital gain on the bond portfolio represents DKK 1.5m, while currency trade has contributed positively by DKK 3.0m.

Total operating expenses increased by DKK 1.2m or 0.6%.
The main causes for this are
• the bank's payment of DKK 10.8m to suffering banks - a decrease of DKK 5.4m compared to 2010
• an increase in salary and pension costs of DKK 3.3m - partly due to collective agreed wage increases, partly to an increase in state payroll tax of DKK 1.5m and non-recurring expenses of DKK 0.5m
• an increase in IT spending of DKK 2.1m
• a depreciation of own real estate with DKK 1.6m
• savings in the bank's other operating expenses.

The average number of employees converted into full-time employees, in 2011 amounted to 190 - equivalent to 4 fewer than in 2010. The average figure includes 193 full time employees at the beginning of 2011 and 186 at the end of the year.

Write-downs and losses
The amount of losses and write-downs of loans and provisions for guarantees amounted to DKK 38.3m in 2011 – a unchanged level compared to 2010.

The depreciation amounts are essentially composed of
• an unchanged level of group-wise impairment on loans
• Individual impairment of loans, especially on business exposures, with DKK 60.1m and reversal of previous write-downs of DKK 18.1m

For further breakdown thereof see note 9

Within the business sector it is still 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 2011 financial year – as in the previous 4 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 amounts to DKK 173.6m at the end of the year, corresponding to 3.4% of the bank’s loan and guarantee portfolio.

In 2011, the total realized credit losses amounted to DKK 69.2m - a significant increase compared to previous years.
Of this, the bank's losses on the Bank Package I amounted to DKK 29m and depreciating on Roskilde Bank amounted to DKK 2.9m. The remaining DKK 37.3m are related to the bank's own customers, of which only DKK 3.8m has not previously been written down.

Receivables with reduced interest amounts at the year end to DKK 54m - a marginal increase of DKK 1.7m compared to 2010.
The main reason why this ratio has risen from 1.0% to 1.1% is that the bank's total loans and guarantees at the same time has decreased by DKK 390m.

The ratio of the bank's largest exposures represents at year-end 77% compared to 91% at the end of 2010. The banks overall target is a key ratio of max 70%.
The ratio includes 5 exposures spread over 4 different industries. All 5 exposures are individually less than its established maximum limit of DKK 150m per engagement.

Allocation of profits
After taxes of DKK 8.8m, the profit for the year was DKK 23.3m.

The bank management wants to continue to strengthen the bank's equity to have the necessary financial foundation to expand our business volume.
At the bank’s annual general meeting, the Board will therefore propose that the profit for the year, DKK 23.3m, be transferred to the reserves.

Following the proposed allocation of profits, the bank’s equity will amount to DKK 705.5m, representing an increase of 3.6%. 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 683.7m and the solvency ratio at the end of the year amounted to 15.3%, whereof core capital amounts to 16.0%,
The bank’s own calculated solvency ratio requirement is 8.5%
Therefore the bank has a very satisfying solvency ratio, which amounts to 6.8%-points more than the solvency need, equal to DKK 302m.
The bank makes ongoing assessments of its capital requirement by various means, such as stress tests. For further information and detailing, reference is made to https://alm.djurslandsbank.dk/risikorapport (only in Danish), which contains the full report on the banks capital demand.

On 17 November 2011 the bank repaid the subordinated loan of DKK 101m in connection with a predetermined interest rate increase on the loan.
The Bank's capital base now consists only of equity and DKK 50m hybrid core capital without government guarantee. For details on the hybrid core capital, see note 27

This authorization has not been used because the bank has had no need.
At the General Assembly, 21 March 2012, the bank will ask for a extension by one year for this authorization.

In accordance with the bank’s articles of association, the bank’s Board of Directors is entitled, until 1 March 2016, 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 in published announcements of 14 March and 15 august 2011, two shareholders - Wellington Management Company LLP, Boston, USA, and Henrik Ostergaard Lind and his companies, notified the bank that they each own more than 5% of the bank's share capital.

Balance Sheet
The bank's balance sheet increased by DKK 36m, amounting to DKK 6,586m at the end of the year, equal a increase of 0.6%. The main cause for this is an increase of the bank's loans.

Off-balance-sheet items have decreased by DKK 494m, corresponding to a decrease of 34.4% compared with 2010.

Liquidity
The bank's liquidity situation during 2011 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 2011, the bank had excess liquidity cover of more than 170%, i.e. DKK 1.100m.

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

Market risks
The bank's total interest-rate risk in 2011 amounted to between -0.5% and 0.6% of the bank's core capital after deductions.
At the end of the year, the interest-rate risk was 0.3% of the core capital after deductions.

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

Pension funds
Based on this year's highly volatile stock markets, the bank's pension pools in 2011 achieved acceptable returns

The return was 2.21% in the Safe Investment Fund and 1.44%% in the Mixed Investment Fund.

Board and Management
There has been no change in 2011 to the bank's management.
Reference is made to the separate section thereof.

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

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

In 2011, the bank issued the following stock exchange announcements.
18.02.2011 Notice of the Annual General Meeting.
18.02.2011 Proposal for Articles of Association
23.02.2011 Annual Report 2010
14.03.2011 Major shareholder announcement
17.03.2011 Minutes of General Meeting
17.03.2011 Approved Articles of Association
29.04.2011 Interim report, Q1 2011
27.06.2011 Djurslands Bank expected loss from Fjordbank Mors
12.08.2011 Interim Report, first half 2011
15.08.2011 Major shareholder announcement
04.10.2011 Djurslands Bank prepay subordinated capital
03.11.2011 Interim Report, Q1-Q3 2011
22.12.2011 Financial calendar 2012

Expectations for 2012
The bank expects the growth of the national economy to remain at a low level in 2012.

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

Despite the historically low housing interest rates, private consumption is not expected to increase due to continued uncertainty about developments in the economy.
Loan demand from both private customers and commercial businesses is expected to remain generally low.

The expected reluctance in consumer spending is expected to increase savings and therefore the bank expects thus only a small growth in deposits.
The increase of the bank's business volume is expected to come from existing customers, bringing together more of their financial transactions at the bank, and the expected continued increase in new customers to the bank.

The Bank will continue to work hard to attract new private and business customers in its market area in eastern Jutland.
The bank's strong liquidity and capital resources gives such possibility.

Based on the low growth in the macro economy competition is expected to increase in the sector.
Meanwhile the continued increase in the risk surcharges on part of the credit portfolio is expected to lead to a higher interest margin and therefore higher earnings for the bank.

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

The current activity and ongoing rationalization will result in a continued decline in the number of employees in the bank, and IT costs with effect from 1 November 2012 will be reduced due to economies of scale with Jyske Bank's participation in IT-operation in Bankdata.

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 2012 – excluding value adjustments of securities and currencies, tax and write-downs – is expected to be at the level of DKK 60m to DKK 70m.

Because of the actual macro economic situation, losses and write-downs on loans are expected at the same level as in 2011.

The bank’s interim reporting for 2012 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 also established a new distribution channel in the form of a virtual access to the bank targeted 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 34,000 private customers and around 3,000 business customers and public institutions, and 1,800 other customers. The number of customers is still growing in the right customer segments, where a healthy common sense in economic behaviour and a wish for full customers is the fundamental element.

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

The bank's local branches are the hub of our systematic customer contact – personal and individual advice.
We call it Active Customer Advice and we aim to become the best in Denmark in this area.

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

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

Management report
Corporate Management

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

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

The bank complies with most of the recom-mendations, 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, two shareholders have more than 5% of the share capital. Please see page 5 in the management report.

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

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

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

Information for the bank's shareholders will be developed on an ongoing basis at www.djurs-landsbank.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 Repre-sentatives of 50 members.
In addition, the bank's employees have elected three members.
The composition of the Board of Representatives and the Board of Directors is shown on page 46 in the Danish version of the Annual Report.

The six Board Members elected by shareholders are elected for a 2-year term, so three are elected each year. See Note 40.
The number of Board Members is regularly reviewed. It is the opinion of the Board of Direc-tors 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
  <u>Other executive functions</u>
  Chairman of JAD Auto Parts A/S and Djurs Invest ApS.
  Deputy chairman and manager in AUTO-G Danish Grossist Union A/S.
  Board member and manager in Auto-Generation A/S, Erik Nymann Holding A/S, Nymann Autoparts A/S, Nymann Ejendomme A/S, Nymann Kemi A/S, N.K. Specialværktøj A/S, Detailgruppen A/S, Kolind Midtpunkt A/S and Hedensted lagerhoteller A/S.
  Board member in S.Burchardt Nielsen Autodele A/S, Auto-G Holstebro A/S and Sydjydsk Reservedele A/S.
  Manager of Carlight Denmark, Maskindepotet ApS, Oldmosen Holding ApS and Kolind Boghandel ApS.
  <u>Experience and skills</u>
  Considerable experience as a manager and owner in Denmark and other European countries.
  21 years experience as a member of the bank's board - including the 10 as Chairman of the Board.
  Attendance at Board theoretical training through the bank.

Vice deputy

- Manager Uffe Vithen, DOMI Administration (Beder-Malling Boligforening og Arbejdernes Andelsboligforening in Odder)
  <u>Other executive functions</u>
  Member of the board in Djurs Invest ApS
  <u>Experience and skills</u>
  Considerable experience as head of the housing association under the supervision of public authorities.
  5 years experience as a member of the bank's board - including the 2 as vice chairman.
  Attendance at Board theoretical training through the bank.

Chairmann for the audit bit committee

- CFO Ejner Søby, Danish Crown
  <u>Other executive functions</u>
  Board member in Jydsk Automobil Centrum A/S
  <u>Experience and skills</u>
  Financial education in banking and theoretical training.
  Financially responsible for the Danish Crown's own insurance company under the supervision of the FSA.
  Daily responsible for the financial area of Danish Crown.
  2 years experience as a member of the bank's board - including the 2 as Chairman of the Audit Committee.

- Farmer and crop consultant Jacob Arendt, Djurslands Landboforening.
  <u>Other executive functions</u>
  Manager in Djurs Invest ApS
  <u>Experience and skills</u>
  Considerable experience within the agricultural industry, including the Farmers' Association.
  16 years experience as a member of the bank’s board.
  Attendance at Board theoretical training through the bank.

- Private account Manager Helle Bærentsen, Djurslands Bank
  <u>Experience and skills</u>
  Financial education - hired as account manager in one of the bank's branches.
  5 years experience as a member of the bank’s board.
  Attendance at board theoretical training through the bank.
  Participation in theoretical education board through Finansforbundet.

- Staff manager Tina Klausen, Djurslands Bank
  <u>Other executive functions</u>
  Member of the board in Djurs Invest ApS
  <u>Experience and skills</u>
  Financial education - hired as head of the bank's business development.
  13 years experience as a member of its board of directors.
  Attendance at Board theoretical training through the bank.
  Participation in theoretical education board through Finansforbundet.

- Bank clerk Jan B. Poulsen, Djurslands Bank
  Experience and skills
  Financial education - hired as administrative assistant in the bank's central division.
  9 years experience as a member of the bank's board.
  Attendance at Board theoretical training through the bank.
  Participation in theoretical education board through Finansforbundet.
  Board member Nordjyske circle of Finansforbundet

- Real estate dealer and partner Mikael Lykke Sørensen, Nybolig
  Experience and skills
  Financial education in a bank and subsequently as state authorized real estate dealer.
  Considerable experience as a manager and owner.
  3 years experience as a member of the bank's board.
  Attendance at Board theoretical training through the bank.

- Car dealer Poul Erik Sørensen, Grenaa Bilcenter A/S
  Other executive functions
  Chairmann in Grenaa Bil-Center A/S, Grenaa Bil-Center af 2002 A/S and Bil-Center Grenaa A/S.
  Board member in HSM-Industires A/S
  Experience and skills
  Considerable experience as a manager and owner.
  9 years experience as a member of the bank's board.
  Attendance at Board theoretical training through the bank.

Board of Executives

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

The Management is not incentive paid and no pension commitments have been made to the Management.
The Management can be given a 12 months notice, and 24 months in case of merger with another company.

Wage policy

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

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

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

Board of directors
Under the Statute of the bank fees for the board of directors are establish and approve by the board of representatives.
The board of directors receives a fixed fee and without incentive pay elements accordingly 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.
5. The board of directors fees are adjusted annually in proportion to the net price index

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

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

b. Significant risk takers

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

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

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

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

The employees listed under b. and c. are paid a fixed fee and without incentive pay elements. The total remuneration consisting of salary, pension and other goods negotiated between management and employee and final approval by the board of directors. Other conditions follow generally uniform agreement. The salary is adjusted annually based on wage growth in financial sector standard agreement.
By an extraordinary effort, employees can be granted a one-time fee.
Current pension contributions paid by to the bank agreed with the basis of uniform agreement as a share of the fixed wage.
On termination of the bank's or the employee's request, shall be paid no special termination payments beyond the normal compensation for the agreed period of notice. There can be agreed extended notice periods for special circumstances, such as the bank's merger with another company.

Other employees
The bank has defined all the bank's job functions with associated functional description and competency profile.
For each job function is defined by some earning bands indicating the scope of the job function remuneration.
The bank uses only a fixed salary after convention. In an extraordinary action, the employee may be granted a one-time fee.

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

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

Management Report
Risk management

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

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

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

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

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

General

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

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

31. december 2011

	FSA	Djurslands Bank
Large engagements	< 125%	77%
Growth in loans	< 20 %	3%
Liquidity coverage	> 50%	170%
Stabil funding	< 1,00	0,77
Real estate	< 25%	12,3%

Capital

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

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

The bank must at a minimum comply with all prevailing rules and supervisory requirements. The Bank's own calculated solvency ratio requirement at the end of the year was 8,5%.

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

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

The development of the Bank's capital requirements is subject to ongoing monitoring, and the outcome of this monitoring is reported to Management.
The Bank's capital requirements, capital preparedness and emergency plans for these are reported to, discussed by and approved by the Bank's Board of Directors every quarter as a minimum.

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

Credit risks

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

The bank's credit organisation is structured to enable it to make decisions close to the customer, i.e. in the individual branches.
The authorisation to make decisions is therefore delegated to customer advisors and managers in the branches, so that most credit decisions are made locally.
Authorisation is delegated to an individual employee on the basis of an assessment of competence and needs.

The bank has a central credit department to develop, manage and monitor the bank's credit policies and risks.
The credit department also authorises any commitments that exceed the branches' authorisation limits according to the defined rules, and processes, assesses and recommends the commitments to be

authorised by the Management or the Board of Directors.

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

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.
• that the aim is that no single industry represents more than 15% of the bank's total credit portfolio.

The bank's lending policy is based on the concept that all loan commitments shall have a sound financial basis.
The determining element in assessing the credit-worthiness of business customers is their ability to service the debt with cash flow from operations.
For personal customers the balance between net income, expenses and capital is decisive.

To manage the banks loan portfolio a credit rating based on factual financial information based on the individual business or personal customer is used.
The credit rating for private customers is expanded with a financial behaviour score.
To limit the bank's risk of losses, there is an assessment in each individual credit case of whether the lodging of security is necessary.

If the credit risk is not minimal, as a general rule it is a requirement that the customer lodges full or partial security for the commitment.
The value of security lodged is determined on the basis of defined valuation principles for each kind and type of security. This also includes changes in the market and depreciation as a consequence of age.

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

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

All commitments are valued individually with a view to confirm whether there is an objective indication of any depreciation in value on the basis of actual events that have occurred. If an objective indication is confirmed and this involves an impact on the size of expected future payment flows, a write-down is performed.
The loan is written down if necessary, applying the difference between the book value before the write-down and the present value of expected future payments.

Loans and other amount that are not written down individually are included in the base data for group write-downs. An assessment of objective indication for losses is performed on the group.
Group assessments are made for groups of loans and receivables with uniform characteristics in relation to credit risks. 17 groups exist, comprising one group of public authorities, one group of private customers and 15 groups of corporate customers that have been subdivided into sector groups.

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

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

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

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

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

Market risks
Another important area of risk management is the management of the bank's market risk.
Market risk is the changes which a financial receivable may be subject to as a result of interest rate changes and general or specific fluctuations in the market prices of securities.

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

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

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

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

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

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

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

The Bank's primary source of finance is deposits made by the Bank's clients, so the Bank also works to strike a balance between deposits and lending.
The Bank wishes to be independent on major fixed-term deposits, so the Bank's deposit base only contains minor fixed-term deposits from clients who are not already the Bank's clients in other business areas.

In addition to deposits, bond loans are raised in the form of senior capital with a maturity of up to three years.
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.

Risk
The Bank has established an independent risk management function and with a risk manager with reference to the Board. The risk managers responsibilities include the bank's risk bearing activities across risk areas and organizational units as well as risks arising from outsourced functions. The risk charge is responsible for risk management in the bank is completed safely, including the creation of an overview of the bank's risks and the overall risk picture. The risk manger will report at least annually to the bank's Board of Directors.

Compliance
The Bank has established a compliance function, with a compliance officer to the Management Board.
The compliance officer has a task to monitor, advise and assist the management and the persons responsible for individual compliance areas to ensure that legislation, standards or internal market rules are respected. The compliance controller will report at least annually to its board of directors.

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

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

In addition to the external auditors, the bank's Board of Directors has appointed a controller to run the internal audit department.
The division of work between the external and internal auditors is agreed annually.
The internal auditors report at least semi-annually to the Board of Directors.
In connection with the audit of the Annual Report, the auditors go through the details of the audit report with the Board of Directors and present their overall assessment of the bank.

The bank has established an auditing board in 2009, who consist of the whole board of Directors and with CFO Ejner Søby as the independent member.
The auditing board's assignments are defined in a commission, and includes among other things supervising of the process of preparing the banks annual report, the internal control systems, the internal audit, the banks risk management systems, auditing of the annual report and the auditors independent.

Management report
Social Responsibility

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

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

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

The Bank's social responsibility, are compared to 4 key stakeholders / areas:
• Customers
• Employees
• Local community and
• Societal compliance

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

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

The indirect contribution in the form of the bank helps to bond investing and financing together for approx. 34,000 private customers and 3,000 business customers in the market area.
A portion of the bank's operating costs are settle as revenue in a number of local businesses and the bank's around. 200 employees also helps to create income and growth in the local area.

The Bank's direct economic contribution in terms of public payments for 2011 can be calculated as:

25% corporate income tax	DKK 8.6m
10.5% payroll tax	DKK 9.9m
Property tax	DKK 0.4m
Total	DKK 18.9m

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

For the year 2011, the direct effect of the bank as a workplace is calculated to:

Employee's payment of income tax	DKK 25.3m
Labour tax	DKK 6.8m
Total	DKK 32.1m

Profit and Loss Account and comprehensive income

(DKK 1,000)

	Note	2011	2010
Interest income	*3*	**246.067**	242.691
Interest expenses	*4*	**60.456**	55.249
Net interest income		**185.611**	187.442
Dividend from share etc.		**629**	882
Fees and commission income	*5*	**76.611**	72.944
Fees and commission expenses		**5.989**	6.882
Net interest and fee income		**256.862**	254.386
Value adjustments	*6*	**4.905**	24.340
Other ordinary income		**4.350**	4.171
Staff costs and administrative expenses	*7*	**177.162**	172.694
Depreciation and writedowns of tangible assets		**7.948**	5.870
Other operational expenditures		**10.785**	16.153
Writedowns	*9*	**38.260**	39.267
Profit from holdings in associated and affiliated companies	*8*	**102**	38
Profit before tax for the financial year		**32.064**	48.951
Tax	*11*	**8.783**	12.166
Profit for the financial year		**23.281**	36.785

Comprehensive income			
Other comprehensive income before tax		**1.600**	0
Tax on other comprehensive income		**0**	0
Profit for the financial year accordingly to the profit and loss account		**23.281**	36.785
Total comprehensive income for the financial year		**24.881**	**36.785**

Allocation of profit

Profit on holdings in associated and affiliated companies		**102**	38
Proposed dividend		**0**	0
Retained profit		**23.179**	36.747
Total allocated		**23.281**	36.785

Balance Sheet as at 31. december

(DKK 1,000)	Note	**2011**	2010
Cash in hand and claims at call on central banks		**41.818**	70.534
Due from credit institutions and central banks	*13*	**83.655**	49.682
Loans and other amounts due at amortised cost	*14*	**3.948.183**	3.819.926
Bonds at fair value	*15*	**1.311.547**	1.351.168
Shares, etc.		**175.521**	182.024
Holdings in affiliated companies	*16*	**1.738**	1.636
Assets under pooled schemes	*17*	**836.490**	876.788
Tangible assets		**75.493**	76.391
Investment properties	*19*	*2.665*	*2.665*
Domicile properties	*20*	*72.828*	*73.726*
Other tangible assets	*21*	**8.915**	11.928
Tax assets		**856**	1.458
Temporary assets		**0**	2.526
Other assets		**98.114**	101.925
Cut-off assets		**4.036**	4.072
Total assets		**6.586.366**	6.550.058

Due to credit institutions and central banks	*24*	**1.268.122**	1.027.373
Deposits and other amounts due	*25*	**3.533.775**	3.587.396
Deposits under pooled schemes		**864.237**	895.145
Other liabilities		**148.886**	166.592
Cut-off liabilities		**3.055**	2.206
Total debt		**5.818.075**	5.678.712
Provisions for pensions and similar obligations	*26*	**6.223**	5.989
Provisions for deferred tax	*22, 23*	**6.143**	4.592
Provisions regarding losses on guarantees	*10*	**31**	29.000
Other provisions for liabilities		**418**	392
Total provisions for commitments		**12.815**	39.973
Subordinated debt	*27*	**50.000**	150.659
Total subordinated debt		**50.000**	150.659
Share capital		**27.000**	27.000
Share premium account		**5.274**	5.274
Revaluation reserves		**4.068**	2.468
Other reserves		**1.738**	1.636
Retained profit		**667.396**	644.336
Total equity		**705.476**	680.714
Total liabilities		**6.586.366**	6.550.058

Cash Flow Analysis

(DKK 1,000)

	Note	2011	2010
Operations			
Profit for the financial year		**32.064**	48.951
Writedowns	*9*	**38.260**	39.267
Revaluation on investment land and property	*19*	**0**	200
Depreciation and writedowns of tangible assets		**7.948**	5.870
Profit on holding in affiliated companies	*8*	**-102**	-38
Tax		**-6.630**	-6.203
		71.540	88.047
Change in loans and other amounts before writedowns		**-166.517**	34.179
Change in assets under pooled schemes		**40.298**	-9.904
Change in bonds		**39.621**	-299.336
Change in shares		**6.503**	-15.520
Change in temporary assets		**2.526**	-1.926
Change in other assets		**3.847**	-18.504
Change in assets at credit institutions		**-33.973**	23.890
Change in due to credit institutions		**240.749**	288.509
Change in deposits and other amounts due		**-84.529**	205.640
Change in issued bonds		**0**	-300.000
Change in other liabilities		**-16.857**	25.900
Change in provisions for liabilities excl. deferrred tax		**-28.709**	12.651
Cash flows from operation activities		**74.499**	33.626
Purchase of tangible assets	*18, 19, 20*	**-2.437**	-5.191
Sales of tangible assets	*18, 19, 20*	**0**	533
Cash flows from investing activities		**-2.437**	-4.658
Purchase / sale and revaluation of own shares		**-119**	8.219
Change in subordinated debt		**-100.659**	-25.000
Cash flow from financing activities		**-100.778**	-16.781
Cash flows for the year		**-28.716**	12.187
Cash, end		**41.818**	70.534
Cash, beginning		**70.534**	58.347
Cash flows for the year		**-28.716**	12.187

Equity

	Share capital	Shares premium account	Revaluation reserves	Other reserves	Retained profit	Total
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
Other comprehensive income						0
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**
Net purchase of own shares					-119	-119
Other comprehensive income			1.600			1.600
Profit for the financial year				102	23.179	23.281
Equity 31.12.2011	**27.000**	**5.274**	**4.068**	**1.738**	**667.396**	**705.476**

Number of shares 2.700.000, nom. value DKK 10

	2011	2010
Own shares		
Bookvalue of own shares	**0**	0
Number of own shares	**2.974**	4.614
Stock value per share	**132**	166
Total stock value	**393**	766
Percentage of own shares	**0,1**	0,2

Shareholders

Shareholders who owns more than 5% of the sharevalue

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

Notes

(1,000 kr.)

1 Survey and key figures

	2011	2010	2009	2008	2007
Profit and Loss Accont					
Net interest income	**185.611**	187.442	194.090	184.176	157.980
Net interest and fee income	**256.862**	254.386	255.073	245.580	230.478
Value adjustments	**4.905**	24.340	30.996	-24.921	15.031
Operational expenditure	**195.895**	194.717	193.562	176.461	157.129
herof staff and adm. expenses	**177.162**	172.694	166.484	165.711	151.715
herof payment to the Private Preparedness Initiative	**10.785**	16.153	21.154	5.502	0
Writedowns	**38.260**	39.267	46.999	30.728	-9.141
herof writedowns in the Private Preparedness Initiative / Roskilde Bank	**0**	12.120	13.880	5.947	0
Profit of associated and affiliated companies	**102**	38	87	2.973	73
Profit before tax for the financial year	**32.064**	48.951	51.153	20.522	102.269
Profit for the financial year	**23.281**	36.785	39.969	17.766	79.659

Balance Sheet

Assets					
Cash in hand and claims on credit institutions, etc.	**125.473**	120.216	131.919	638.363	245.718
Loans and other amounts due	**3.948.183**	3.819.926	3.893.372	4.235.007	4.301.945
Bonds and shares etc.	**1.487.068**	1.533.192	1.218.336	671.638	781.872
Assets under pooled schemes	**836.490**	876.788	866.884	749.905	825.910
Other assets	**189.152**	199.936	184.383	223.820	161.973
Total assets	**6.586.366**	6.550.058	6.294.894	6.518.733	6.317.418
Liabilities					
Due to credit institutions and central banks	**1.268.122**	1.027.373	738.864	1.035.970	798.931
Deposits and other amounts due	**3.533.775**	3.587.396	3.384.750	3.390.111	3.386.518
Deposits under pooled schemes	**864.237**	895.145	892.151	782.551	859.272
Other liabilities	**164.756**	208.771	167.760	196.203	113.625
Issued bonds	**0**	0	300.000	300.000	300.000
Subordinated debt	**50.000**	150.659	175.659	225.659	225.659
Equity	**705.476**	680.714	635.710	588.239	633.413
Total liabilities	**6.586.366**	6.550.058	6.294.894	6.518.733	6.317.418
Off-balance sheet items					
Off-balance sheet items	**945.600**	1.439.574	1.404.110	1.390.640	2.251.373

Notes

1 Survey and key figures (continued)

		2011	2010	2009	2008	2007
Solvency and capital ratio						
Solvency ratio *	pct.	**15,3**	15,7	14,2	13,0	12,3
Core capital ratio *	pct.	**16,0**	14,3	11,7	9,5	9,4
Earning ratios						
Profit on own funds before tax	pct.	**4,6**	7,4	8,4	3,4	17,1
Profit on own funds after tax	pct.	**3,4**	5,6	6,5	2,9	13,3
Earning/costs	kr.	**1,14**	1,21	1,21	1,10	1,69
Basic earning / costs	kr.	**1,33**	1,33	1,35	1,41	1,50
Basic earning / costs excl. expense Private Preparednes	kr.	**1,41**	1,45	1,51	1,46	1,50
Market risk ratios						
Interest rate risk	pct.	**0,3**	0,4	1,5	2,3	1,8
Foreign exchange standing - pos 1	pct.	**9,2**	1,4	0,8	2,2	4,3
Foreign exchange standing - pos 2	pct.	**0,0**	0,0	0,0	0,0	0,0
Credit risk ratio						
Lendings plus provisions on loans in relation to deposits	pct.	**93,7**	89,0	94,4	104,1	103,0
Extra cover in relation to the statutory liquidity requirement	pct.	**170,4**	211,5	195,1	100,5	44,9
Credit risk ratios						
The sum of large commitments**	pct.	**77,0**	91,0	73,3	72,7	97,2
Share of outstandings with reduced interest	pct.	**1,1**	1,0	0,7	0,5	0,1
Provision percentage	pct.	**3,4**	3,6	2,9	2,0	1,3
The year's loss and writedown	pct.	**0,8**	0,7	0,9	0,5	-0,1
The year's growth in lending	pct.	**3,4**	-1,9	-8,1	-1,6	21,7
Lending in relation to equity capit	pct.	**5,6**	5,6	6,1	7,2	6,8
Return on share						
Profit for the year per share *	kr.	**9**	14	15	7	28
Net book value per share *	kr.	**262**	253	241	230	235
Dividend per share *	kr.	**0,0**	0,0	0,0	0,0	3,5
Stock value/result of the year per shar		**15,3**	12,2	10,6	22,8	13,5
Stock value/net book value per share		**0,50**	0,66	0,65	0,65	1,64
Stock value per share*	kr.	**132**	166	157	150	385

* 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 2007 - 2009 have not been complied to these rules

Notes

(DKK 1,000)		**2011**	2010
2	**Solvency**		
	Solvency ratio accordingly to FIL § 124, subsection 1	**15,3%**	15,7%
	Core capital after deductions in percentage of total weighted items	**16,0%**	14,3%
	Individual solvency ratio	**8,5%**	8,0%
	Equity	**705.476**	680.714
	Herof revaluation reserves	**-4.068**	-2.468
	Hybrid core capital	**50.000**	50.000
	Core capital before deduction of holding	**751.408**	728.246
	Half of total of holding etc., more than 10% of capital base	**-35.894**	-31.903
	Core capital after deductions	**715.514**	696.343
	Subordinated capital investments	**0**	100.659
	Revaluation reserves	**4.068**	2.468
	Capital base before deductions	**719.582**	799.470
	Half of total of holding etc., more than 10% of capital base	**-35.894**	-31.903
	Capital base after deductions	**683.688**	767.567
	Weighted values excl. values with marked risk	**4.197.519**	4.634.047
	Weighted values with marked risk	**275.978**	242.798
	Total weighted values	**4.473.497**	4.876.845
3	**Interest income**		
	Claims on credit institutions, etc.	**1.580**	1.727
	Loans and advances	**211.173**	203.746
	Bonds	**34.969**	38.048
	Total derivative financial instruments	**-1.938**	-1.023
	herof		
	Currency contracts	***1.119***	2.881
	Interest rate contracts	***-3.057***	-3.904
	Other interest income	**283**	193
	Total interest income	**246.067**	242.691
4	**Interest expenses**		
	Credit institutions and central banks	**14.818**	8.077
	Deposits	**37.813**	39.298
	Issued bonds	**0**	173
	Subordinated debt	**7.412**	7.285
	Other interest expenses	**413**	416
	Total interest expenses	**60.456**	55.249
5	**Fee and commission income**		
	Securities trading and custody account fees	**28.631**	26.497
	Payment services fees	**10.059**	9.447
	Loan fees	**29.169**	28.928
	Guarantee commissions	**5.507**	5.032
	Other fees and commissions	**3.245**	3.040
	Total fee and commission income	**76.611**	72.944
	Payed fee and commissions are not decucted in the above		

Notes

(DKK 1,000)		**2011**	2010
6	**Value adjustments**		
	Loan and advances at fair value	**5.220**	158
	Bonds	**1.533**	12.358
	Shares, etc.	**648**	8.795
	Investment property	**0**	-200
	Currency	**2.965**	3.518
	Derivatives	**-5.162**	11
	Assets under pooled schemes	**-15.477**	39.624
	Deposits under pooled schemes	**15.178**	-39.924
	Total value adjustments	**4.905**	24.340
7	**Staff costs and administrative expenses**		
	Remuneration of Executive Board, board of Directors and Representatives	**3.212**	3.187
	Staff costs	**109.849**	106.533
	Administrative expenses	**64.101**	62.974
	Total staff and administrative costs	**177.162**	172.694
	Staff costs		
	Salaries	**87.617**	85.975
	Pensions	**11.365**	11.377
	Social security expenses	**984**	841
	Taxes	**9.883**	8.340
	Total	**109.849**	106.533
	Number of full-time equivalent staff (avg.) in the financial year		
	Calculated according to the ATP-method	**195,9**	200,0
	Calculated according to work-time percentages	**189,7**	193,6
	Salaries and remuneration of Executive Board, Board of Directors and Board of Representatives		
	Fixed payment		
	Board of Executives, wage, free car, holiday payment	**1.874**	1.840
	Board of Executives, pension	**346**	334
	Board of Directors	**835**	857
	Board of Representatives	**157**	156
	Total	**3.212**	3.187
	There is no variable payment, or pension obligations		
	Number of board of executive members	**1**	1
	Number of board of directors members	**9**	9
	Specification of saleries for the Board of Directors		
	Chairman	**152**	148
	Deputy chairman	**114**	111
	Chairman for the audit committee	**114**	111
	Adjustment due to earlier years salerie to the audit committee	**0**	45
	Other board members, per member	**76**	74
	Specification of saleries for the Representatives		
	Chairmann	**6**	6
	Other members	**3**	3
	Other employees with significant influence on the bank's risk profile		
	Fixed payment		
	Saleries, company car, pension etc.	**6.125**	5.901
	Total payment to employees with significant influence on the risk profile	**6.125**	5.901
	Number of employees with significant influence on the risk profile	**6**	6
	There is no variable payment, or pension obligations		

Notes

(DKK 1,000)		2011	2010
8	**Profit of holdings in associated and affiliated companies**		
	Profit on holdings in affiliated companies	**102**	38
	Total profit on holdings in associated and affiliated companies	**102**	38
9	**Write down on loans and advances**		
	Individual write downs		
	Write downs beginning	**158.192**	132.910
	Write downs in the financial year	**60.100**	43.748
	Changes in write downs regarding earlier years	**-18.055**	-12.438
	Finally lost regarding earlier write downs	**-37.018**	-6.028
	Individual write downs end	**163.219**	158.192
	Group write downs		
	Write downs beginning	**10.484**	9.496
	Write downs in the financial year	**-179**	988
	Group write downs end	**10.305**	10.484
	Total write downs on loans and advances	**173.524**	168.676
	Expenses in the financial year from write downs on loans and advances		
	Write downs in the financial year from loans and advances	**59.921**	44.736
	Write downs in the financial year from provisions	**-121**	12.120
	Reversal of write downs in ealier financial years	**-18.055**	-12.438
	Realized losses, written down in earlier financial years	**-37.018**	-6.028
	Realized losses	**40.362**	7.426
	Interest from debitors with writedowns	**-6.829**	-6.549
	Writedowns	**38.260**	39.267

Reasons for individual impairment	**2011** Loans before write-downs	**2011** Write-downs	2010 Loans before write-downs	2010 Write-downs
Bankruptcy	**7.706**	**6.876**	17.579	9.757
Suspension of payments	**0**	**0**	1.467	1.069
Debt restructuring initiated / granted	**15.579**	**14.945**	1.649	1.534
Chord initiated / granted	**7.995**	**7.884**	3.014	922
Engagement terminated	**18.710**	**10.992**	18.156	9.411
Other causes	**286.663**	**122.522**	271.656	135.499
Total	**336.653**	**163.219**	313.521	158.192

Includes 31.12.2011 6,831 tkr. in loans with objective indicators of impairment without write-downs

Loans with objective indicators of impairment by sectors

	2011	2010
Business		
Agriculture, hunting, forestry and fishing	**91.463**	60.862
Industry and raw materials extraction	**2.750**	4.873
Energy supply	**0**	0
Building and construction	**3.991**	4.310
Trade	**23.938**	24.366
Transport, hotels and restaurants	**4.170**	7.028
Information and communication	**270**	225
Financing and insurance	**1.326**	10.641
Real estate	**97.931**	123.652
Other businesses	**38.849**	23.157
Total business	**264.688**	259.114
Private	**71.965**	54.407
Total	**336.653**	313.521

Notes

(DKK 1,000)		**2011**	2010
	Write down on loans and advances (continued)		
	The value of collateral on loans, which have objective indicators of impairment		
	Collateral in real estate	**108.320**	
	Collateral in operating equipment	**13.954**	
	Collateral in securities and deposits	**880**	
	Collateral in mortages	**32.370**	
	Collateral in sureties	**385**	
	Total	**155.909**	155.683
	Data for the distribution of collateral is not available for 2010.		
10	**Provisions regarding losses on guarantees**		
	Provisions are made for guarantees, if there is found to be a risk of loss		
	Guarantees with provisions	**1.305**	29.000
	Provision on guarantees	**31**	29.000
11	**Tax**		
	Calculated tax charge for the year	**7.232**	9.704
	Deferred tax	**1.551**	2.460
	Adjustment of prior-year tax charge	**0**	2
	Total tax	**8.783**	12.166
	Effective tax rate		
	Danish tax rate	**25,0%**	25,0%
	Non-taxable income and non-deductible expenses	**2,5%**	-0,1%
	Others	**-0,1%**	0,0%
	Effective tax rate	**27,4%**	24,9%
	The non-taxable income was mainly depreciations on domicile properties and other non deductible representative costs		
12	**Audit fees**		
	Total fee to the accounting firm elected by the general meeting which perform the statutory audit	**397**	540
	Statutory audit	**322**	312
	Other declarations with security	**48**	177
	Advice on tax	**4**	0
	Other services	**23**	51
	Total audit fee	**397**	540
	The bank has an internal audit department		
13	**Due from credit institutions and central banks**		
	Claims on credit institutions	**83.655**	49.682
	Total due from credit institutions and central banks	**83.655**	49.682
	By residual maturity		
	Up to 3 months	**56.279**	19.536
	Over 5 years	**27.376**	30.146
	Total due from credit institutions and central banks	**83.655**	49.682

Notes

(DKK 1,000)		2011	2010
14	**Loans and other amounts due at amortised cost**		
	Loans and other amounts due at amortised cost	**3.948.183**	3.819.926
	Total loans and other amounts due at amortised cost	**3.948.183**	3.819.926
	By residual maturity		
	Demand deposits	**538.518**	389.672
	Up to 3 months	**359.801**	253.781
	From 3 months to 1 year	**1.311.018**	1.454.002
	From 1 to 5 years	**793.058**	776.001
	Over 5 years	**945.788**	946.470
	Total loans and other amounts due at amortised cost	**3.948.183**	3.819.926
	Specifikation of gross loans		
	Loans and other amounts due at amortised cost, before write downs	**4.121.707**	3.988.602
	Write downs	**-173.524**	-168.676
	Total loans and other amounts due at amortised cost	**3.948.183**	3.819.926
	Broken down by sector and industry (in percentage)		
	Public sector	**7,7**	3,7
	Business		
	Agriculture, hunting, forestry and fishing	**13,1**	13,5
	Crop farming	*4,1*	*4,7*
	Cattle farming	*5,3*	*5,4*
	Pig farming	*1,3*	*1,3*
	Other farming	*2,2*	*1,9*
	Fishing	*0,2*	*0,2*
	Industry and raw materials extraction	**2,1**	2,3
	Energy supply	**1,8**	1,6
	Building and construction	**6,3**	5,5
	Trade	**4,0**	4,6
	Transport, hotels and restaurants	**3,0**	3,1
	Information and communication	**0,4**	0,4
	Financing and insurance	**2,1**	1,5
	Real estate	**12,3**	11,6
	Other businesses	**10,4**	12,1
	Total business	**55,5**	56,2
	Private	**36,8**	40,1
	Total	**100,0**	100,0

15 Bonds at fair value

The Bank has deposited bonds at Nationalbanken and VP as collateral for clearing and settlement, etc.. for a total of 167,874 tkr.

The bank has mortgaged bonds for 149,850 tkr. through Repo operations.

		2011	2010
16	**Holdings in affiliated companies**		
	Djurs-Invest ApS, Grenaa		
	Part of shares	**100%**	100%
	Equity	**1.738**	1.636
	Profit for the financial year	**102**	38
17	**Assets under pooled schemes**		
	Bonds at fair value	**643.217**	660.129
	Shares	**193.273**	216.659
	Total	**836.490**	876.788

Notes

(DKK 1,000)		**2011**	2010
18	**Related parties**		
	Deposits	**600**	603
19	**Investment property**		
	Marked value beginning	**2.665**	2.865
	Revaluation of marked value	**0**	-200
	Marked value end	**2.665**	2.665
	External experts have not been used in 2010 and 2011		
20	**Domicile property**		
	Marked value beginning	**73.726**	74.897
	Disposals	**0**	-273
	Depreciation	**-898**	-898
	Value adjustments to current value for the year, recognized in total income	**1.600**	0
	Value adjustments to current value for the year, recognized in P&L	**-1.600**	0
	Marked value end	**72.828**	73.726
	External experts have not been used in 2010 and 2011		
21	**Other tangible assets**		
	Total cost at beginning	**35.142**	31.264
	Additions	**2.436**	5.191
	Disposals	**-4.569**	-1.313
	Total cost at end	**33.009**	35.142
	Depreciation and impairment beginning	**23.214**	19.295
	Depreciation	**5.449**	5.063
	Disposals	**-4.569**	-1.144
	Depreciation and impairment end	**24.094**	23.214
	Carrying amount end	**8.915**	11.928
22	**Deferred tax liabilities**		
	Deferred tax liabilities beginning	**-4.592**	-2.132
	Change in deferred tax due, without own shares	**-1.551**	-2.460
	Deferred tax liabilities end	**-6.143**	-4.592

Notes

(DKK 1,000)

23 Split of deferred tax on assets and liabilities

	2011 Deferred tax assets	**2011** Deferred tax liabilities	2010 Deferred tax assets	2010 Deferred tax liabilities
Tangible assets	**192**	**481**	0	455
Cut of on fees and commissions	**3.509**	**0**	3.288	0
Provisions for commitments	**1.556**	**0**	1.497	0
Other	**1.239**	**12.158**	665	9.587
Deferred tax total	**6.496**	**12.639**	5.450	10.042

24 Due to credit institutions and central banks

	2011	2010
Due to credit institutions	**1.268.122**	1.027.373
By residual maturity		
Amounts payable on demand	**868.442**	602.773
From 3 months to 1 year	**24.920**	24.920
From 1 to 5 years	**374.760**	399.680
Total due to credit institutions and central banks	**1.268.122**	1.027.373

25 Deposits and other amounts due

Amounts payable on demand	**2.483.266**	2.579.161
At notice	**119.798**	138.688
Time deposits	**558.612**	520.190
Special deposits	**372.099**	349.357
Total deposits and other amounts due	**3.533.775**	3.587.396
By residual maturity		
Amounts payable on demand	**2.563.961**	2.753.792
Up to 3 months	**218.596**	190.841
From 3 months to 1 year	**224.466**	80.105
From 1 to 5 years	**266.682**	322.238
Over 5 years	**260.070**	240.420
	3.533.775	3.587.396

26 Provisions for pensions and similar obligations

Provision for pensions and similar commitments	**6.223**	5.989
Total provision for pensions	**6.223**	5.989
Paid to former members of the Executive Board	**1.224**	1.160

Notes

(DKK 1,000)		**2011**	2010
27	**Subordinated debt**		
	Floating rate loan in DKK, maturity 2014, prepaid 2011	**0**	100.659
	Total subordinated capital investments	**0**	100.659
	Hybrid core capital		
	Fixed rate loan in DKK (9,5%), issued in 2010 without stateguarantee	**50.000**	50.000
	Total hyrid core capital	**50.000**	50.000
	The hybrid core capital can be prepaid in 2015		
	Signing fee payed this year	**0**	750
	Part of capital base	**50.000**	150.659
28	**Equity - shares**		
	Number of shares each of nom value kr. 10.	**2.700.000**	2.700.000
	Share capital nom value DKK 27.000 (1.000 kr.)		
	Number of own shares, beginning	**4.614**	62.977
	Additions	**160.701**	330.017
	Disposals	**-162.341**	-388.380
	Number of own shares, end	**2.974**	4.614
	Nom value of own shares, beginning	**46**	630
	Net additions / disposals	**-16**	-584
	Nom value of own shares, end	**30**	46
	Part of own shares, beginning	**0,2%**	2,3%
	Net additions / disposals	**-0,1%**	-2,1%
	Part of own shares, end	**0,1%**	0,2%
29	**Off balance sheet items**		
	Financial guarantees	**299.262**	776.480
	Loss guarantees	**212.198**	218.295
	Registration guarantees	**107.611**	128.692
	Other guarantees	**326.529**	316.107
	Total off balance sheet items	**945.600**	1.439.574

Like the other Danish banks, the bank is liable for losses sustained by the Bank Deposit Guarantee Fund. The last statement of the bank's share of the sector's surety constitute 0.46%.

The bank participates in a IT-cooperation with other banks via the IT-centeromputer Bankdata. A departure from this will result in payment of a withdrawal benefit of 177 million DKK as at 31.12.2011.

Notes

(DKK 1,000)

30 Derivative financial instruments

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

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

Notes

(DKK 1,000)

30 Derivative financial instruments (continued)	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
Over 1 år og til og med 5 år	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
Over 1 år og til og med 5 år	2.898	57	57	0
Market value	558.476	-15.240	507	15.747
Foreign-exchange swaps				
Up to 3 months	42.747	0	5.477	5.477
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

Credit risk on other financial instruments	**2011**	2010
Positive market value after netting		
Credit institutions, etc. (with weighted risk 20%)	**2.058**	1.913
Customers (with weighted risk 100%)	**60.529**	68.661
	62.587	70.574

Notes

(DKK 1,000)	2011	2010
31 Foreign exchange risk		
Valutafordeling på hovedvalutaer (netto)		
EUR	**61.516**	4.178
GBP	**285**	910
CHF	**1.268**	1.683
NOK	**452**	402
Others	**2.013**	2.281
Exchange rate indicator 1 in % of core capital after deductions	**9,2%**	1,4%
Exchange rate indicator 2 in % of core capital after deductions	**0,0%**	0,0%

32 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 regarding the banks lacking ability to fulfilling business contracts when dued because of lacking financing.

The banks management of financial risk is described in the management reports section "Risk management" page 12 to 15, further information can be found in this section.

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

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

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.

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.

Notes

(DKK 1,000)

33 Current value of financial instruments (continued)

	2011 Book value	**2011** Market value	2010 Book value	2010 Market value
Assets				
Loans and other amounts due	**3.948.183**	**3.987.908**	3.819.926	3.819.926
Liabilities				
Deposits and other amounts due	**3.533.775**	**3.545.769**	3.587.396	3.596.573

	2011	2010
34 Interest rate risk		
Total interest rate risk on liabilities, etc.	**1.826**	2.938
Interest rate risk by foreign currency with highest interest rate risk		
DKK	**1.028**	2.935
EUR	**794**	2
CHF	**4**	1
Other currencies	**0**	0
35 Credit risk		
Maximum credit exposure on claims on credit institutuions and central banks and other assets		
Claims on credit institutions and central banks	**83.655**	49.682
Other assets	**98.114**	101.925
Maximum credit exposure	**181.769**	151.607
Maximum credit exposure on loans, guarantees and credit commitments		
Loans and other amounts due at amortised cost	**4.121.707**	3.988.602
Guarantees	**945.600**	1.439.574
Credit commitments	**1.691.015**	1.751.808
Maximum credit exposure	**6.758.322**	7.179.984
Total maximum credit exposure	**6.940.091**	7.331.591
Broken down by sector and industry		
Public sector	**424.504**	288.958
Business		
Agriculture, hunting, forestry and fishing	**841.886**	907.628
Industry and raw materials extraction	**140.935**	172.524
Energy supply	**127.933**	119.535
Building and construction	**394.514**	361.668
Trade	**349.924**	412.115
Transport, hotels and restaurants	**244.278**	239.546
Information and communication	**29.524**	37.022
Financing and insurance	**118.964**	92.424
Real estate	**782.757**	845.143
Other businesses	**684.519**	808.745
Total business	**3.715.234**	3.996.350
Private	**2.618.584**	2.894.676
Total	**6.758.322**	7.179.984

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 12 "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)

Securities on loans and guarantees	**2011**
Collateral in real estate	**1.548.049**
Collateral in operating equipment	**451.580**
Collateral in securities and deposits	**220.139**
Collateral in mortages	**717.943**
Collateral in sureties	**40.794**
Total	**2.978.505**

Data for the distribution of collateral is not available for 2010.

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

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

Specification of the quality of exposures and loans

Private customers with commitment over 1 million DKK and business customers with commitment over 1% of capital base (6.8 million DKK) is creditrated after the FSA model. In 2010 the limit was 2% of capital base (15.3 million DKK).

	2011 Exposure	**2011 Hereof**	2010 Exposure	2010 Hereof
Offentlig				
Høj (karakter 3 og 2A)	**424.504**	**383.755**	288.958	166.953
I alt	**424.504**	**383.755**	288.958	166.953
Private				
High (grade 3 og 2A)	**613.635**	**229.493**	1.082.770	347.885
Medium (grade 2B)	**102.858**	**35.102**	124.988	41.905
Low (grade 2C)	**41.704**	**21.479**	58.259	32.719
Total	**758.197**	**286.074**	1.266.017	422.509
Business				
High (grade 3 og 2A)	**2.108.107**	**1.225.103**	2.103.680	1.041.972
Medium (grade 2B)	**576.912**	**392.919**	193.954	164.136
Low (grade 2C)	**206.470**	**148.174**	27.538	25.384
Total	**2.891.489**	**1.766.196**	2.325.172	1.231.492

For other exposures, the bank's internal rating model are used.
The rating is made on private customers exposures from 100 TDKK to 1,000 TDKK and business customers exposures between 750 TDKK and 1% of capital base (6,800 TDKK)

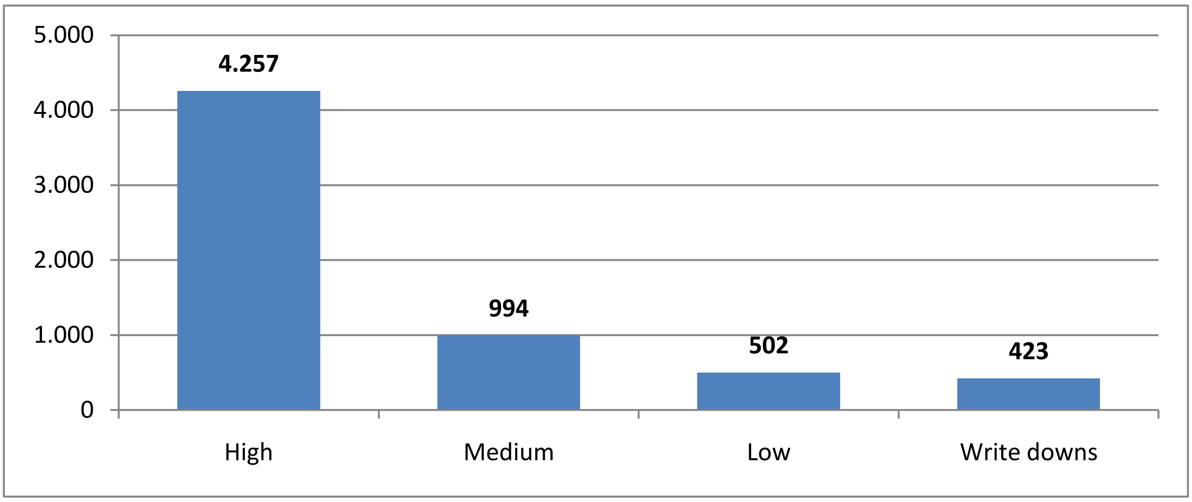
	2011 Exposure
Private	
High	**753.694**
Medium	**168.742**
Low	**74.999**
Total	**997.435**
Business	
High	**357.279**
Medium	**145.279**
Low	**178.580**
Total	**681.138**

Data is not available for 2010.

Notes

(DKK 1,000)

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



Unrated exposures are 0.6 billion DKK divided by 0.4 billion DKK on private customers and 0.2 billion DKK on small business customers / private customers 85% of non-rated private customer exposures meet the bank's demands for disposable income.

37 Overdued loans, which have not been written down

	2011	2010
0-90 days overdue	**32.060**	33.999
More than 90 days overdue	**5.052**	2.320
	37.112	36.319

Securities cannot be specified.

	2011	**2011**
Broken down by sector and industry	0-90 days overdue	More than 90 days
Public sector	**1**	**0**
Business		
Agriculture, hunting, forestry and fishing	**12.289**	**250**
Industry and raw materials extraction	**819**	**135**
Energy supply	**0**	**0**
Building and construction	**1.423**	**1.295**
Trade	**861**	**107**
Transport, hotels and restaurants	**2.149**	**40**
Information and communication	**233**	**70**
Financing and insurance	**426**	**0**
Real estate	**2.294**	**24**
Other businesses	**4.239**	**1.318**
Total business	**24.733**	**3.239**
Private	**7.326**	**1.813**
Total	**32.060**	**5.052**

Data regarding break down by sector and industry are not available for 2010.
Data regarding securities are not available.

Notes

38 Sensitivity to each type of market risk

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

Interest rate risk

The sensitivity calculation in relation to the bank's interest rate risk is based on the interest rate risk key figure, reported by the Danish FSA. This key figure shows the effect on core capital after deduction of a change in the interest rate of 1 percentage point, corresponding to 100 base point. The calculation shows that if, at the end of 2011, the average interest rate had been 100 base point higher, the result for the year after tax and equity, all else being equal, would be 1.4 mio DKK lower (2010: 2.2 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 2011 compared with 2010 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 2011, the result for the year after tax and equity, all else being equal, would be 1.2 mio DKK lower (2010: 0.2 mio DKK lower) mainly due to foreign exchange adjustments. The adjustment is immaterial.
In the stress tests conducted in connection with calculating the adequate capital base, the bank has chosen to use a scenario, whereby the bank is exposed to an increase of 2,25 in Euro and to an increase of 12 percentage in other exchange rates.

Share risk

Had the value of the bank's shareholding been 10% lower on the 31 December 2011, the result after tax for the year and equity, all else being equal, would be 13.2 mio. DKK lower (2010: 13.7 mio. DKK lower) due to a negative current value adjustment of the share portfolio. The share risk is evaluated as sligthly lower in 2011 than 2010, because of a lower stock of shares.
In the stress tests conducted in connection with calculating the adequate capital base, the bank has chosen to use a scenario, whereby the bank is exposed to a loss of 15% of the value of its shareholding in companies that support the operation of the bank (sector shares) and a decline of 30% of the value of its shareholding in all other companies.

Risk on buildings

Had the value of the bank's buildings been 10% lower on the 31 December 2011, the result after tax for the year and equity, all else being equal, would be 7.5 mio. DKK lower (2010: 7.6 mio. DKK lower) - the main part comes from domicile buildings.

Notes

(DKK 1,000)

39 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	**0**	0
Board of Directors	**21.396**	18.438
Interest rates		
Executive Board	**7,8%**	6,5%
Board of Directors	**3,8-11,5%**	3,0-10,3%
Collaterals for engagements with		
Executive Board	**180**	180
Board of Directors	**11.243**	10.315

40 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	2013
Jakob Arendt	1995	1997, afterwoods every 2 year	2013
Helle Bærentsen	2006	2010	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	2013
Mikael Lykke Sørensen	2008	2010	2012
Poul Erik Sørensen	2002	2004, afterwoods every 2 year	2012

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

The board of directors	**2011**	2010
Erik Nymann	**6.240**	6.240
Uffe Vithen	**496**	496
Jakob Arendt	**4.040**	4.040
Helle Bærentsen	**775**	628
Tina Klausen	**1.487**	1.340
Jan B. Poulsen	**2.116**	1.797
Ejner Søby	**1.300**	800
Mikael Lykke Sørensen	**1.274**	1.274
Poul Erik Sørensen	**7.330**	7.330
The board of executives		
Ole Bak	**4.299**	4.152

Stated in accordance with the rules on insiders.

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.

Statement of comprehensive income in connection with the profit and loss account and changes in notes requirements that are applicable for 2011 has been implemented in the annual report for 2011.

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

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

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

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

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

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

Financial instruments are recognised at the time of trading.

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

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

Impairment losses on loans and other receivables are made to take account of the impairments that occurred after initial recognition. Write-downs are made as a combination of individual and grouped impairments and is associated with a number of estimates. The assumptions for the estimates may be incomplete, inaccurate Moreover, unexpected future events can occur. Given these uncertainties, it may be necessary to modify the previous estimates, either because of new information, more experience or subsequent developments. A worsening of the exposures will lead to further write-downs.

Profit and loss account
Interest, fees and commission
Interest income and interest expenses are recognised in the profit and loss account in the financial year to which they relate.
Fee and commission income which forms an integrated part of the effective return on a loan is recognised together with the yield to maturity for the loan concerned.

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

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

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

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

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

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

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

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

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

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

Balance sheet

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 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. 17 groups exist, comprising one group of public authorities, one group of private customers and 15 groups of corporate customers that have been subdivided into sector groups.

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

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

This assessment has led to an adjustment of the model estimates to own conditions, and the adjusted estimates, subsequently form the basis of the calculation of the group write-down. Each group of loans and receivables produces an estimate expressing the percentage impairment attached to a specific group of loans and receivables as at the balance sheet date. Comparing this value to the original loss risk on the individual loan and the loss risk on the loan at the beginning of the relevant financial period generates the individual loan's contribution to the group write-down. The write-down is calculated as the difference between the carrying amount and the discounted value of expected future payments.
In addition, the bank has in the managerial assessment of grouped write-downs recognized already occurred events where the impact is not yet include in the standard model's data base.

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

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

Repo and reserve transactions
Securities sold under agreements to repurchase the same remain on the balance sheet. Consideration received is recognised as a debt and the difference between selling and buying prices is recognised over the life as interest in the income statement.
Repo and reverse transactions are recognised and measured at fair value as they are regarded as an integral part of the trading portfolio and form part of ongoing risk management and determination of gains thereon.

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

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

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

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

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

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 revaluated 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 revaluated value deducted with scrap value. Depreciations are booked in the profit and loss account, while rising in the revaluated value are booked in other comprehensive income as a part of revaluation reserves, unless it is depreciations, which earlier have been booked in the profit and loss account.
No external experts have evaluated the bank’s properties during the year.

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

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

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

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

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

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

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

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

Cash comprise cash and balances on demand with central banks.

Key figures
Key figures are prepared in accordance with FSA guidelines

Signatures by the Board of Executives and Directors

The Board of Directors and the Board of Executives have today reviewed and approved the annual report 2011 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 2011 and of the result of the banks activities and cash flow for the financial year 1 January - 31 December 2011.

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

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

Grenaa, 22 February 2012
Board of Executive

Ole Bak

/ **Martin Ring Andersen**
Chief Accountant

Grenaa, 22 February 2012
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

To capital owners in Djurslands Bank A / S

Report on the Financial Statement
I have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January – 31 December 2011. The Financial statement includes the profit and loss account, comprehensive income, balance sheet, equity, cash flow analysis, notes and applied accounting policies, and keyfigures. The Financial statement has been prepared in accordance with the Danish Financial Business Act.

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

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

I have participated in the audit of the most material and risk-related areas, and it is my 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 2011 and of its financial performance and its cash flows for the financial year 1 January – 31 December 2011 in accordance with the Danish Financial Business Act.

Grenaa, 22 February 2012

Internal audit

Jens Reckweg

Manager Internal audit

The independent auditors' report

To capital owners in Djurslands Bank A / S

Report on the Financial Statement

We have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January – 31 December 2011. The Financial statement includes the profit and loss account, comprehensive income, balance sheet, equity, cash flow analysis, key and main figures, notes and applied accounting policies. The Financial statement has been prepared in accordance with the Danish Financial Business Act.

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

Auditors' responsibility
Our responsibility is to express an opinion on the annual report based on our audit. We conducted our audit in accordance with International Standards on Auditing and further Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the bank's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
Our audit did not result in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the bank's financial position at 31 December 2011 and of the results of its operations for the financial year 1 January - 31 December 2011 in accordance with the Danish Financial Business Act.

Opinion on the management report
We have under the Financial Business Act read the management report. We did not perform any procedures in addition to the audit of financial statements. It is against this background we believe that the information in the management report is consistent with the financial statements.

Aarhus, 22 February 2012

KPMG
Statsautoriseret Revisionspartnerselskab

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