



# Annual Report 2005

# Table of Contents

5 Years survey and key figures	<b>1</b>
Annual report	<b>3</b>
Commercial basis, corporate management and risk management	<b>6</b>
Profit and Loss Account	<b>9</b>
Balance Sheet as at 31. December	<b>10</b>
Cash Flow Analysis	<b>11</b>
Notes	<b>12</b>
Accounting policies	<b>22</b>
Signatures by the Board of Directors and Management	<b>25</b>
Auditors report	<b>26</b>

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

# 5 Years survey and key figures

(1.000 kr.)	2005	2004	2003	2002	2001
<b>Profit and Loss Account</b>					
Net income from interest	<b>130.363</b>	133.562	132.702	130.633	131.397
Net interest and fee income	<b>185.537</b>	174.046	172.698	163.342	161.401
Price adjustments	<b>30.033</b>	15.512	42.622	7.633	4.651
Operational expenditure	<b>134.488</b>	122.623	118.680	106.922	102.246
herof staff and administrative expenses	<b>129.506</b>	116.914	113.118	103.201	98.175
Loss and writedowns on bad debts	<b>3.043</b>	12.022	22.879	21.990	19.666
Profit in associated and affiliated companie	<b>60</b>	-17	44	21	36
Profit before tax for the financial year	<b>79.228</b>	55.666	77.183	46.514	47.137
Profit for the financial year	<b>59.876</b>	41.777	63.625	31.802	32.063
<b>Balance Sheet</b>					
<b>Assets</b>					
Cash in hand and claims on credit institutions, etc.	<b>252.818</b>	132.894	199.909	111.541	124.117
Loans	<b>2.793.075</b>	2.351.315	2.127.320	2.086.850	1.939.065
Bonds and shares etc.	<b>702.537</b>	437.960	721.083	596.033	514.075
Assets in pension pools	<b>570.403</b>	437.888	0	0	0
Other assets	<b>90.044</b>	80.210	86.041	76.783	80.095
Total assets	<b>4.408.877</b>	3.440.267	3.134.353	2.871.207	2.657.352
<b>Liabilities</b>					
Claims to credit institution, etc.	<b>359.519</b>	224.441	226.085	253.358	219.287
Deposits	<b>2.621.164</b>	2.159.024	2.344.952	2.130.344	2.025.701
Deposits to pension pools	<b>582.296</b>	446.992	0	0	0
Other liabilities	<b>150.693</b>	135.032	133.982	116.943	95.757
Subordinated capital investments	<b>225.717</b>	50.000	48.604	48.104	47.604
Equity	<b>469.488</b>	424.778	380.730	322.458	269.003
Total liabilities	<b>4.408.877</b>	3.440.267	3.134.353	2.871.207	2.657.352
<b>Off-balance sheet items</b>					
Guarantees, etc.	2.252.483	1.478.007	1.245.117	1.213.730	1.148.684
Other commitments	1.676	1.587	1.596	1.581	1.287
Total off-balance sheet items	<u>2.254.159</u>	<u>1.479.594</u>	<u>1.246.713</u>	<u>1.215.311</u>	<u>1.149.971</u>

# 5 Years survey and key figures

## Key figures

### Solvency and capital ratio

Solvency ratio	pct.	<b>13,1</b>	11,8	12,3	12,3	12,0
Core capital ratio	pct.	<b>9,8</b>	12,0	12,4	10,5	10,2

### Earning ratios

Profit on own funds before tax	pct.	<b>17,7</b>	13,6	21,9	15,7	18,5
Profit on own funds after tax	pct.	<b>13,4</b>	10,2	18,1	10,8	12,6
Earning/costs	kr.	<b>1,58</b>	1,41	1,55	1,36	1,39

### Market risk ratios

Interest rate risk	pct.	<b>2,4</b>	1,8	2,4	1,8	1,0
Foreign exchange standing - pos 1	pct.	<b>0,0</b>	0,0	0,0	0,0	0,0
Foreign exchange standing - pos 2	pct.	<b>2,6</b>	1,2	1,2	1,3	2,1

### Credit risk ratio

Lendings plus provisions on loans in relation to deposits	pct.	<b>91,4</b>	95,8	96,5	103,6	100,7
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Extra cover in relation to the statutory liquidity requirement	pct.	<b>61,9</b>	104,5	106,2	70,9	75,7
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### Credit risk ratios

The sum of large commitments	pct.	<b>47,2</b>	68,4	71,6	66,9	67,5
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Share of outstandings with reduced interest	pct.	<b>0,3</b>	0,7	0,7	0,7	0,6
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Provision percentage	pct.	<b>2,6</b>	3,3	3,9	3,5	3,2
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The year's loss and writedown	pct.	<b>0,1</b>	0,3	0,6	0,6	0,6
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The year's growth in lending	pct.	<b>18,8</b>	10,5	1,9	7,6	11,0
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Lending in relation to equity capital	pct.	<b>5,9</b>	5,5	5,6	6,5	7,2
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### Return on share

Profit for the year per share *	kr.	<b>214</b>	149	227	114	115
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Net book value per share *	kr.	<b>1.677</b>	1.517	1.360	1.152	961
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Dividend per share *	kr.	<b>25</b>	20	20	15	15
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Stock value/result of the year per s		<b>13,2</b>	14,1	6,9	7,5	5,8
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Stock value/net book value per share		<b>1,68</b>	1,38	1,15	0,74	0,69
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\*Calculated on a share size of DKK 100/share

The regulation regarding financial statements has been materially changed in 2005. The survey and key figures for 2005 og 2004 has been prepared in compliance with the changed rules, figures from 2001-2003 has not been changed. The figures from 2004 has not been changes regarding financial assets and liabilities.

# Annual Report

## **Profit for the year better than expected**

The profit for the year of DKK 59.9m was better than expected and is considered very satisfactory by the bank's management.

The profit before tax and value adjustments was DKK 49.2m and was thus within the forecast range of DKK 45 to 50m, which the bank had revised upwards after the first half.

The profit before tax represents a 17.7% return on average shareholders' equity and a profit of DKK 56.6 per DKK 20 nominal share.

## **Background for the profit**

The main reason for the profit achieved was a high level of activity driven by the very favourable economic climate. Low interest rates, low inflation and the generally rising demand for labour led to an unusually positive basis on which to conduct financial business.

In addition, Djurslands Bank can point to

- a large and stable inflow of customers
- a 28% increase in the bank's business volume
- strong growth in the securities trading/fund management and mortgage credit business areas
- a very low level of credit losses and provisions
- a DKK 14m improvement in value adjustments
- higher costs as a result of the ongoing modernisation of the bank's branches, including a new logo.

The inflow of new private and business customers at the bank's branches in Djursland and Århus remained at a high and stable level in 2005.

In spite of tough and intense competition in the financial sector, the bank's customer concept, with individual, active customer advice, has resulted in a generally rising market share.

New customers and more business with existing customers led to a large 28% rise in the business volume

A contributory factor in this was the marketing of the bank's new customer concepts, which entail cash benefits for shareholders and customers who bring their financial business together in Djurslands Bank.

Average deposits rose by 19%, which was more than expected for the year. The relatively good liquidity position of businesses led to a 15% rise in demand deposits, and the sharply rising interest in pension saving led to a marked growth of 39%

in payments into pension accounts and thus also contributed to the growth in deposits.

In the area of lending, the average growth of over 13% was at the expected level. Demand for borrowing by businesses rose over the year, and in the private customer area property and housing loans in particular were in demand.

The average interest margin for the year was 0.6 percentage points lower than in 2004. The main reason for this was the change in the composition of the bank's deposit and loan portfolio, since, in particular, property loans with low interest rates, which were much in demand, reduce the interest margin. In addition, tough competition between financial businesses is also contributing to a declining interest margin.

Low market interest rates and the large number of new housing and business products led to a very high level of activity in the mortgage credit area.

The bank's income from this business area has therefore been rising compared with previous years.

Another business area experiencing strong growth is securities trading, along with asset management and fund management.

The strong growth in pension saving and the increase in wealth as a result of rises in the property market are encouraging customers increasingly to invest and trade in securities. The rising share prices throughout 2005 and the changes in the taxation of capital gains on the sale of shares at the end of the year have reinforced this trend.

Consequently, at Djurslands Bank we broke all previous records for the number of securities transactions and thus also the bank's income from them.

The very positive economic climate, combined with the bank's ongoing effort to improve the quality of its loan portfolio, meant that the bank saw another marked fall in the need for writedowns on loans in 2005. New accounting rules also meant that the criteria used to assess the writedown requirement have changed.

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

## Operations

Net interest income fell by DKK 3.2m due to the fact that the rising volume of business was unable to offset the decline in the interest margin, and the fact that the low market interest rates led to a decline in the interest yield on the bank's bond portfolio.

As mentioned under changes in the applied accounting policy, the bank has implemented a new Executive Order from the Danish Financial Supervisory Authority.

The effect of this is, among other things, that the profit and loss account does not include interest income of DKK 6.6m relating to impaired loans.

The markedly increased activity in the areas of securities trading/fund management and mortgage credit was the main reason for the DKK 14.7m rise in commission and fee income. In all, the bank's total income rose by DKK 11.5m compared with 2004, corresponding to a rise of 6.6%.

Overall value adjustments on securities and foreign currencies amounted to a gain of DKK 30m, a substantial increase of DKK 14.5m compared with 2004.

The main reason was substantial price rises in the bank's share portfolio, of which DKK 8.3m can be ascribed to the holding of sector shares.

Total operating expenses rose by DKK 11.9m, or 9.7%. The main reasons for this were

- more employees due to increased activity,
- modernisation of the bank's branches, and
- the change in logo and other activities to mark the bank's 40th anniversary.

In addition, there were normal negotiated increases in payroll and pension expenses and normal price increases in the bank's other operating expenses.

The average number of employees, converted to full-time equivalents, was 182.1, an increase of 8.3 compared with 2004.

The figure for credit losses and provisions fell to DKK 3m, equivalent to 0.1% of the bank's total loan and guarantee portfolio.

However, the item is not comparable with accounts from previous years due to the new accounting rules discussed under changes in the applied accounting policy.

Total writedowns amounted to DKK 134.8m at the end of the year, corresponding to 2.6% of the bank's loan and guarantee portfolio.

## Allocation of profits

After tax of DKK 19.4m the profit for the year was DKK 59.9m.

At the bank's Annual General Meeting the Board of Directors will recommend,

- the payment of a dividend of DKK 5 per share, corresponding to DKK 7.0m, which is a rise of 25% compared with 2004.
- that the remaining sum of DKK 52.9m be allocated to reserves.

After the proposed allocation of profits, the bank's shareholders' equity will amount to DKK 469.5m, an increase of 10.5%.

## Capital

During 2005 the bank issued new supplementary capital to increase the capital base as a result of the marked growth in the volume of business.

With effect from 28 June 2005 the bank took up a new subordinated capital investment of DKK 75m.

The subordinated capital investment runs until 2013 with the option of early redemption from 2010.

With effect from 16 November 2005 the bank took up a subordinated capital investment in euro equivalent to around DKK 100m. This capital investment runs until 2014 with the option of early redemption from 2011.

The bank's capital base amounts to DKK 607.7m, and the equity ratio at the end of the year was 13.1%, which compares with the statutory minimum requirement of 8%.

During 2005 the bank gained 1,000 new shareholders, and the bank's DKK 28m nominal share capital is now owned by 11,300 shareholders.

Investeringsforeningen Sparinvest of Baneskillet 1, Hammershøj, DK-8830 Tjele has notified the bank that it owns more than 5% of the share capital.

## Balance sheet

The bank's balance sheet grew by DKK 969m and amounted to DKK 4,408m at the end of the year.

The increase corresponded to a rise of 28.2%.

Off-balance-sheet items increased by DKK 774m, corresponding to a rise of 52.4% compared with 2004.

The main reason for this was the rise in guarantees as a result of substantial remortgaging.

#### **Pension pools**

The bank's two pension pools again yielded fully satisfactory returns in 2005 when compared with equivalent competing products. The returns were 2.50% in Sikkerpuljen (the Safe Pool) and 15.41% in Mixpuljen (the Mix Pool).

#### **Market risk**

The bank's total interest risk in 2005 amounted to between 1.59% and 2.46% of the bank's core capital at the beginning of the year. At the end of the year the interest risk amounted to 2.38% of the core capital after consolidation.

Throughout the year the exchange rate risk (indicator 2) amounted to no more than 0.025% of the bank's core capital at the beginning of the year.

#### **Management**

In March 2005 Director Ole Fast replaced Director Bent Christiansen as Deputy Chairman of the bank's Board of Directors.

In March 2005 secretary Karen Margrethe Olesen became the new Chairman of the bank's Board of Representatives and car dealer Poul Erik Sørensen was at the same time elected as the new Deputy Chairman of the Board of Representatives.

#### **Other information**

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

The rules for the preparation of the Annual Report changed significantly in 2005 – please refer to the description of the applied accounting policy.

Since the end of the financial year no events have occurred which would have an influence on the bank's Annual Report or its financial position.

In 2005 the bank issued the following stock exchange announcements.

23.02.2005 Annual Report for 2004

16.03.2005 General Meeting

04.05.2005 Interim Report for the first quarter of 2005

22.06.2005 New supplementary capital

08.08.2005 Interim Report for the first half of 2005

15.08.2005 Own shares

02.11.2005 Interim Report for the first three quarters of 2005

#### **Expectations for 2006**

The bank expects the current economic climate, with low interest rates, relatively low inflation and falling unemployment, to lead to consumer confidence remaining at a high level.

High consumer confidence will be a good, sound basis for increased investment in business, high private consumption and generally good economic growth in the macro economy.

Against this background we expect the current high growth in demand for borrowing to continue at the same time as the growth in savings continues at an unchanged high level.

The bank's growth is expected to come partly from more business with existing customers and partly from the expected continued inflow of new customers into the bank.

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

The bank's risk profile on its own operations in the area of foreign currency and investments will remain at a cautious level.

Based on the present and expected competitive situation, credit losses and writedowns are expected to remain at the same low percentage level as in 2005.

Against the background of these assumptions, the profit for 2006, excluding value adjustments and tax, is expected to be in the region of DKK 45m to 50m, which is unchanged from the profit realised in 2005.

As a result of the agreement entered into concerning the sale of the bank's shares in Totalcredit, value adjustments in 2006 are expected to be boosted by DKK 10m.

For the bank's interim reporting for the 2006 financial year, please see the financial calendar issued via the Copenhagen Stock Exchange.

# Commercial basis, corporate management and risk management

## The local bank

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

Since its establishment the bank has continuously expanded its network of branches in Djursland.

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

The bank's vision is to be a strong, independent local bank in Djursland and the Århus area. 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 page 29.

## 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 and insurance products.

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

- Totalkredit
- DLR Kredit
- BankInvest
- PFA
- Privatsikring and
- Ietpension (expected to be established in 2006)

## Customers

The bank advises and services around 35,000 private customers and around 2,500 business customers and public institutions.

At the bank we give high priority to the principle of proximity and to personal dialogue with customers.

The needs and wishes of the customer are thus the foundation of the bank's advice and services.

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

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

As a supplement to this, the bank's customers are offered all relevant forms of self-service products.

Just under 50% of the bank's business and private customers have electronic access to the bank via NetBank, NetBank Erhverv and PC Service Erhverv.

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

The bank's customer concepts support the commercial objective that customers who combine their financial business in the bank will obtain cash benefits for doing so.

Through this we secure the best basis for providing informed, holistic advice to the customer.

## Shareholders

The bank is owned by around 11,300 shareholders, of which only one shareholder owns more than 5% of the share capital. Please see page 4 of the Annual Report.

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

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

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

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

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



insert ownership restrictions into the bank's articles of association.

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.

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

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

### **Employees**

In the bank we put great emphasis on our human assets, and the organisation is based on a team-oriented working environment.

To measure the working environment, and as a basis for further development, annual job satisfaction surveys are carried out.

The latest survey in mid 2005 showed a high level of general job satisfaction, and we are working on improving it further.

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

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

The bank is also aware of its social responsibilities.

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

### **Management**

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

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 28 of the Annual Report.

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

The number of Board Members is regularly reviewed. It is the opinion of the Board of

Directors that the present number is appropriate for the management of the bank.

The bank's Articles of Association set an age limit of 67 years for election to the Board of Representatives, and thus also for election to the Board of Directors.

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

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

The other managerial duties of the Board of Directors and the Management can be found in Note 34 to the Annual Report.

The fees and remuneration of the Board of Directors and the Management can be found in Note 6 to the Annual Report.

The fee for the Board of Directors is a fixed annual amount which is index-linked. The Board of Directors is not remunerated with share options.

The terms and conditions of employment of the Management are considered to be in line with normal practice in the area, and the terms and conditions are regularly reviewed.

The Management does not receive incentive payments, and no pension commitments have been made to the Management.

### **Risk management**

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

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

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

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

### **Credit risks**

An important area is the management of credit risks, as loans account for by far the largest part of the bank's assets.

Spreading across

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

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

In addition, the foundation of the bank's lending policy is that all loans shall be based on a sound financial basis.

For the management of its loan portfolio the bank also uses loan segmentation on the basis of factual financial information about the individual customer.

### **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 only uses financial instruments to hedge risks.

### **Liquidity management**

The bank has entered into multi-annual agreements on guaranteed lines of liquidity of DKK 200m.

The guaranteed lines are regularly adjusted to the bank's needs in the short and long term and are not used in day-to-day liquidity management.

A part of the bank's liquidity policy is that it shall at all times be independent of other financial businesses in the area of liquidity.

### **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.

### **Audit**

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

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

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

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

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

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

# Profit and Loss Account

(DKK 1,000)

	Note	<u>2005</u>	<u>2004</u>
Interest income	3	<b>167.153</b>	161.509
Interest expenses	4	<b>36.790</b>	27.947
<b>Net interest income</b>		<b>130.363</b>	133.562
Dividend from share etc.		<b>1.271</b>	1.308
Fees and commissions, received		<b>59.717</b>	44.722
Fees and commissions, paid		<b>5.814</b>	5.546
<b>Net interest and fee income</b>		<b>185.537</b>	174.046
Price adjustments	5	<b>30.033</b>	15.512
Other ordinary income		<b>1.129</b>	770
Staff costs and administrative expenses	6	<b>129.506</b>	116.914
Depreciation and writedowns of intangible and tangible assets		<b>4.982</b>	5.709
Writedowns		<b>3.043</b>	12.022
Profit on holdings in associated and affiliated companies	7	<b>60</b>	-17
<b>Profit before tax for the financial year</b>		<b>79.228</b>	55.666
Tax	9	<b>19.352</b>	13.889
<b>Profit for the financial year</b>		<b>59.876</b>	41.777

## Allocation of profit

Proposed dividend	<b>7.000</b>	5.600
Profit on holdings in associated and affiliated companies	<b>60</b>	-17
Retained profit	<b>52.816</b>	36.194
<b>Total allocated</b>	<b>59.876</b>	41.777

# Balance Sheet as at 31. december

(DKK 1,000)	Note	2005	2004
Cash in hand and claims at call on central banks		<b>58.347</b>	31.297
Claims on credit institutions and central banks	11	<b>194.471</b>	101.597
Loans and advances	12	<b>2.793.075</b>	2.351.315
Bonds to marked value		<b>548.108</b>	331.053
Shares, etc.		<b>154.429</b>	106.907
Holdings in associated companies, etc	14	<b>250</b>	250
Holdings in affiliated companies	14	<b>1.263</b>	1.203
Assets in pension pools	13	<b>570.403</b>	437.888
Tangible assets		<b>53.935</b>	50.606
Investment land and properties	16	<i>1.250</i>	967
Residential land and properties	17	<i>52.685</i>	49.639
Other tangible assets	18	<b>5.595</b>	4.573
Tax assets		<b>0</b>	1.274
Deferred tax assets	19	<b>3.462</b>	1.260
Temporary overtaken assets		<b>0</b>	30
Other assets		<b>25.539</b>	21.014
<b>Total assets</b>		<b><u>4.408.877</u></b>	<u>3.440.267</u>
Debt to credit institutions and central banks	21	<b>359.519</b>	224.441
Deposits	22	<b>2.621.164</b>	2.159.024
Deposits in pension pools		<b>582.296</b>	446.992
Tax liabilities		<b>1.511</b>	4.553
Other liabilities		<b>142.003</b>	122.600
Cut-off liabilities		<b>349</b>	814
<b>Total debt</b>		<b><u>3.706.842</u></b>	<u>2.958.424</u>
Provisions regarding pensions and similar commitments	23	<b>6.339</b>	6.339
Provisions regarding loss on guaranties		<b>491</b>	726
<b>Provisions for commitments</b>		<b><u>6.830</u></b>	<u>7.065</u>
Subordinated capital investments	24	<b>225.717</b>	50.000
<b>Subordinated capital investments</b>		<b><u>225.717</u></b>	<u>50.000</u>
Share capital		<b>28.000</b>	28.000
Share premium account		<b>5.274</b>	5.274
Revaluation reserves		<b>2.468</b>	2.468
Other reserves		<b>1.263</b>	1.203
Retained profit		<b>432.483</b>	387.833
<b>Total equity</b>	2	<b><u>469.488</u></b>	<u>424.778</u>
Hereof proposed dividend		<b>7.000</b>	5.600
<b>Total liabilities</b>		<b><u>4.408.877</u></b>	<u>3.440.267</u>

# Cash Flow Analysis

(DKK 1,000)

	<b>2005</b>	2004
<b>Source of capital</b>		
<b>Operations</b>		
Profit for the financial year	<b>59.876</b>	41.777
Changes in accounting policy	<b>1.786</b>	7.716
Loss and provisions on bad debts	<b>3.043</b>	12.022
Revaluation on investment land and property	<b>-283</b>	0
Depreciation and writedowns of intangible and tangible assets	<b>4.982</b>	5.709
Dividend to shareholders	<b>-5.600</b>	-5.600
Source of capital from operations	<b>63.804</b>	61.624
<b>Financial leverage</b>		
Change in debt to credit institutions (net)	<b>42.204</b>	38.070
Change in deposits	<b>597.444</b>	261.063
Change in other liabilities	<b>15.661</b>	7.395
Change in subordinated capital investments	<b>175.717</b>	1.396
Total financial leverage	<b>831.026</b>	307.924
<b>Equity</b>		
Own shares	<b>-11.352</b>	-1.743
Total equity financing	<b>-11.352</b>	-1.743
Total source of capital	<b>883.478</b>	367.805
<b>Use of capital</b>		
Change in cash in hand, etc. and treasury bills eligible for refinancing	<b>27.050</b>	-27.301
Change in loans and advances	<b>444.803</b>	236.017
Change in net pension assets	<b>132.515</b>	0
Change in bond holdings	<b>217.055</b>	84.968
Change in share holdings	<b>47.522</b>	61.594
Change in associated and affiliated companies	<b>60</b>	-17
Purchase of tangible assets	<b>7.089</b>	2.961
Purchase of small assets, expensed as part of depreciations	<b>1.961</b>	2.704
Change in other assets	<b>5.423</b>	6.879
Total use of capital	<b>883.478</b>	367.805

# Notes

## 1 Solvency

	<b>2005</b>	<b>2004</b>
Solvency ratio accordingly to FIL § 124, subsection 1	<b>13,1%</b>	11,8%
Core capital after deductions in percentage of total weighted items	<b>9,8%</b>	12,0%
Equity	<b>469.488</b>	424.778
Herof revaluation reserves	<b>-2.468</b>	-2.468
Herof suggested dividend	<b>-7.000</b>	-5.600
Tax assets	<b>-3.462</b>	-1.260
Core capital after deduction	<b>456.558</b>	415.450
Subordinated capital investments	<b>225.717</b>	50.000
Revaluation reserves	<b>2.468</b>	2.468
Total of holding etc., more than 10% of capital base	<b>-77.075</b>	-59.680
Capital base after deductions	<b>607.668</b>	408.238
Weighted values not including trade portfolio	<b>2.640.213</b>	3.288.930
Weighted values below the line	<b>1.713.815</b>	0
Weighted values with marked risk	<b>298.063</b>	173.758
Total weighted values	<b>4.652.091</b>	3.462.688

## 2 Equity

Sharecapital beginning / end	<b>28.000</b>	28.000
The Banks' share capital consists of 1,4 mio shares each of nom. Value DKK 20		
Shares premium account	<b>5.274</b>	5.274
Reserves for own holdings	<b>8.451</b>	6.708
Changing of accounting policy 1. January	<b>-8.451</b>	-6.708
Reserves for own holdings according to new accounting policy	<b>0</b>	0
Other reserves		
Reserves for net revaluation to intrinsic value method, beginning	<b>203</b>	220
Transferred from "financial year result"	<b>60</b>	-17
Reserves for net revaluation to intrinsic value method, end	<b>263</b>	203
Other reserves, beginning / end	<b>1.000</b>	1.000
Total other reserves	<b>1.263</b>	1.203
Revaluation reserves, beginning	<b>968</b>	968
Changing of accounting policy 1. January	<b>1.500</b>	1.500
Revaluation reserves, 1. January according to new accounting policy	<b>2.468</b>	2.468
Revaluation of land and buildings	<b>0</b>	0
Revaluation reserves end	<b>2.468</b>	2.468
Retained profit beginning	<b>380.727</b>	338.560
Changing of accounting policy 1. January	<b>3.292</b>	9.222
Changing of accounting policy 1. January, regarding dividend	<b>5.600</b>	5.600
Retained profit beginning, 1. January according to new accounting policy	<b>389.619</b>	353.382
Transferred from "financial year result"	<b>59.816</b>	41.794
Dividend, paid to share holders	<b>-5.600</b>	-5.600
Net purchase of own shares, booked to zero value	<b>-11.352</b>	-1.743
Retained profit end	<b>432.483</b>	387.833
Total equity beginning	<b>424.778</b>	380.730
Changing of accounting policy 1. January	<b>1.786</b>	9.614
Total equity 1. January according to new accounting policy	<b>426.564</b>	390.344
Retained profit	<b>59.876</b>	41.777
Dividend paid to share holders	<b>-5.600</b>	-5.600
Own shares	<b>-11.352</b>	-1.743
Total equity end	<b>469.488</b>	424.778

# Notes

	<u>2005</u>	<u>2004</u>
<b>3 Interest income</b>		
Claims on credit institutions, etc.	<b>4.833</b>	2.878
Loans and advances	<b>148.707</b>	145.318
Bonds	<b>16.606</b>	17.725
Total derivative financial instruments	<b>-3.469</b>	-4.413
of which		
Foreign exchange contracts	<b>3.206</b>	2.762
Interest rate contracts	<b>-6.675</b>	-7.175
Other	<b>476</b>	1
Total interest income	<b>167.153</b>	161.509
Of which income from genuine sales and repurchase transactions	<b>0</b>	0
<b>4 Interest expenses</b>		
Credit institutions and central banks	<b>2.477</b>	1.666
Deposits	<b>30.571</b>	23.822
Subordinated capital	<b>3.659</b>	2.312
Other	<b>83</b>	147
Total interest expenses	<b>36.790</b>	27.947
Of which interest expenses to genuine sales and repurchase transactions	<b>0</b>	0
<b>5 Price adjustments</b>		
Bonds	<b>-2.211</b>	-6.762
Shares	<b>29.484</b>	19.919
Investment land and buildings	<b>283</b>	0
Foreign exchanges	<b>2.244</b>	1.655
Interest-, share contracts and other financial instruments	<b>1.063</b>	835
Assets in pension pools	<b>-230</b>	-135
Other assets	<b>-600</b>	0
Total price adjustments	<b>30.033</b>	15.512
<b>6 Staff costs and administrative expenses</b>		
Salaries and remuneration of Board of Managers, Board of Directors and Board of Representatives		
Board of Managers	<b>1.311</b>	1.355
Board of Directors	<b>625</b>	613
Board of Representatives	<b>131</b>	125
Total	<b>2.067</b>	2.093
Staff expenses		
Salaries	<b>65.407</b>	60.636
Pensions	<b>7.643</b>	6.215
Social security costs	<b>7.014</b>	6.573
Total	<b>80.064</b>	73.424
Other administrative expenses	<b>47.375</b>	41.397
Total staff costs and administrative expenses	<b>129.506</b>	116.914
Number of employees		
Average number of employees during the year converted into full-time err	<b>182,1</b>	173,8
<b>7 Profit of holdings in associated and affiliated companies</b>		
Profit on holdings in associated companies, etc.	<b>0</b>	0
Profit on holdings in affiliated companies	<b>60</b>	-17
Total profit on holdings in associated and affiliated companies	<b>60</b>	-17

# Notes

	<u>2005</u>	<u>2004</u>
<b>8 Write down on loans and advances</b>		
Individual write downs		
Write downs beginning	<b>86.544</b>	0
Write downs in the financial year	<b>25.308</b>	0
Changes in write downs regarding earlier years	<b>-20.595</b>	0
Finally lost regarding earlier write downs	<b>-1.240</b>	0
Individual write downs end	<b>90.017</b>	86.544
Group write downs		
Write downs beginning	<b>43.844</b>	0
Write downs in the financial year	<b>7.537</b>	0
Changes in write downs regarding earlier years	<b>-6.598</b>	0
Group write downs end	<b>44.783</b>	43.844
Total write downs on loans and advances	<b>134.800</b>	130.388
Data for comparison with 2004 cannot be computed.		
<b>9 Tax</b>		
Calculated tax on the year's income	<b>20.019</b>	13.200
Deferred tax	<b>-1.044</b>	1.800
Changes due to new accounting policy	<b>0</b>	-2.007
Adjustment of tax calculated in prior years	<b>-303</b>	80
Tax from provision account	<b>680</b>	816
Total tax	<b>19.352</b>	13.889
The effective tax percentage calculation:		
The present tax percentage	<b>28,0%</b>	30,0%
Adjustment of tax calculated in prior years	<b>-0,4%</b>	0,1%
Non taxable income or deductible expenses	<b>-3,6%</b>	0,0%
Tax from provision account	<b>0,9%</b>	1,3%
Others	<b>-0,5%</b>	-6,4%
Effective tax percentage	<b>24,4%</b>	25,0%
<b>10 Auditors' remuneration</b>		
Total remuneration to the auditing firms appointed by the General Meeting	<b>514</b>	588
Other services than audit	<b>59</b>	60
The bank has an internal audit department		
<b>11 Claims on credit institutions and central banks</b>		
Claims at notice on central banks	<b>149.895</b>	74.964
Claims on credit institutions	<b>44.576</b>	26.633
Total claims on credit institutions and central banks	<b>194.471</b>	101.597
By residual maturity		
On demand	<b>0</b>	5.926
Up to and including 3 months	<b>175.550</b>	74.964
Over 3 months and up to and including 1 year	<b>0</b>	0
Over 1 year and up to and including year 5	<b>0</b>	20.707
Over 5 years	<b>18.921</b>	0
Total claims on credit institutions and central banks	<b>194.471</b>	101.597



# Notes

	<b>2005</b>	<b>2004</b>
<b>12 Loans and advances</b>		
Loans and advances to amorcised cost price	<b>2.793.075</b>	2.351.315
Total loans and advances	<b>2.793.075</b>	2.351.315
By residual maturity		
On demand	<b>179.444</b>	139.487
Up to and including 3 months	<b>237.285</b>	256.356
Over 3 months and up to and including 1 year	<b>801.052</b>	756.160
Over 1 year and up to and including year 5	<b>1.079.770</b>	803.682
Over 5 years	<b>495.524</b>	395.630
Total loans and advances	<b>2.793.075</b>	2.351.315
<b>Loans and advances, specification of write downs</b>		
Loans and advances before write downs	<b>2.927.875</b>	2.496.878
Write downs	<b>-134.800</b>	-145.563
Total loan and advances	<b>2.793.075</b>	2.351.315
<b>Specified on sectors and industry</b>		
Public sector	<b>3,8</b>	3,8
Business		
Agriculture, hunting and forestry	<b>15,0</b>	14,9
Fishing	<b>0,3</b>	0,4
Manufacturing industry, quarring, electricity-, gas, water and heat generation	<b>4,7</b>	5,8
Construction	<b>3,3</b>	3,5
Wholesale and retail trade, hotels and restaurants	<b>6,8</b>	8,3
Transport, post and communication	<b>5,3</b>	6,0
Finance, insurance etc.	<b>2,1</b>	1,9
Real estate administration and real estate business activities	<b>12,4</b>	10,7
Other businesses	<b>7,0</b>	5,9
Total business	<b>56,9</b>	57,3
Private	<b>39,3</b>	39,0
Total	<b>100,0</b>	100,0
<b>13 Assets in pension pools</b>		
Bonds	<b>392.703</b>	323.220
Shares	<b>177.700</b>	106.467
Other assets	<b>0</b>	8.201
<b>Total</b>	<b>570.403</b>	437.888
<b>14 Holdings in associated companies</b>		
Erhvervsparken A/S, Grenaa		
Part of shares	<b>50%</b>	50%
<b>Holdings in affiliated companies</b>		
Djurs-Invest ApS, Grenaa		
Part of shares	<b>100%</b>	100%
Equity	<b>1.263</b>	1.203
Profit for the financial year	<b>60</b>	-17

The activity in the companies are immaterial.

# Notes

## 15 Accounts with associated and affiliated companies

	2005	2004	2005	2004
	Affiliated companies		Affiliated Companies	
Loans and advances	<u>0</u>	0	<u>28.448</u>	28.698
Deposits	<u>595</u>	595	<u>283</u>	312

## 16 Investment land and property

	2005	2004
Marked value beginning	967	967
Revaluation of marked value	<u>283</u>	0
Marked value end	<u>1.250</u>	967

## 17 Domicile land and property

Marked value beginning	49.639	48.547
Additions	3.646	1.416
Disposals	0	-755
Depreciation and writedown	-600	-539
Revaluation of marked value, booked on equity	0	1.000
Reclassified to "temporary overtaken property"	0	-30
Marked value end	<u>52.685</u>	49.639

## 18 Other tangible assets

Total purchase price, beginning	41.792	39.492
Revaluation regarding earlier years	-32.417	0
Additions	3.443	2.300
Disposals	0	0
Total purchase price, end	<u>12.818</u>	41.792
Depreciation and writedown, beginning	37.219	34.753
Revaluation regarding earlier years	-32.417	0
Depreciations during the year	2.421	2.466
Depreciation and writedown, end	<u>7.223</u>	37.219
<b>Bookvalue end</b>	<u>5.595</u>	4.573

## 19 Deferred tax assets and liabilities

Deferred tax, beginning	-5.300	-3.500
Revaluation regarding earlier years due to new accounting policy	<u>1.995</u>	6.560
Deferred tax, beginning after revaluation	-3.305	3.060
Revaluation regarding earlier years	-105	0
Change in tax percentage	227	0
Change in deferred tax due to own shares	5.601	0
Change in deferred tax due, without own shares	<u>1.044</u>	-1.800
Deferred tax end	<u>3.462</u>	1.260

# Notes

## 20 Split of deferred tax on assets and liabilities

	31/12 2005	31/12 2005	31/12 2004	31/12 2004
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tangible assets	<b>0</b>	<b>21</b>	282	0
Cut of on fees and commissions	<b>3.858</b>	<b>0</b>	4.017	0
Own shares	<b>7.730</b>	<b>0</b>	2.281	0
Provisions for commitments	<b>1.775</b>	<b>0</b>	1.902	0
Other	<b>353</b>	<b>10.233</b>	532	7.754
Deferred tax total	<b>13.716</b>	<b>10.254</b>	9.014	7.754

Deferred tax of unquoted stocks amount to DKK 5,181,000

As it is the banks intention to keep the stocks for more than 3 years, there will be no tax obligation, and therefore no liability has been booked on these stocks.

## 21 Debt to credit institutions and central banks

	<b>2005</b>	2004
Debt to credit institutions	<b>359.519</b>	224.441
By residual maturity		
On demand	<b>190.127</b>	174.441
Up to and including 3 months	<b>169.392</b>	50.000
Total debt to credit institutions and central banks	<b>359.519</b>	224.441

## 22 Deposits

On demand	<b>1.895.428</b>	1.435.643
At notice	<b>230.005</b>	245.442
Time deposits	<b>216.006</b>	200.693
Special deposits	<b>279.725</b>	277.246
Total deposits	<b>2.621.164</b>	2.159.024
By residual maturity		
On demand	<b>1.968.440</b>	1.518.343
Up to and including 3 months	<b>439.741</b>	424.705
Over 3 months and up to and including 1 year	<b>17.499</b>	19.442
Over 1 year and up to and including year 5	<b>41.344</b>	31.285
Over 5 years	<b>154.140</b>	165.249
	<b>2.621.164</b>	2.159.024

## 23 Provisions for commitments

Provision for pensions and similar commitments	<b>6.339</b>	6.339
	<b>6.339</b>	6.339

# Notes

	<u>2005</u>	<u>2004</u>
<b>24 Subordinated capital investments</b>		
Floating rate loan in DKK, maturity 2012, Option to prepay from 2009	<b>50.000</b>	50.000
Floating rate loan in DKK, maturity 2013, Option to prepay from 2010	<b>75.000</b>	0
Floating rate loan in EUR, maturity 2014, Option to prepay from 2011	<b>100.717</b>	0
Total subordinated capital investments	<b><u>225.717</u></b>	<u>50.000</u>
Signing fee	188	0
Part of capital base	<u>225.717</u>	<u>50.000</u>
<b>25 Equity - shares</b>		
Number of shares each of nom value kr. 20. Share capital nom value DKK 28.000 (1.000 kr.)	1.400	1.400
Number of own shares, beginning	<b>20.121</b>	4.294
Net additions / disposals	<b>30.270</b>	-3.313
Split from DKK 100 to DKK 20.	<b>0</b>	19.140
Number of own shares, end	<b><u>50.391</u></b>	<u>20.121</u>
Nom value of own shares, beginning	<b>402.420</b>	429.400
Net additions / disposals	<b>605.400</b>	-66.260
Nom value of own shares, end	<b><u>1.007.820</u></b>	<u>402.420</u>
Part of own shares, beginning	<b>1,4%</b>	1,5%
Net additions / disposals	<b>2,2%</b>	-1,2%
Part of own shares, end	<b><u>3,6%</u></b>	<u>1,4%</u>
<b>26 Guarantees, etc.</b>		
Financial guarantees	<b>1.068.283</b>	542.949
Loss guarantees	<b>678.621</b>	590.501
Registration guarantees	<b>204.381</b>	95.722
Other guarantees	<b>301.198</b>	248.835
	<b><u>2.252.483</u></b>	<u>1.478.007</u>
<b>27 Other commitments</b>		
Other commitments	<b>1.676</b>	1.587
	<b><u>1.676</u></b>	<u>1.587</u>
<b>28 Credit risk on other financial instruments</b>		
Positive market value after netting		
Authorities (with weighted risk 0%)	<b>0</b>	0
Credit institutions, etc. (with weighted risk 20%)	<b>406</b>	1.384
Customers (with weighted risk 100%)	<b>1.391</b>	94
<b>29 Outstanding owings</b>		
Outstanding owings in other works	<b>2.844</b>	4.020
<b>30 Exchange rate risk</b>		
Exchange rate indicator 1 in % of core capital after deductions	<b>2,6%</b>	1,2%
Exchange rate indicator 2 in % of core capital after deductions	<b>0,0%</b>	0,0%

# Notes

	<b>2005</b>	2004
<b>31 Interest rate risk</b>		
Total interest rate risk on liabilities, etc.	<b>10.860</b>	7.461
Interest rate risk by foreign currency with highest interest rate risk		
DKK	<b>10.780</b>	7.439
NZD	<b>46</b>	0
CHF	<b>26</b>	16
Other currencies	<b>8</b>	6

The rate risks on fixed-interest assets DKK 201,900,000 - excluding mortgage deeds - are covered by interest swaps for nominal DKK 237,300,000. Exchange rate adjustments to market value of loans and swaps have not been corrected.

## 32 Other financial instruments

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

## 33 Close parties

### Transaktioner med nærtstående parter

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

### Loans, etc. to Board of Managers, Board of Directors and Board of Representatives

Amount of loans granted to, and pledges, surities or guarantees for members in the banks

Board of Managers	<b>315</b>	315
Board of Directors	<b>15.794</b>	11.105
Board of Representatives	<b>150.403</b>	130.288
Collaterals for engagements with		
Board of Managers	<b>315</b>	315
Board of Directors	<b>2.738</b>	3.314

## 34 Summary of other executive appointments in Danish limited companies held by members of Board of Directors and Board of Managers

Managing Director Ole Fast

Chairman in Grenaa Bowlingcenter A/S, Kolind Midtpunkt A/S and KØ Beton A/S.

Manager and member of Board of Directors in Peolia I A/S, Peolia II A/S and

Djurslands Bowlinghus A/S.

Member of Board of Directors in Perstrup Beton Industri A/S and Fårup betonindustri A/S and Hedensted lagerhoteller A/S.

Wholesaler Erik Nymann

Manager and deputy chairman in AUTO-G Dansk Grossist Union A/S.

Manager and member of Board of directors in Erik Nymann Holding A/S,

Nymann Autoparts A/S, Nymann Kemi A/S, N.K. Specialværktøj A/S,

Detailgruppen A/S, Kolind Midtpunkt A/S og Hedensted lagerhoteller A/S

Member of Board of Directors in S. Burchardt Nielsen Autodele A/S and

Sydjydsk Reservedele A/S.

Car dealer Poul Erik Sørensen

Manager and member of Board of directors in Grenaa Bil-Center A/S, Grenaa Bil-Center af 2002 A/S and Bil-Center Grenaa A/S.

# Notes

## 35 Shareholders

The following share holders owns more than 5% of the sharevalue:

Investeringstoreningen Sparinvest, Baneskellet 1, Hammershøj, 8830 Ijele

## 36 Changes in accounting policy

	01.01.2005	01.01.2005	01.01.2005	01.01.2004	2004 Financial result before tax
	Assets	Liabilities	Equity	Equity	
<b>Amount 31.12.2004</b>	<b>3.446.456</b>	<b>3.446.456</b>	<b>424.623</b>	<b>380.730</b>	<b>65.389</b>
Changes due to new accounting policy					
Loans and advances	15.447	15.447			
Writedowns	15.175	15.175	15.175	15.175	
Fee and commissions received	-13.390	-13.390	-13.390	-13.390	
Own shares	-8.451	-8.451	-8.451	-6.708	
Priceadjustments				2.727	-2.727
Residential land and properties	1.000	1.000	1.000	1.000	
Dividend earlier booked as a liability			5.600	5.600	
Interests on provisions				6.995	-6.995
Tax from changes	1.260	1.260	2.007		
<b>New amount 01.01.2005</b>	<b>3.457.497</b>	<b>3.457.497</b>	<b>426.564</b>	<b>392.129</b>	<b>55.667</b>

# Notes

## 37 Change in opening balance 01.01.05 due to new accounting policy

	<u>01.01.05</u>	<u>Change</u>	<u>31.12.2004</u>
<b>Assets</b>			
Cash in hand and claims at call on central banks	31.297	0	31.297
Claims on credit institutions and central banks	101.597	0	101.597
Loans and advances	2.368.545	17.230	2.351.315
Bonds to marked value	331.053	-323.219	654.272
Shares, etc.	106.907	-106.466	213.373
Holdings in associated companies, etc	250	0	250
Holdings in affiliated companies	1.203	0	1.203
Assets in pension pools	437.888	437.888	0
Investment land and properties	50.606	969	49.637
Residential land and properties	4.573	0	4.573
Other tangible assets	0	-8.451	8.451
Tax assets	1.274	1.274	0
Deferred tax assets	1.260	1.260	0
Temporary overtaken assets	30	30	0
Other assets	21.014	-9.474	30.488
<b>Total assets</b>	<u>3.457.497</u>	<u>11.041</u>	<u>3.446.456</u>
<b>Liabilities</b>			
Debt to credit institutions and central banks	224.441	0	224.441
Deposits	2.159.024	-446.991	2.606.015
Deposits in pension pools	446.992	446.992	0
Tax liabilities	4.553	4.553	0
Other liabilities	138.044	9.491	128.553
Cut-off liabilities	814	-371	1.185
<b>Total debt</b>	<u>2.973.868</u>	<u>13.674</u>	<u>2.960.194</u>
Provisions regarding pensions and similar commitments	6.339	0	6.339
Provisions deferred tax	0	-5.300	5.300
Provisions regarding loss on guaranties	726	726	0
<b>Provisions for commitments</b>	<u>7.065</u>	<u>-4.574</u>	<u>11.639</u>
Subordinated capital investments	50.000	0	50.000
<b>Subordinated capital investments</b>	<u>50.000</u>	<u>0</u>	<u>50.000</u>
Share capital	28.000	0	28.000
Share premium account	5.274	0	5.274
Own shares	0	-8.451	8.451
Revaluation reserves	2.468	1.500	968
Other reserves	1.203	0	1.203
Retained profit	389.619	8.892	380.727
<b>Total equity</b>	<u>426.564</u>	<u>1.941</u>	<u>424.623</u>
Hereof proposed dividend	5.600		5.600
<b>Total liabilities</b>	<u>3.457.497</u>	<u>11.041</u>	<u>3.446.456</u>

## Applied accounting policy

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

The applied accounting policy has been changed significantly compared with previous years. The changes are described in detail in Note 36. Adjustments to the opening balance sheet as at 1 January 2005 are described in Note 37.

In accordance with the transitional provisions in the Executive Order, Djurslandsbank A/S has not adjusted the comparative figures for financial assets and liabilities and derived profit and loss items. The profit and loss accounts for 2005 and 2004 are thus not fully comparable because the methods for measuring and recognising writedowns on loans, fee income and interest-risk hedging instruments have not been adapted in the profit and loss account for 2004.

Similarly, in accordance with the transitional rules, the key figures for 2001-2003 have not been adapted to the new policy.

### Effect of the policy changes

The policy changes led to a DKK 11,399k increase in shareholders' equity as at 1 January 2004, and an increase of DKK 1,941k as at 1 January 2005 from DKK 424,623k to DKK 426,564k (cf. Note 36), while the bank's total assets and liabilities as at 1 January 2005 increased by DKK 11,041k (cf. Note 37). The effect of the policy changes were recognised directly in equity as at 1 January 2005. The changes are listed in the statement of changes in accounting policy.

The nature of the individual changes in applied accounting policy, the size of the effect and the reason for the change, are also described in the comments to Note 36.

The applied accounting practice is henceforth as follows:

### Recognition and measurement in general

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

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

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

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

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

Financial instruments are recognised at the time of trading.

### Accounting estimates

The calculation of the accounting value of certain assets and liabilities entails an estimate of how future events will affect the value of these assets and liabilities. The most significant estimates relate to writedowns on loans.

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

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

### Profit and loss account

#### Interest, fees and commission

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.

Interest income on loans written down collectively is not set at zero, which is a



permitted departure from the Financial Supervisory Authority's prescribed method.

#### **Staff and management costs**

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

The costs of incentive schemes are recognised in the profit and loss account in the financial year to which the cost relates.

#### **Tax**

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

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

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

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

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

#### **Balance sheet**

##### **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.

Credit loss provisions are made when there is an objective indication of a reduction in value. The provision is made for the difference between the accounting value before impairment and the present value of expected future payments on the loan.

##### **Bonds**

Bonds 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.

#### **Shares**

Shares which are traded on active markets are measured at market value. The market value is calculated on the basis of the closing price at the balance sheet date. Non-liquid and unlisted shareholdings, where it is not considered possible to calculate a reliable market value, are measured at cost price.

#### **Shareholdings in associated companies**

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

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

#### **Tangible fixed assets**

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

After initial recognition investment properties are measured at market value in accordance with Annex 8 of the Executive Order. After initial recognition residential properties are measured at their reappraised value. Revaluation is carried out so frequently that significant differences to the market value do not arise.

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

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

Other tangible assets 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 5 years.

Individual assets with a cost price of less than DKK 25k are charged to expenses in full in the year of acquisition.

#### **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.

**Provisions for liabilities**

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

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

**Own shares**

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

# Signatures by the Board of Directores and Managr

We have today presented the annual report 2005 for Djurslands Bank A/S.

The annual report is executed in accordance with the legislation, the Danish accounting principles and the demands accounts as quoted by the Copenhagen Stock exchange.

We believe that the annual accounts shows a fair view of the assets and liabilities of the bank, the financial position of the year and the source of capital.

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

Grenaa, 22 February 2006  
**Board of Management**  
**Ole Bak**

Grenaa, 22 February 2006  
**Board of Directors**

**Martin Ring Andersen**  
*Chief Accountant*

**Erik Nymann**  
*Chairman*

**Ole Fast**  
*Deputy Chairman*

**Jakob Arendt**

**Bent Christiansen**

**Poul Erik Have**

**Tina Klausen**

**Ole Birk Nielsen**

**Jan B. Poulsen**

**Poul Erik Sørensen**

# Auditors report

## Certification of internal audit

We have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January - 31 December 2005, presented in accordance with the accounting provisions of Danish legislation and the requirements which have otherwise been imposed by the Copenhagen Stock Exchange on presentation of financial statements by listed companies.

The annual report is the responsibility of the bank's Management. Our responsibility is to express an opinion on the annual report based on our audit.

### Basis of opinion

We conducted our audit on the basis of the Statutory Order from the Danish Financial Supervisory Authority on Auditing financial enterprises and financial groups and in accordance with Danish Auditing Standards. Based on materiality and risk we have evaluated the business procedures, the accounting policies used and the significant estimates made and verified the basis for amounts and disclosures in the annual report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the annual report gives a true and fair view of the Company's financial position at 31 December 2005 and the results of the Company's operations and cash flows for 2005 in accordance with Danish Accounting Standards.

Grenaa, 22 February 2006

**Jens Reckweg**

*Manager Internal Audit*

## Auditors' report

### To the Shareholders of Djurslands Bank A/S

We have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January - 31 December 2005, presented in accordance with the accounting provisions of Danish legislation and the requirements which have otherwise been imposed by the Copenhagen Stock Exchange on presentation of financial statements by listed companies.

The annual report is the responsibility of the bank's Management. Our responsibility is to express an opinion on the annual report based on our audit.

### Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the annual report. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as evaluating the overall annual report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the annual report gives a true and fair view of the company's assets, liabilities and financial position at 31 December 2005 and of the results of its operations and cash flows for the financial year 1 January - 31 December 2005 in accordance with accounting provisions of Danish legislation.

Aarhus, 22 February 2006

**KPMG C. Jespersen**

State Authorised Revisionsinteressentskab

**Gert Foldager**  
*State Authorized*  
*Public Accountant*

**Flemming Johannsen**  
*State Authorized*  
*Public Accountant*

**Deloitte**

State Authorised Public Accountants

**Henrik A. Laursen**  
*State Authorized*  
*Public Accountant*

**Erling Brødbæk**  
*State Authorized*  
*Public Accountant*