Annual Report 2017

DJURSLANDS BANK

Table of Contents

Management's review

Financial overview 1

Financial review 2

Business foundation 12

Corporate management 14

Risk management 20

Corporate Social Responsibility 24

Annual Report

Profit and Loss Account 25

Balance Sheet 26

Equity 27

Cash Flow Analysis 28

Solvency 29

Notes 30

Endorsements

Management's statement 61

Independent auditor's report 62

Internal auditor's report 65

Management and audit

Management and audit 66

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Management's review

Financial overview

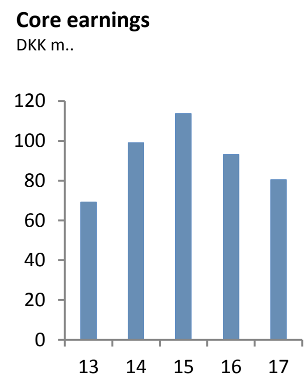
(DKK 1,000)		**2017**	2016	2015	2014	2013
Profit and loss account						
Net interest income		**166,986**	165,189	170,215	183,126	179,360
Net interest and fee income		**308,735**	303,751	314,851	294,229	269,070
Operational expenditure *		**228,734**	211,488	201,515	195,288	200,038
hereof staff and administrative expenses		**218,674**	205,826	187,198	180,578	180,896
hereof payment to sector solutions		**193**	357	9,620	9,153	10,025
Core earnings *		**80,480**	93,105	113,707	99,096	69,275
Value adjustments		**24,833**	19,675	1,896	13,556	22,682
Impairment losses on loans and receivables		**-17,180**	20,861	42,210	42,503	43,616
Profit from holdings in affiliated companies		**17**	-18	-14	2	23
Profit before tax of the financial year		**122,510**	91,901	73,379	70,151	48,364
Profit for the financial year		**98,076**	74,382	58,771	57,057	37,053
Selected asstes and liabilities						
Equity		**1,015,567**	933,075	874,751	832,647	783,628
Capital base		**838,003**	759,714	716,221	687,825	736,864
Total deposits		**7,664,421**	6,242,687	5,342,465	4,944,941	4,867,403
Loans and other amounts due		**4,516,187**	3,665,212	3,521,129	3,589,855	3,679,973
Total assets / liabilities		**8,967,277**	7,544,456	6,836,206	6,645,251	6,575,019
Off-balance sheet items		**2,058,929**	1,587,398	1,334,376	1,145,641	848,656
Selected keys figures						
Solvency ratio	pct.	**18.9**	17.9	17.5	16.7	17.3
Individual solvency demand ratio	pct.	**10.5**	11.3	11.3	11.5	11.2
CET1 capital ratio	pct.	**18.9**	17.9	17.5	16.7	18.1
Profit on own funds before tax	pct.	**12.6**	10.2	8.6	8.7	6.3
Basic earning / costs		**1.35**	1.44	1.56	1.51	1.35
Liquidity Coverage Ratio (LCR)**	pct.	**171.7**	202.4	231.1	50.1	
Statutory liquidity requirement***	pct.	**177.5**	196.0	153.9	130.4	181.2
The year's impairments losses	pct.	**-0.3**	0.4	0.8	0.9	0.9
Loans/equity ratio		**4.4**	3.9	4.0	4.3	4.7
Stock value / book value per share		**0.65**	0.67	0.80	0.63	0.63
Dividend per share		**7.0**	7.0	6.0	5.5	3.0

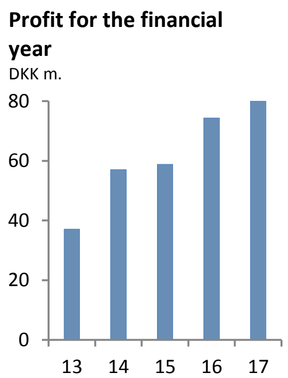
* Definition disclosed in note 1.

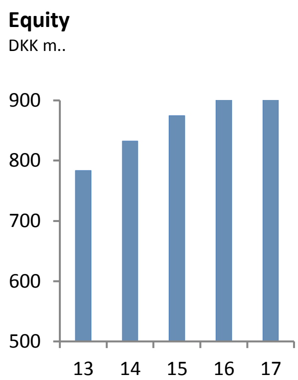
** LCR is first calculated in 2014, therefore comparative figures for 2013 are not available.

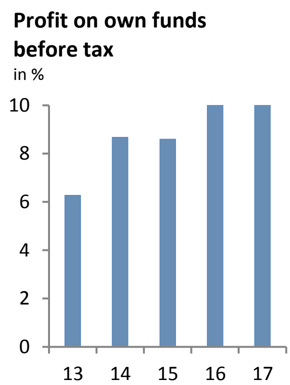
*** No longer a legal requirement in 2017, but is still being used in the FSA's Supervisory Diamond.

The whole set of main- and key figures is available in note 1









Management's review

Highlights

Core earnings	DKK 80.5 million, which is in the high end of the previously announced expectations of DKK 70-85 million.
Impairment losses	on lending amount to an income of DKK 17.2 million, corresponding to an impairment rate for the year of -0.3% (0.4% in 2016).
Market value adjustments	DKK 24.8 million, which is an increase of DKK 5.2 million compared to 2016.
Profit for the year before tax	DKK 122.5 million corresponds to an increase of 33.3% compared to 2016.
Return on equity	12.6% average return on equity p.a. before tax (10.2% in 2016).
Business volume	increased by 23.9% (DKK 2,745 million) to a total of DKK 14,240 million. The business volume comprises total lending, deposits and guarantees at the end of 2017.
Lending	Growth in lending from year end 2016 to year end 2017 of 23.2%. Growth in average lending of 6.7%.
Deposits	Growth in deposits from year end 2016 to year end 2017 of 22.8%. Growth in average deposits of 23.3%.
Solvency ratio	18.9% – capital need calculated at 10.5%. The capital base consists entirely of equity.
Dividend	DKK 7 per share, corresponding to 19.3% of the Bank's net profit.

Financial review

Profit for the year – the highest recorded profit in the Bank's history.
The Bank's profit before tax amounted to DKK 122.5 million, corresponding to an increase of 33.3% compared to 2016. Profits before and after tax are both a record high in the Bank's history.
Core earnings (before impairment losses on lending, market value adjustments and tax) amounted to DKK 80.5 million, which is in the high end of the previously announced expectations of DKK 70-85 million, but 13.6% lower than in 2016.

The lower core earnings are attributable to the fact that the Bank's income does not increase at the same rate as the activity level – primarily due to the low interest rate level. At the same time, the increasing activity level entails increased costs, and especially IT costs show a considerable increase. In addition, the Bank wrote down owner-occupied properties in 2017.

The Bank's total net interest income increased by DKK 1.8 million, and total income from dividends, charges and commissions increased by DKK 3.2 million, resulting in an increase of the Bank's total net interest and charge income by DKK 5.0 million.

Overall, the Bank's costs increased by DKK 17 million, of which IT costs amounted to DKK 8 million and write-down of owner-occupied properties amounted to DKK 4.2 million.

Impairment losses on lending for the year amounted to an income of DKK 17.2 million against an expense of DKK 20.9 million in 2016.

Positive market value adjustments totalled DKK 24.8 million, which is DKK 5.2 million up on 2016.

Profit for the year amounted to DKK 98.1 million, which is DKK 23.7 million up on 2016. Profit before tax represents a return on average equity of 12.6%, corresponding to a profit of DKK 36 per share (of DKK 10).

In light of developments in the socio-economic situation and the continued low interest rates, the Bank's Management considers the profit after tax of DKK 98.1 million very satisfactory.

Furthermore, Management is pleased to note that

- the Bank generally receives high scores in customer satisfaction and image surveys
- the net inflow of customers in 2017 is still at a very high level
- the Bank's capital base consists entirely of equity.

Management's review

Financial review (continued)

Background
The year 2017 was the year when Denmark finally left the financial crisis behind. By all accounts, the final evaluation of financial growth for 2017 will show growth exceeding 2% – and the effect of increased growth is felt throughout the economy. Companies are making money and are consolidating their positions, the employment rate is high, and the housing market is well-functioning with increasing prices.

A significant factor contributing to the economic development is the monetary policy aim to maintain the historically low interest rate. In 2017, the European Central Bank continued to inject cheap liquidity into the market to increase economic growth, and in Denmark, Danmarks Nationalbank still charges negative interest on the banks' deposits in Danmarks Nationalbank.

Despite the positive economic growth, small and medium-sized entities' propensity to invest is still modest, while there was a positive change in sentiment among private customers in 2017, who began to increase their investments and consumption.

The general development has resulted in
- increased lending growth
- continued growth in deposits
- declining interest margin
- increasing activity-dependent income
- increasing costs
- income from loss and impairment losses
- positive market value adjustments of the Bank's portfolio of securities

Business volume and earnings
The Bank's average deposits before impairment losses were approx. DKK 250 million higher than in 2016, corresponding to a 6.7% increase. After a number of years with negative or very low growth in lending, the demand for lending is now at a reasonable level again.

The Bank's average deposits were approx. DKK 1,300 million higher than in 2016, corresponding to a 23.3% increase.
The increase in the Bank's total deposits was affected by a redistribution of customers' placement of savings funds from individual custody accounts to the Bank's new pool schemes that are included in the deposits statement at an increase of DKK 800 million. The increase in deposits, which is attributable to a general increase in savings by the Bank's customers, transfer of pension funds from other providers and the inflow of new customers amounted to DKK 500 million, corresponding to an increase in deposits of 10.6%.

In recent years, the Bank has had a growing inflow of customers with record growth in both 2016 and 2017 due in part to the inflow of customers to newly opened branches.

The number of private customers was 45,950 at the end of 2017, which is a net increase of 3,250 compared to 2016. The number of corporate customers increased by 325 to 3,925. The total increase in customer intake is thus very satisfactory.

The Bank's high inflow of private customers and a generally high activity level in the housing market have fuelled growth of 17% in the Bank's private lending in 2017.

In contrast, the Bank's corporate customers still show restraint in terms of investments and borrowing. The Bank's lending to corporate customers thus shows a decrease of 3%.

Throughout 2017, the Bank's interest margin showed a downward trend resulting from the very low interest rate level and the strong competition between banks. Moreover, there has been a shift in the Bank's product mix, where a large share of the Bank's lending consists of private customers' home financing with good security and relatively low interest margins.

The Bank's net interest income increased by DKK 1.8 million to DKK 167.0 million primarily from lower interest expenses for deposits of DKK 2.0 million. The Bank's lending rates were significantly impacted by the very low money market interest rates, which resulted in a fall in interest income that is not counterbalanced by the increase in lending. The negative money market interest rates have also resulted in declining earnings on the Bank's surplus liquidity and lower interest yield on the Bank's bond portfolio.

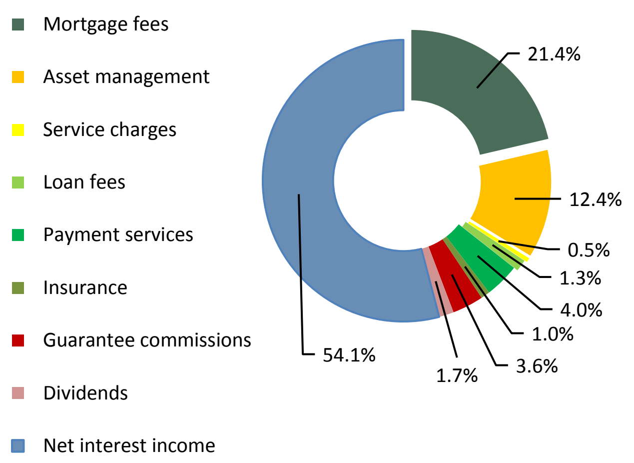
Charge and commission income amounted to DKK 145.6 million, which is an increase of DKK 6.5 million compared to 2016.
The increase is primarily attributable to the high activity level in the housing market and the growing number of customers with mortgage loans, which resulted in increased earnings of DKK 10.5 million. The Bank cooperates with Totalkredit and, over the years, has built up a significant portfolio of Totalkredit loans of approx. DKK 9.8 billion. In 2017 alone, the portfolio grew by approx. 14%. Moreover, income from the Bank's payment services and insurance brokerage shows an increase of DKK 1.4 million and DKK 1.2 million, respectively.
As of 1 July 2017, the MiFID II rules came into force regarding commission ban in relation to portfolio management regarding power of attorney arrangements. Consequently, the Bank has adjusted its product range and price structure on portfolio management arrangements, and these changes have adversely affected commission earnings by approx. DKK 6.3 million.

Financial review (continued)

Finally, dividend income from the Bank's shareholding was DKK 1.7 million lower than in 2016.

The Bank's total net interest and charge income amounted to DKK 308.7 million and was thus DKK 5.0 million up on 2016.

Breakdown of the Bank's earnings



Costs

The Bank's total operating costs amounted to DKK 228.7 million and thus increased by DKK 17.2 million compared to 2016.

The main reasons for the increase are

- Increased staff costs of DKK 4.4 million. The increase is primarily attributable to an increase in payroll costs and pension contributions as well as a rise in the payroll tax rate. The average number of employees for the year converted to FTE declined by 0.2 to 196.3 from 2016 to 2017. At year end, the number of full-time employees had, however, increased to 200.0.
- Increased IT costs of DKK 8.0 million due to increasingly tightened regulatory requirements and further development of digital solutions for customers and internal work processes. Particularly the development of a new housing consultancy platform affected the cost trend for 2017 by DKK 2 million.
- Increased depreciation and impairment losses on property, plant and equipment of DKK 4.6 million resulting from write-down of owner-occupied properties totalling DKK 4.2 million.

Core earnings

Core earnings for the year (before impairment losses in respect of lending, market value adjustments and tax) amounted to DKK 80.5 million. Core earnings are thus, as expected, DKK 12.6 million lower than in 2016 and in the high end compared to the announced expectations for 2017 of DKK 70-85 million.

Quarterly results for 2017				
(DKK million)	Q4	Q3	Q2	Q1
Net interest and charge income	75.6	76.7	81.0	75.4
Operating costs	63.2	53.6	57.8	54.0
Core earnings	12.7	23.1	23.3	21.4
Impairment losses on loans, etc.	-2.8	-2.7	-10.9	-0.8
Profit before tax	18.5	31.2	40.9	31.9

Impairments and losses

Impairment losses on lending for the year amounted to an income of DKK 17.2 million against an expense of DKK 20.9 million in 2016. Impairment losses on lending for the year and provisions for guarantees correspond to -0.3% of lending and guarantees, which is very satisfactory.

Impairment losses are positively affected by the fact that the low interest rate level generally reduces the extent of customers with financial difficulties, by the general economic growth and the resulting increased employment rate as well as by the improved operating conditions for companies, including the agricultural sector.

The total impairment losses are comprised of:

- New individual impairment losses of DKK 35.0 million on lending.
- Reversal of previous impairment losses and provisions of DKK 43.8 million.
- An increase of DKK 2.4 million in collective impairment losses on lending
- Interest income of DKK 9.3 million on impaired lending

One of the exposed sectors in relation to impairment losses is still the agricultural sector. For 2017, the development in impairment losses on pig and dairy farming was, however, positive due to the improved settlement prices for the year.
Lending and guarantees to the agricultural sector amount to 9.6% of the Bank's total lending and guarantees; see note 13. The breakdown of the Bank's agricultural customers is approx. 43% in crops, 32% in pig farming and 8% in dairy farming. At year end, total impairment losses on agricultural customers amounted to DKK 62.9 million with DKK 58.5 million relating to pig farming and DKK 4.2 million relating to dairy farming.

Financial review (continued)

Similar to the previous ten years, the calculation of collective impairment losses in 2017 was made on the basis of a standard model developed by the trade organisation "Lokale Pengeinstitutter" ("The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark"), based on segmentation of the Bank's customers. The accumulated collective impairment losses totalled DKK 21.8 million in 2017.

At year end, impairment losses and provisions for guarantees totalled DKK 245.9 million, corresponding to 3.6% of the Bank's lending and guarantee portfolio.

In 2017, realised credit losses totalled DKK 25.3 million, which is DKK 7.0 million higher than in 2016.
Only DKK 0.6 million of the losses realised in 2017 had not previously been written down.
At year end, receivables with reduced interest rates amounted to DKK 55.5 million, which is DKK 36.4 million lower than in 2016.

Market value adjustments
Market value adjustments show a positive gain of DKK 24.8 million, which is DKK 5.2 million up on 2016. The capital gain primarily consists of a gain of DKK 24.5 million on the shareholding, a gain of DKK 2.2 million on currency and a net loss of DKK 1.9 million on the bond portfolio.
The positive market value adjustment of the shareholding is primarily attributable to the Bank's holding of sector equities from the Bank's business partners.

Profit
Profit before tax amounted to DKK 122.5 million, which is an improvement of DKK 30.6 million compared to 2016, corresponding to an increase of 33.3% and the best result in the Bank's history.

The profit represents a return on average equity before tax of 12.6%, which is an increase compared to 10.2% in 2016.

Earnings per DKK 1 in costs amounted to 1.58 in 2017 compared to 1.40 in 2016.

After taxes of DKK 24.4 million, profit for the year amounted to DKK 98.1 million.

Balance sheet
The Bank's balance sheet increased by DKK 1,423 million and amounted to DKK 8,967 million at year end, corresponding to an increase of 18.9%.

The most significant changes to the Bank's assets relate to an increase of DKK 851 million in lending, of which DKK 260 million relates to a short-term large lending draw during year end. The current lending draw was reduced in the beginning of 2018. The Bank's pool schemes increased by DKK 758 million, and the bond portfolio decreased by DKK 138 million.

The most significant changes to the Bank's liabilities relate to increased deposits of DKK 674 million and growth of DKK 747 million in pools.

Pension pools
In Q4 2016, the Bank decided to extend the number of pension pools by an additional three pools so that the Bank now has four pension pools matching the customers' individual investment profiles. Customers have welcomed the new pools, which have entailed an increase of DKK 747 million in the pension pools to DKK 1,837 million at year end.

Large exposures
The creditworthiness of the Bank's credit portfolio is generally good due to constant and long-term focus on credit quality as well as sound and conscious risk diversification of both private and corporate customers and sectors.
Please refer to the separate section on credit risk management as well as notes 32, 33 and 34, which contain a summary of the credit portfolio.

Further specifications of impairment losses on lending and guarantees are included in note 8.

The financial ratio for the Bank's largest commitments amounted to 52.8% at year end against 80% in 2016 and is thus lower than the Bank's overall maximum target of 80%. In addition to an increased capital base, the decrease is also due to a reduction of two large commitments.

The calculation and financial ratio of the Bank's largest commitments include four commitments spread over three different industries (public authorities, agriculture and real property). All large commitments relating to corporate customers are individually below the Bank's maximum limit of DKK 150 million per commitment.

Management's review

Financial review (continued)

Contingent liabilities
The Bank's contingent liabilities (primarily guarantees) increased by DKK 471 million to DKK 2,059 million, corresponding to an increase of approx. 30% compared to 2016. The increase is primarily attributable to increased securities due to greater activity in the housing sector.

Market risks
The Bank's total interest rate risk in 2017 was in the range of 0.7% to 1.7% of the Bank's core capital after deductions.

At the end of the year, the interest rate risk was 1.2% of the core capital after consolidation. The Bank's bond portfolio amounted to DKK 2.0 billion at the end of 2017. The demand for even a modest positive direct interest return would result in an interest rate risk that should not exceed 2.0% of the Bank's core capital after deductions.

In the year under review, the exchange rate risk (indicator 2) maximally accounted for 0.1% of the Bank's core capital after deductions.

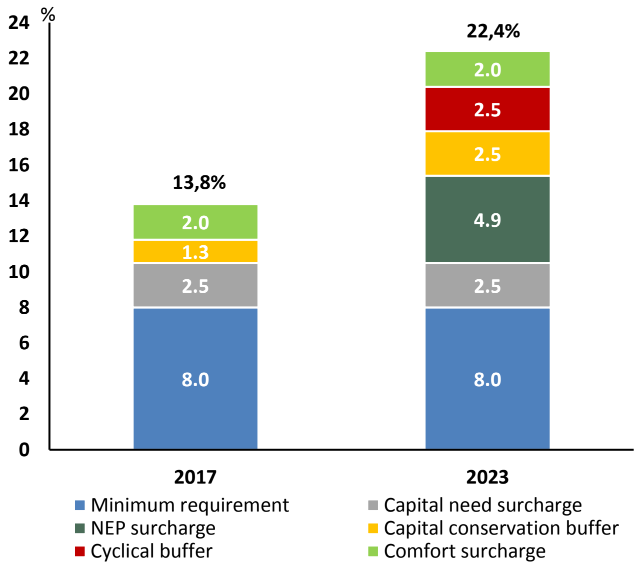
Proposed profit appropriation and consolidation

Profit for the year after tax amounted to DKK 98.1 million.

The Board of Directors wants the Bank to have a solid economic foundation, primarily as common equity tier 1 capital to meet future increasing capital requirements and a potential expansion of the business volume. The Bank's Management is very aware that the gradual phasing in of the increased capital requirements up to 2023 and potential future capital requirements that Basel IV may entail should already be incorporated in the Bank's capital planning.

The upcoming NEP requirements (requirements on impairment-suited liabilities) will come into force on 1 January 2019 and will lead to a significant addition to the bank's current capital requirement up to 2023. Based on the Bank's 2016 figures, the Danish Financial Supervisory Authority has determined a preliminary outline for the Bank's NEP surcharge of 4.9%. Based on the known implementation of the capital conservation buffer and potential total implementation of the business cycle buffer by 2023, the solvency requirement including a fixed comfort surcharge of 2% can increase from 13.8% in 2017 to 22.4% in 2023.

Solvency requirement:



With a solvency of 18.9% at the end of 2017, the Bank will potentially need to increase solvency by 3.5 percentage points by 2023, corresponding to an increase of the capital base of approx. DKK 155 million, which the Bank's Management will take into account in connection with the decision on distribution of dividend for this and coming years.

In the annual report, the Board of Directors has therefore rephrased the wording in the Bank's dividend policy so that it no longer indicates an expectation to pay out dividend of at least 25% of net profit.

Dividend policy

Each year the Board of Directors assesses, based on a current assessment of the Bank's capital structure, the share of the net profit for the year that is proposed distributed as dividend.

The current assessment of the Bank's capital structure includes:

- **Ensuring that the capital ratio at least meets the total regulatory capital requirements plus 2 percentage points**
- **Ensuring that as high a share of the Bank's capital ratio as possible is made up of common equity tier 1 capital (CET1)**
- **Assessing the current capital requirement in relation to the known future regulatory requirements in this respect**

The Bank's annual decision on dividend distribution will also include the Bank's other options to optimise the return of the shareholders' investments in the Bank.

Based on the Bank's dividend policy where the upcoming capital requirements are taken into account, the Board of Directors will therefore propose the same dividend as in 2016 at the Bank's annual general meeting so that

- dividend of DKK 7 per share (of DKK 10 each) is distributed, corresponding to a total dividend distribution of DKK 18.9 million, which is 19.3% of net profit and
- the remaining profit of DKK 79.2 million is transferred to reserves.

The Bank's equity amounts to DKK 1,015.6 million, an increase of 8.8%. Further details are included in the statement of changes in equity.

Management's review

Financial review (continued)

Capital base

At the end of the year, the Bank's capital base was DKK 838.0 million, and the capital ratio (solvency ratio) was 18.9%.
The Bank's own capital requirement is calculated at 10.5% in accordance with the Danish Financial Supervisory Authority's guidelines, and the requirement from the phasing in of the capital conservation buffer is 1.25%. The Bank thus has a satisfactory surplus, amounting to 7.1 percentage points, corresponding to DKK 316 million.

The Bank continuously assesses its capital requirement by means of stress tests, etc. For further information and details, see djurslandsbank.dk/ombanken/risikorapport 2017 (in Danish), which contains the full report on the Bank's capital requirement.

At the Bank's annual general meeting on 15 March 2017, the Board of Directors was mandated by the general meeting to raise additional capital in the form of hybrid and/or supplementary capital up to DKK 100 million.

The mandate has not been exercised since the Bank has had no need for additional capital.

At the annual general meeting on 14 March 2018, the Bank will ask to have the mandate extended by another year.

According to the Bank's articles of association, the Board of Directors is authorised, up until 1 March 2022, to increase the share capital by up to DKK 27 million to a total of DKK 54 million through one or more issues.

At the annual general meeting on 14 March 2018, the Bank will therefore table a motion for an amendment to the articles of association to extend the mandate to 1 March 2023 in accordance with applicable statutory rules.

The Bank's share capital of nominally DKK 27 million is held by approx. 17,500 shareholders.

After Henrik Lind, Aarhus and his companies informed the Bank on 11 May 2017 that their ownership interest is now below 5% of the Bank's share capital, the Bank no longer has any shareholders with an ownership share exceeding 5%.

Liquidity

The Bank generally finances its lending with traditional deposits from its own customers and equity, which means that the Bank is independent of large individual deposits and financing from professional providers.

(DKK million)	2017	2016
Deposits	5,827	5,153
Lending	4,516	3,665
Deposit surplus	1,311	1,488

The Bank has a significant deposit surplus, and liquidity statements have been very satisfactory throughout 2017.

In 2017, the previous liquidity requirement in section 152 of the Danish Financial Business Act was replaced by the LCR (Liquidity Coverage Ratio) requirement. The LCR requirement shows how banks, under various forms of market stress, are able to meet their payment obligations within a 30-day period without access to market funding.

The ratio is calculated by comparing the Bank's liquidity and liquid assets to the Bank's payment obligations for the coming 30 days as calculated according to specific rules. The LCR requirement is being implemented gradually and will be fully implemented in 2018 where the requirement is 100%. In 2017, the LCR requirement was 80%.
The Bank's liquidity in relation to the LCR requirement at the end of 2017 amounted to 172%, which is considerably higher than the current statutory requirement and the fully implemented LCR requirement in 2018.

The previous liquidity requirement in section 152 of the Danish Financial Business Act will, however, still be used as an indicator in the Supervisory Diamond up until June 2018.
At the end of 2017, the Bank had excess liquidity cover compared to the liquidity requirement in section 152 of the Danish Financial Business Act of 178%, corresponding to approx. DKK 1,780 million.

For further information on cash management, see the separate section thereon.

Financial review (continued)

Business development

Starting in the autumn 2016, the Bank has carried through a strategy process to adapt and develop the Bank's business model to future requirements and conditions for the financial sector.

Strategy 2025

The strategy process involved a number of task forces in the Bank that addressed the mega trends expected to impact the sector in the next 5-10 years. The task forces presented a number of strategy options that, in time with development, can be implemented during the period. Thus, the Bank is well-prepared for potential future changes to the conditions for carrying on banking activities.

Based on these options, the Executive Board has prepared a strategy plan up until 2025, which the Board of Directors has discussed and approved.

The overall theme of the strategy can be summarised as follows: ***Growth through personal and expert advisory services in a digitalised world.***

The strategy includes the three strategic business areas *Private*, *Corporate* and *Youth* as well as five cross-functional strategic themes within

- Availability
- Competences
- Digitalisation
- Image and communication
- Delivery model of the future

The strategy is a continuation of the Bank's current business model and the positive trend that it has fuelled, e.g. the importance of maintaining and strengthening personal relationships with the Bank's customers.

The individual elements of the strategy will be implemented by means of activities over the period to maintain and secure the Bank's business model and competitiveness and thus contribute to the Bank's future positive development in financial ratios.

The strategy includes regular assessments of opportunities to widen the Bank's business volume with new customers within the Bank's market segment in Eastern Jutland. The size and structure of the Bank's branch network is regularly assessed on an ongoing basis and in 2015 and 2016 led to the opening of two new branches in Løgten-Skødstrup and Hinnerup, respectively.

In 2016, the Bank established a corporate department in the Risskov branch to accommodate increasing demand from corporate customers in the Aarhus area.

In recent years, the Bank has experienced a large inflow of customers in the Northern part of Aarhus and Risskov with the result that the Risskov branch now needs larger premises. Therefore, the planning of an expansion of the Risskov branch has commenced, and the adjoining site has been acquired to build an extension that will expand the branch to the expected need going forward. The construction is expected to be completed by the end of 2019.

The Bank did not establish any new branches in 2017, but it is part of the strategy up to 2025 that the Bank's continued growth should primarily be based on the establishment of new branches in Eastern Jutland. At the same time, the Bank's current branch structure and delivery model must be assessed on an ongoing basis to ensure continued adjustments to future requirements and increased efficiency.

In addition to the physical branches, the Bank's digital services for customers, such as the option to hold online meetings, will be improved and further developed. The Bank's profile on social media was also developed further in 2017.

Since 2016, the Bank has invested in new state-of-the-art ATMs that can both pay out and receive cash deposits in Danish kroner and euro. In 2018, the Bank expects to invest in five new ATMs, and subsequently, all the Bank's branches will have one of the state-of-the-art ATMs. At the same time, the Bank will increase the number of counter-free branches.

Financial review (continued)

Outlook for 2018

The Bank expects that growth in the national economy in 2018 will be marginally higher than in 2017 and thus continue the positive trends showing increased consumer optimism, increased propensity to invest in the corporate sector, increased employment rates and continued high turnover in the housing market.

The low interest rate is expected to continue throughout 2018 as the European Central Bank and Danmarks Nationalbank are still expected to support growth initiatives with purchase programmes and negative money market interest rates.

With the positive economic growth, the Bank expects to further increase its business volume, also in terms of lending. In 2017, the Bank already saw a positive trend in private customers' demand for lending. This trend is expected to continue in 2018, and corporate customers are also expected to increase their investments in future growth.

Management therefore expects that the Bank's lending in 2018 will show growth of up to 9%, which will have a positive effect on the Bank's earnings due to increased interest income.

The extremely low interest rate level is expected to continue to reduce the Bank's interest margin, which will have an adverse effect on earnings. Furthermore, the continued very low bond yields mean that the Bank's return on its portfolio of securities will be lower than in 2017.

On the other hand, the low interest rate level will continue to have a positive effect on the turnover and activity level of the housing market, and increasing earnings are therefore expected in this area in 2018.
The Bank saw a substantial inflow of new customers in 2017, which is expected to continue at the same high level in 2018.
The Bank's business model, which combines Active Customer Advice with the Bank's local visibility, attracts many new customers – in part because the Bank is highly recommended by current satisfied customers.

The proactive customer advisory services and continued inflow of customers are expected to expand the Bank's total business volume and generally increase earnings in most of the Bank's items of income.

As in 2017, the implementation of MiFID II and the related commission ban regarding power of attorney arrangements are expected to result in declining earnings in the asset management segment.

Despite great focus on possible optimisation, the increased level of activity in 2017 and 2018 is expected to result in a need for a minor increase in the number of employees, which together with collectively agreed wage increases as well as an increased payroll tax rate will increase staff costs. The Bank's other administrative expenses are expected to increase by 2-3% in 2018.

Earnings expectations for 2018

In line with a number of other banks, the Bank has previously announced its expectations of core earnings for the coming year as this item does not include the cyclically sensitive items market value adjustments and impairment losses.

According to the Danish Financial Supervisory Authority, expectations of core earnings alone does not live up to the requirements of the Danish Executive Order on the Presentation of Financial Statements; the Bank must also disclose expectations of profit for the year.

Based on the Bank's expectations of continued positive trends in the national economy and the Bank's action plans and activities in 2018, Management expects a profit before tax in the range of DKK 60-75 million in 2018.

Losses and impairment losses on lending are expected to be approx. 0.3% of the Bank's lending and guarantees against a realised rate of -0.4% in 2017.

Financial review (continued)

Company announcements issued in 2017

The Bank issued the following company announcements via Nasdaq Copenhagen in 2017:

No.:	Date:	Regarding:
1	27.01.2017	Upward adjustment of expected core earnings for 2016
2	08.02.2017	Annual report for 2016
3	16.02.2017	Notice of the annual general meeting
4	16.02.2017	Motion to amend the articles of association
5	15.03.2017	Minutes of annual general meeting
6	15.03.2017	Approved articles of association
7	10.05.2017	Quarterly report, Q1 2017
8	11.05.2017	Major shareholder announcement
9	04.07.2017	Change in the Board of Directors
10	11.08.2017	Interim report, H1 2017
11	03.11.2017	Interim report, Q1-Q3 2017
12	19.12.2017	Financial calendar for 2018

Financial calendar 2018

14.03.2018	Annual general meeting
09.05.2018	Quarterly report, Q1 2018
08.08.2018	Interim report, H1 2018
02.11.2018	Interim report, Q1-Q3 2018

The Danish Financial Supervisory Authority

In H2 2016, the Bank was subject to the Danish Financial Supervisory Authority's cross-cutting inspection regarding opening of new branches. Subsequently, the Bank has received an enforcement notice that the Bank's credit policy does not sufficiently describe the required risk profile of new customers.

In Q1 2017, the Danish Financial Supervisory Authority also performed a general inspection of the Bank as part of its ongoing supervision. The inspection focused on Management's work, the Bank's credit risks, market risks, finances and solvency and capital need. Subsequently, the Bank has received six enforcement notices and has been ordered to make the following adjustments:

- Additional impairment losses on lending, DKK 7.3 million
- Write-down of the Bank's owner-occupied properties, DKK 0.7 million
- Increase of capital need, 0.3%

The above-mentioned adjustments have been incorporated in connection with the interim financial statements for H1 2017. For additional information, see the Danish Financial Supervisory Authority's statement on inspection as well as the Bank's comments on the Bank's website.

Other information

Accounting policies
This annual report has been prepared in accordance with applicable legislation and relevant rules and guidelines. The accounting policies are consistent with those used in the preparation of the annual report for 2016. For further information on the accounting policies, see page 57.

Significant events after the balance sheet date
At the time of publication of this annual report, the financial reporting standard IFRS 9, which replaces IAS 39, entered into force with effect from 1 January 2018. IFRS 9 changes the existing rules for classification and measurement of financial assets and impairment losses substantially, and to some extent, the rules for hedge accounting.

The general provisions of IFRS 9 have similarly been incorporated in the Danish Executive Order on the Presentation of Financial Statements and supplemented by special Danish rules for impairment losses in Appendix 10 to the Executive Order that comply with the general principles of IFRS 9.

The amended Danish Executive Order entered into force at the same time as IFRS 9, i.e. for accounting periods commencing on 1 January 2018.

The amended rules for classification and measurement of financial assets are only expected to result in insignificant changes to measurement principles compared to the measurement principles used in Djurslands Bank's annual report for 2017.

The expected effect of the IFRS 9 rules on impairment losses on the impairment account amounts to DKK 32 million, which is fully recognised in the opening balance sheet at 1 January 2018.

In order to counter an unintentional effect on the capital base and thereby financial institutions' options to support credit granting, the European Commission has, as part of the reform package that the European Commission presented on 23 October 2016 (risk reduction package, also called CRR II/CRD V/BRRD II), suggested a five-year transition arrangement, according to which any negative effect of the new IFRS 9 impairment rules will not take full effect on the capital base until after five years. The transition arrangement has now been adopted and came into force at the same time as IFRS 9, i.e. on 1 January 2018.

It is voluntary for banking institutions to participate in the transition arrangement, but they must inform the Danish Financial Supervisory Authority of their decision and make it public.

Djurslands Bank has decided not to participate in the transition arrangement.
The effect of IFRS 9 on the capital base at the coming into effect of the rules in 2018 therefore corresponds to the increase in the corrective account at 1 January 2018 adjusted for the tax effect.

For a detailed description of IFRS 9, see note 41 "Accounting policies" under "Future accounting rules".

Management's review

Business foundation

The local bank
Djurslands Bank was formed in 1965 through a merger of three small banks from Auning/Allingåbro, Kolind/Ryomgaard and Grenaa with roots going all the way back to 1906.

Since the formation, the Bank's branch network in Djursland has been expanded regularly with for instance the branches in Syddjurs in the period from 1983 to 1991.
In the Aarhus area, the first branch opened in 1995, and with the latest branch opening in Løgten-Skødstrup in 2015, the Bank now has six branches in the area.
The Bank's most recent branch opening took place in Hinnerup in 2016, where the Bank opened the first branch in the municipality of Favrskov.

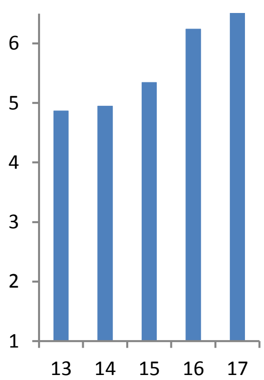
With Eastern Jutland as its primary market, the Bank's vision is to be a strong and attractive financial business partner for financially stable private customers and businesses.

The Bank's strategy is therefore to continue to expand within its natural market segment.

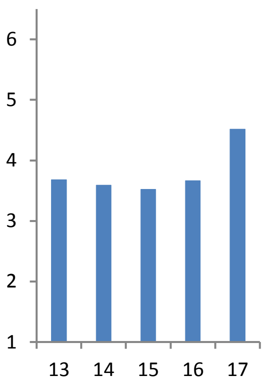
The basis of the Bank's principal objectives is to be a competitive, professional and locally-oriented business at all times.
Steady development, optimal use of resources, responsible risk management and controlled growth are therefore keywords in the management of the Bank.

The Bank's values are described in detail on the back of the annual report.

Deposit (incl. pools)
DKK billion



Lending
DKK billion

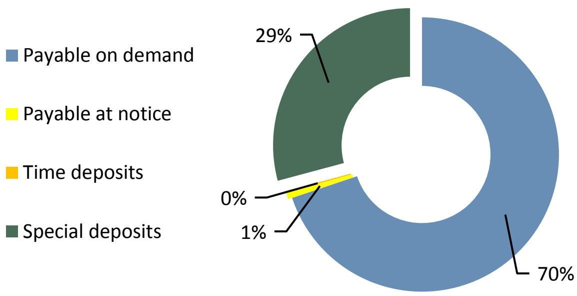


Business foundation
Djurslands Bank is a full-service bank for private customers, small and medium-sized commercial entities and public institutions in the Bank's market segment. In addition to banking products, customers are offered a full range of mortgage, investment, pension and insurance products.

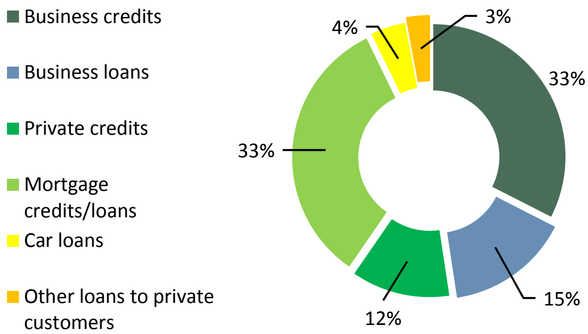
The Bank's primary business partners within these lines of business are:

- Totalkredit
- DLR Kredit
- BankInvest
- Privatsikring
- Letpension

Deposits broken down by main product



Loans broken down by main product



Customers
The Bank advises and serves 45,950 private customers, 3,925 businesses and public institutions as well as 2,000 clubs and associations.

The Bank's customer base continues to grow within the desired customer segments where healthy economic behaviour and all-round customer service are fundamental elements. In recent years, the Bank has enjoyed solid growth in customer numbers and has increased its market share, in particular in Aarhus.

Business foundation (continued)

Customer development – 5-year survey

	Private customers	Annual growth	Corporate customers	Annual growth
2013	36,400	5%	3,175	5%
2014	37,800	4%	3,275	3%
2015	39,500	4%	3,325	2%
2016	42,700	8%	3,600	8%
2017	45,950	8%	3,925	9%

The Bank prioritises subsidiarity and personal dialogue with its customers.

Finding it important to know its customers and their financial situation, the Bank builds its services and advice on the customers' individual needs and wishes.

The Bank's advisory services concept, which includes active and personal customer advice, supports the Bank's business goal: customers who choose to have all their financial business in the Bank will reap cash benefits.
This ensures the best foundation for providing qualified and coherent advisory services to customers.
The Bank's local branches play a central role in providing personalised and individual advice.
We call it Active Customer Advice, and we aim to become the best in Denmark in this area.

In addition to this, the Bank's customers are offered all relevant types of self-service products.
A very large number of the Bank's corporate and private customers have electronic access to the Bank via NetBank, MobilBank or NetBank Erhverv.

Systematic and ongoing surveys of the Bank's customers are the foundation of the Bank's business development, including services, products and concepts. The results of the latest customer surveys are included in the Bank's CSR report on the Bank's website.

Employees
Djurslands Bank aims to be an attractive workplace where skills development and the employees' well-being are the foundation for the Bank's continued growth.

Staff initiatives are therefore aimed at attracting, developing and retaining professionally skilled, loyal and dedicated employees.

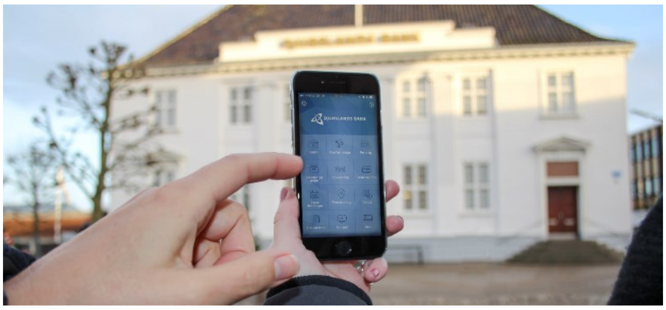
The Bank works systematically to develop each individual employee's professional and personal skills. The Bank has defined job descriptions and job profiles, and any gaps between skills and job requirements are discussed at the annual performance and development reviews. Against this background, personal growth plans are discussed in order to maintain and strengthen each employee's skills and to ensure that the employee's resources are used in the best possible way.

After having carried out internal employee satisfaction surveys for a number of years, the Bank carried out its employee satisfaction survey for 2016 in cooperation with Great Place to Work, where the Bank was rated as no. 9 and was the second best bank among the 128 participating entities in the category medium-sized workplaces with 50-499 employees. With a general satisfaction score of 98 out of 100, the result was very impressive. Participation in Great Place to Work also includes the preparation of a culture profile with all employees providing input to the description of Djurslands Bank as a workplace. The next survey will be conducted in 2018.
For further information, see the Bank's CSR report at djurslandsbank/ombanken/samfundsansvar2017.

The employees in Djurslands Bank are usually employed for a long period of time, and staff turnover is generally low. For 2017, staff turnover was 5.3%, and the average period of employment was 13.3 years. The number of employees in the Bank in 2017 remains largely unchanged compared to 2017.

Technology and work processes
The Bank has outsourced the major IT functions to the data centre Bankdata, which the Bank owns along with 10 other banks. The Bank's IT operations are further outsourced to JN Data.

The use of technology and digital solutions will become increasingly important to the Bank's competitiveness in relation to customer-facing applications and the efficiency of the Bank's work processes. This includes significant and essential use of IT resources to meet the authorities' increased regulatory requirements.



The Bank's IT development in Bankdata is in cooperation with the 11 banks in Bankdata, the largest of which are Jyske Bank and Sydbank. This ensures the Bank the necessary driver to meet growing future IT demands.

The Bank's investments and costs in IT in Bankdata have increased significantly in recent years partly due to increasing use of IT by customers and partly due to increasing development costs due to large regulatory measures such as MiFID II and the General Data Protection Regulation and finally as a consequence of a few extraordinarily large development projects within capital markets and housing consulting.

In the coming years, the Bank will further expand the customers' options to use digital solutions and a wider range of self-service solutions.

Corporate governance

Corporate governance in Djurslands Bank
Djurslands Bank's Management continuously addresses developments within corporate governance and the Management Code published by Finance Denmark in 2013 and updated in 2014.

The Bank has published its statutory corporate governance statement on its website.

At djurslandsbank.dk/ombanken/godselskabsledelse2017 (in Danish), the Bank's shareholders and other stakeholders can read more about Djurslands Bank's response to the full set of Recommendations on Corporate Governance and Finance Denmark's Management Code.

The Bank complies with most of the recommendations. For those with which the Bank does not comply, Management has provided a detailed explanation of the reasons in accordance with the so-called "comply or explain" principle.

Publicly listed companies' disclosure requirements cover the individual company's position on and assessment of corporate governance, and the following sections therefore describe some of the Bank's most significant areas covered by the rules.

To ensure implementation of its business strategy and policies, the Bank has prepared a set of values describing how the Bank practices corporate governance.

Shareholders
The Bank is owned by approx. 17,500 shareholders, none of whom owns more than 5% of the share capital.

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

Management aims to realise this objective by developing the Bank in continued dialogue with the Bank's principal stakeholders

- Customers
- Shareholders
- Employees
- The local community

Information to the Bank’s shareholders is continuously being expanded on www.djurslandsbank.dk, and Management also aims to improve the level of information in its regular notifications and reports.

A large majority of the Bank's shareholders decided at the annual general meeting in 1990 to insert ownership restrictions in the Bank's articles of association by way of an ownership ceiling of 10% of the share capital.
The direct reason for this was that two other financial institutions held relatively large shareholdings in the Bank, implying a risk of their exercising a dominant influence over the Bank.

Motions to amend the articles of association can be put forward by the Bank's shareholders and are addressed at the annual general meeting. Adoption of motions take place in accordance with the Bank's articles of association, which are available on the Bank's website.

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

No. of shares	No. of votes
1-50	1
51-100	2
101-200	3
201-400	4
401-800	5
801 and above	6

No shareholder may cast more than a total of six votes on his/her own behalf.

According to Management, 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.
According to Management, optimising returns to shareholders in the short term by lifting the restrictions is not in harmony with the best interests of the customers, the employees and the local community.

Corporate governance (continued)

Board of Directors
The Bank's Board of Directors consists of six members who are elected by the Board of Representatives counting 50 members.
In addition, the Bank's employees have elected three members to sit on the Board of Directors.
The composition of the Board of Representatives and the Board of Directors is shown on page 66-67 of the annual report.

The six board members elected by the shareholders are elected for a 2-year term, meaning that three are up for election each year. Please see note 39.
The number of board members is assessed on a regular basis. According to the Board of Directors, the current number is appropriate for managing the Bank.
The Bank's articles of association stipulate an age limit of 67 years for members elected to the Board of Representatives and thus also for members elected to the Board of Directors.

On the resignation of Jan B Poulsen, the employee representative on the Board of Directors, from his position in the Bank, the alternate director Anders Tækker Rasmussen joined the Board of Directors effective from 11 August 2017. For further information, see the Bank's stock exchange announcement 9/2017 of 4 July 2017.

There were no other changes to the Bank's Board of Directors in 2017.

The Board of Directors' tasks and responsibilities and the division of these between the Board of Directors and the Executive Board are specified in instructions prepared in accordance with statutory rules and the requirements and guidelines of the Danish Financial Supervisory Authority.

Board meetings are held at intervals of 3-4 weeks or as required. In 2017, 15 board meetings were held. The Board of Directors can also hold digital board meetings, primarily to resolve specific matters that must be addressed before the next planned board meeting.
According to a specific process, the Board of Directors evaluates its own competences in relation to the Bank's business model and overall risks in order to identify and address any skills gaps.

The members of the Board of Directors who are elected by the Board of Representatives are regarded as being independent of the Bank.

The Board of Directors' and the Executive Board's other directorships are outlined below. The fees and remuneration to the Board of Directors and the Executive Board are outlined in note 6 to the annual report.

Peter Zacher Sørensen, born in 1958

Chairman of the Board of Directors since 2016
Member of the Board of Directors since 2012
Up for election in 2019

Occupation
Attorney with the right of audience before the Danish Supreme Court, Zacher Advokater

Education
Master of Laws

Other directorships
Chairman of Djurs Invest
Member of the Board of Directors of Fregat Fisk

Specialist skills
Commercial and company law
Company transfers
Succession
Contractual relationships
Litigation
Housing consulting

Corporate governance (continued)

Ejner Søby, born in 1966

Vice chairman of the Board of Directors since 2016
Member of the Board of Directors since 2009
Chairman of the Audit Committee since 2009
Up for election in 2019

Occupation
Treasurer, Danish Crown

Education
BSc Economics, Graduate Diploma in Business Administration, estate agent

Other directorships
Chairman of the Board of Directors of OL Grafik
Member of the Board of Directors of Sundby – Wenbo Fonden and Danish Crown's Holiday Fund

Specialist skills
Financial education in banking and theoretical training
Head of operations for Danish Crown's finance department

Tina Klausen, born in 1960

Employee representative on the Board of Directors since 1998
Up for election in 2018

Occupation
Head of department, Djurslands Bank

Education
Financial education
Estate agent

Other directorships
Member of the Board of Directors of Djurs Invest

Specialist skills
Theoretical training for board members through the Bank
Theoretical training for board members through The Financial Services Union in Denmark.

Helle Bærentsen, born in 1966

Employee representative on the Board of Directors since 2006
Up for election in 2018

Occupation
Financial adviser and deputy manager, Djurslands Bank

Education
Financial education

Specialist skills
Theoretical training for board members through the Bank
Theoretical training for board members through The Financial Services Union in Denmark.

Peter Pedersen, born in 1955

Member of the Board of Directors since 2013
Up for election in 2018

Occupation
Farmer, self-employed pig farmer

Education
Farmer

Specialist skills
Extensive experience within agriculture as a pig farmer and agricultural organisations

Corporate governance (continued)

Bente Østergaard Høg, born in 1965

Member of the Board of Directors since 2016
Up for election in 2018

Occupation
Vice President Global Procurement, Vestas Wind Systems

Education
Bachelor in language
Graduate Diploma in Business Administration

Specialist skills
Higher education in human resource management
Responsible for strategy and business development
Extensive experience in international compliance and risk management in Vestas
Basic course for board members in banking institutions

Anders Tække Rasmussen, born in 1972

Employee representative on the Board of Directors since 2017
Up for election in 2018

Occupation
Corporate customer manager in Auning, Djurslands Bank

Education
Agricultural technologist specialising in economics

Specialist skills
Theoretical training for board members through The Financial Services Union in Denmark.
Basic course for board members in banking institutions

Uffe Vithen, born in 1961

Member of the Board of Directors since 2006
Up for election in 2019

Occupation
General Manager

Education
All-round office skills training

Other directorships
Member of the Board of Directors of Djurs Invest
Chairman of Malling Varmeværk

Specialist skills
Theoretical training for board members through the Bank
Six years as vice chairman of the Bank's Board of Directors
Extensive experience as head of housing association under the supervision of public authorities

Mikael Lykke Sørensen, born in 1963

Member of the Board of Directors since 2008
Up for election in 2018

Occupation
Owner, Nybolig Jeppesen & Sørensen

Education
Financial education with experience as investment and business adviser, estate agent, MDE

Other directorships
General Manager of Djurs Invest

Specialist skills
Extensive experience as a business manager and business owner
Housing transactions
Investment
Credit
Theoretical training for board members through the Bank

Corporate governance (continued)

Executive Board

Lars Møller Kristensen, born in 1960

Member of the Executive Board since 2014

Occupation
Managing Director, CEO, Djurslands Bank

Education
Financial education, Graduate Diploma in Business Administration

Other directorships
Member of the Boards of Directors of:
Bankdata
JN Data
Djurs Invest

Audit Committee
The Board of Directors has appointed a separate audit committee. The Audit Committee monitors accounting and audit matters and ensures that these matters are addressed by the collective Board of Directors.
The Audit Committee comprises the collective Board of Directors with Treasurer Ejner Søby as chairman. The Committee usually holds two meetings each year.

Risk Committee
The Board of Directors has appointed a separate risk committee that will address and advice the Board of Directors on the Bank's risk profile and risk strategy and ensure that the risk strategy is implemented in the Bank's organisation.
The Risk Committee comprises the collective Board of Directors with General Manager Uffe Vithen as chairman. The Committee usually holds two meetings each year.

Nomination and Remuneration Committee
The Board of Directors has appointed a nomination and remuneration committee to assess and advice the Board of Directors on its competencies, diversity and composition as well as future requirements in this respect. Moreover, the Committee is responsible for the preparatory and monitoring work in connection with the Bank's wage policy.
Attorney Peter Zacher Sørensen is chairman of the Committee. The Committee usually holds three meetings each year.

Further information on the three committees and their tasks can be found at the Bank's website at
djurslandsbank.dk/ombanken/loenpolitik

Wage policy
The purpose of the Bank's wage policy is that the principles for allocation of salaries promote sound and effective risk management of the Bank.
The Bank's wage policy is based on current legislation and the Financial Sector Code on wage policy.

The wage policy for the Board of Directors and the Executive Board and other employees is designed so that salary is paid as a fixed amount without incentive compensation.

The remuneration of the Board of Directors is determined by the Board of Representatives and the remuneration of the Board of Representatives is determined by the general meeting. The Board of Directors determines the remuneration of the Executive Board.

The Bank's wage policy is drafted by the Board of Directors and adopted by the Bank's general meeting. The wage policy was most recently adopted at the annual general meeting on 15 March 2017, and no significant changes to the policy have taken place since then.

Further information on the Bank's wage policy is available at the Bank's website at djurslandsbank.dk/ombanken/loenpolitik2017

Policy for the underrepresented gender in management bodies
Board of Directors
In 2017, the gender distribution of the Bank's Board of Directors elected by the Board of Representatives was 5 men and 1 women, corresponding to 83% men and 17% women. The number of the underrepresented gender thus remains unchanged compared to 2016.

It was the Board of Director's target to increase the share of female board members elected by the Board of Representatives to 33% by the end of 2019, corresponding to 2 out of 6 board members. In 2017, the Board of Directors has reassessed the time frame for the target to the end of 2020.

For the collective Board of Directors, including board members elected by the Board of Representatives, the gender distribution is 6 men and 3 women, corresponding to a share of the underrepresented gender of 33%.

The Board of Directors is elected by the Board of Representatives based on an overall assessment of skills and diversity. Whether the target will be reached thus depends on whether gender, skills and other diversity can be matched in connection with new elections to the Board of Directors and skills represented on the Board of Representatives.

Corporate governance (continued)

Board of Representatives
The Bank is making an extraordinary effort to increase the number of potential female candidates for the Board of Representatives.
The share of female members of the Board of Representatives has increased from 16% in 2015 to 24% in 2017. The target for 2017 was 25%, and in 2017, the Board of Directors has set a new target of 30% for the share of female members on the Board of Representatives by the end of 2020.

Other levels of management in the Bank
The Board of Directors has adopted a policy that aims to increase the share of the underrepresented gender in the Bank's Management.

The overall goal of the policy is to have an appropriate balance of men and women in Management. The Bank appoints managers based on the premise that they are the most suitable employee for the position – regardless of gender. The Bank promotes an open and unbiased culture, where focus is on expertise rather than gender. The Bank's employees, regardless of gender, must believe that they have equal career and leadership opportunities. The Bank systematically supports this process with annual performance reviews as well as the HR department's own efforts to promote leadership development. The Bank's original goal was that the share of female managers should be increased to 35% before the end of 2016, but it was not met due to the Bank's low staff turnover and thus limited need for potential replacement of managers.

In 2017, the Bank reassessed the target for the share of female manager to 25% by the end of 2020, 35% by the end of 2025 and 40% by the end of 2030. At year end 2017, the share was 16%. At present, the share of female managers is 20%, which is in line with year end 2016.

Risk management

In all the major risk areas, the Bank's Board of Directors has drawn up and laid down policies in accordance with applicable legislation and the rules and instructions of the Danish Financial Supervisory Authority.

In the instructions to the Executive Board, the Board of Directors has laid down the framework for risk management of the Bank and related reporting.

Through regular reports from the Executive Board, the risk manager, compliance officer, internal and external auditors, the Bank's Audit Committee and regular supervision by the Danish Financial Supervisory Authority, the Board of Directors is fully aware of the risk management of the Bank.

The Bank's overall control environment and risk management of all significant areas are continuously evaluated and adjusted.

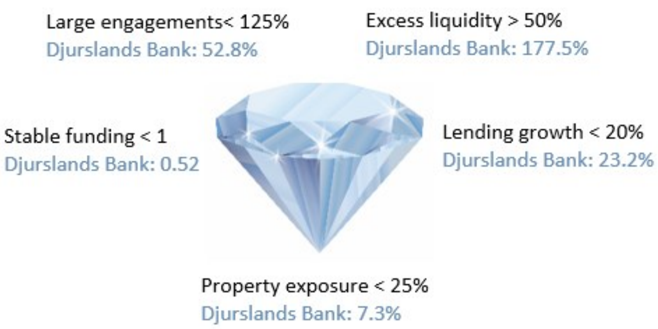
The full risk report of the Bank is available at djurslandsbank.dk/ombanken/risikorapport2017 (in Danish), to which we refer.

General information
For a number of years, the Bank has focused on the development and composition of its balance sheet, and growth took place within the natural framework dictated by the overall economic trends in society.

At year end 2017, the Bank exceeded 1 of 5 threshold values in the Danish Financial Supervisory Authority's Supervisory Diamond as the Bank's lending growth amounted to 23.2%, which is 3.2 percentage points above the threshold value of 20%. The reason for the overrun is a short-term large lending draw during year end. The current lending draw which resulted in the overrun is considered risk-free as the exposure is included without weighting in the Bank's risk-weighted assets. The short-term draw also means that the Bank was within the threshold value 4 days after year end. The Bank's increase in average lending was 6.7% for the year.

The Danish Financial Supervisory Authority's Supervisory Diamond stipulates threshold values for five special risk areas that banking institutions should generally fall within.

Supervisory Diamond at 31 December 2017



Effective from the beginning of 2018, the Danish Financial Supervisory Authority has issued an adjustment to the indicator for large commitments in the Supervisory Diamond. The adjustment means that the indicator for large commitments is changed to <175% and that the determination of large commitments is changed to a calculation of the Bank's 20 largest commitments with access to deduction of securities and after impairment losses. Commitments with credit institutions under supervisory authorities in the EU are omitted. The sum is calculated as a percentage of the Bank's common equity tier 1 capital (CET1).
The Bank's large commitments after application of this new calculation method amounted to 143% at year end 2017. The Bank continuously focuses on ensuring that the Bank is well within the adjusted indicator when the adjustment came into force at the beginning of 2018.

Capital
The Bank continuously evaluates the capital requirement necessary to cover the Bank's overall risks, and thus the solvency requirement amount, while at the same time considering optimisation of the capital utilisation.
This ongoing evaluation covers all relevant areas, including the amount, type and allocation of the Bank's capital base.

Tools used to control and calculate a sufficient capital base and capital need include stress tests, which cover all relevant risk areas, and the Bank also works with 5-year capital plans.
Due to its size, the Bank has not been given any credit rating by an international rating agency.
The Bank has therefore set its own solvency target for the Bank's capital ratio. The capital ratio must at least meet the total regulatory capital requirements plus 2 percentage points. The Bank uses the standard method to calculate the capital adequacy.

The development of the Bank's capital requirements is continuously monitored and reported to the Executive Board.
The Bank's capital requirements, capital resources and contingency plans are reported to, discussed with and approved by the Bank's Board of Directors at least every quarter.

Credit risks
Credit risk management constitutes a significant part of the Bank's risk management as lending constitutes by far the largest part of the Bank's assets.

The Bank's credit organisation is structured to enable it to make decisions close to its customers and thus in the individual branches. The authority to make decisions is therefore delegated to customer advisers and branch managers so that most credit decisions are made locally.
Powers are delegated to individual employees based on an assessment of their expertise and according to needs.

The Bank has a central credit department to develop, manage and monitor its credit policies and risks.
The credit department also approves any transactions that exceed branches' authorisation limits under the defined rules, and processes, assesses and proposes the transactions to be approved by the Exposure or the Board of Directors.

The credit department's credit policy monitoring and credit risk management procedures are carried out through very close regular reporting at case, customer and department levels as well as regular follow-up on commitments.

Risk management (continued)

The credit department's ongoing and regular reports to the Executive Board and the Board of Directors cover all of the Bank's credit risks at case, customer, segment, industry and department levels.
In addition, ongoing reports on trends relating to overdrafts, arrears, impairment losses and distressed commitments are made as well as on the composition at customer level of the industries with the highest level of lending.

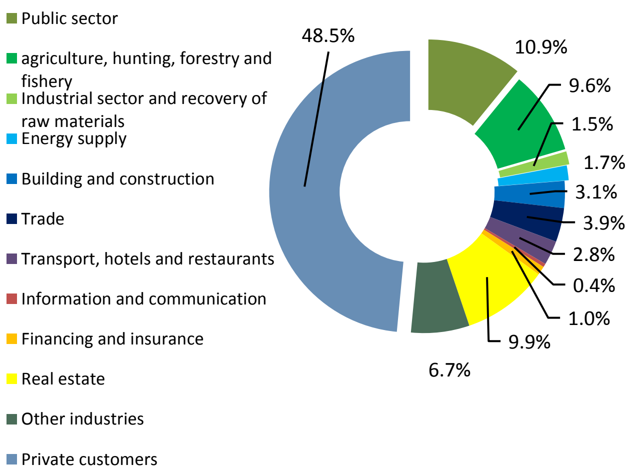
The Bank accepts credit risks on the basis of a defined credit policy.

The Bank's credit policy is particularly focused on risk diversification.

Diversification across
- customers
- segments
- industries

is part of credit management so that no individual commitment – or industry – puts the Bank's survival at risk.

Breakdown of commitments by sector and industry



(See industry breakdown in note 32)

The credit policy also stipulates
- that no commitment on a consolidated basis can exceed DKK 150 million and that any unsecured element cannot exceed DKK 100 million, except for public institutions
- that, in accordance with the calculation in the Danish Financial Supervisory Authority's Supervisory Diamond, large commitments cannot account for more than 80% of the Bank's adjusted capital base
- that no single industry should represent more than 15% of the Bank's total credit portfolio.

The Bank's lending policy is based on the concept that all loan commitments must be based on a sound financial basis.

The fundamental element in assessing the creditworthiness of corporate customers is their ability to service the debt with liquidity from their operations.
For private customers, the balance between net income, expenses and assets is decisive.

A credit rating based on factual financial information regarding the individual corporate or individual customer is used to manage the Bank's credit portfolio.

Where the credit risk is not minimal, it is a general requirement that the customer provides full or partial security for the commitment.
The value of security provided is assessed according to defined valuation principles for each kind and type of security. This also includes changes in the market and deterioration as a consequence of age.

All commitments are evaluated individually to confirm whether there is objective indication of impairment due to events already occurred. If there is objective indication of impairment and if it impacts the expected future cash flows, an impairment loss is calculated.
In this case, the loan is written down by the difference between the carrying amount before impairment and the present value of expected future payments.

Loans and receivables not subject to individual impairment are evaluated collectively to assess any objective indication of impairment.
Collective assessments are made for groups of loans and receivables with uniform credit risk characteristics. There are 17 groups: one group of public authorities, one group of private customers and 15 groups of corporate customers that are subdivided into industry groups.

Collective assessments are made using a segment model developed by the trade organisation Lokale Pengeinstitutter (The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark), which maintains and develops the model on a regular basis. The segment model determines the link in the individual groups between recorded losses and a number of significant explanatory macro-economic variables by linear regression analysis. The explanatory macro-economic variables include unemployment, housing prices, interest rates, numbers of bankruptcies, enforced sales, etc.

The macro-economic 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 portfolio of loans and advances.

Risk management (continued)

This assessment may result in an adjustment of the model estimates to own conditions, and the calculation of the group write-down is then based on the adjusted estimates. Each group of loans and receivables produces an estimate that shows the impairment percentage related to a specific group of loans and receivables at the balance sheet date. The write-down is calculated as the difference between the carrying amount and the discounted value of expected future payments.
Furthermore, in assessing collective impairment losses, the Bank has considered the need to adjust for events already occurred.
The risk related to the guarantees provided by the Bank is assessed individually. If it is likely that the guarantee will lead to an outflow of the Bank's resources, including the risk of whether the Bank can obtain cover for the expected payment from the debtor, the need for a provision for the estimated risk of loss is assessed.

The implementation of the new rules for impairment losses under IFRS 9 in 2018 entails a significant change in the calculation of impairment losses. Reference is made to the section "Significant events after the balance sheet date" on page 11 of the Management's review and to the accounting policies, page 60.

Market risks
Another major risk management area is the Bank's market risk.
Market risk is the changes that a financial claim may be subject to as a result of interest rate changes and general or specific fluctuations in the market price of securities.

In this area, the policy is that the Bank does not undertake risks that may have a significant influence on its financial position.

The Bank's total interest rate risk is quantified and must lie between -1% and +2% of the Bank's core capital after deductions.

The Bank's total foreign exchange risk is quantified to no more than 10% of the its core capital after deductions calculated according to exchange rate indicator 1 (OECD currencies), including a maximum of 1% for non-OECD currencies and 0.1% of the Bank's core capital calculated using exchange rate indicator 2.

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

The Bank uses financial instruments only to hedge risks.

Market risks and changes to these risks are continuously reported to the Executive Board and monthly to the Board of Directors.

Liquidity risks
The Bank's liquidity management aims ensure that the Bank has adequate funds available to discharge its financial liabilities at any given time.
The Bank's cash resources must comply with applicable laws and regulations, and the Bank's liquidity policy stipulates that the Bank should be independent of other financial institutions in terms of liquidity at all times.
The Bank aims to spread its funding according to source, type and tenure.

As the Bank's primary source of funding is customers' deposits, the Bank strives to arrive at a balance between deposits and lending.
Since the Bank further endeavours not to be dependent on large fixed-term deposits, its deposits base includes only minimal fixed-term deposits from customers who are not already customers in other business areas of the Bank.

In addition to deposits, credit facilities with financial partners and Danmarks Nationalbank are used.

Cash management includes stress tests to identify the Bank's cash flow exposure, and the Bank's contingency plans in this respect are updated regularly.

Reporting is made to the Executive Board on a daily basis, and regular meetings and follow-up meetings are held by those in charge in the organisation.

Reporting is furthermore made to the Board of Directors on a monthly basis.

IT security
IT security is monitored and assessed on a regular basis.

The Bank's most significant IT partner is Bankdata, to which most of its operational and development activities have been outsourced. IT operations have further been outsourced to JN Data.
The division of responsibilities and work between Bankdata and the Bank is clearly defined and described, and it is regularly evaluated whether Bankdata complies with the Bank's IT security policy.

Risk management (continued)

The Bank's contingency plans include ongoing updating and testing of IT procedures and contingency plans, and the Bank's security policy is updated regularly.

Operational risks
Operational risks can be defined as 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 behaviour, system breakdown, breach of policies, failure to comply with business procedures, laws and regulations, etc.

In order to minimise operational risks, the Bank has organisationally separated the performance of activities from the control of the activities.
The Bank's Internal Audit function also performs regular audits to obtain the highest possible assurance that policies, business procedures, rules and processes are complied with.

The Bank places great emphasis on its responsibilities when advising its customers and thus also on the financial liabilities that the Bank can incur in this connection.

The Bank seeks to minimise this risk through systematic identification and development of employee skills in all advisory services, including certification of employees or competence tests within pensions, investments and housing consulting.
Wherever possible, the Bank uses technical standardised advisory procedures to have the highest possible guarantee that all elements in a given case are identified and addressed.
Reports regarding current and new customer complaints are regularly submitted to the Executive Board as well as to the Board of Directors.

Recognition and measurement uncertainties
The main recognition and measurement uncertainties relate to impairment losses in respect of lending and provisions for guarantees, the fair value of property and the fair value of unlisted/illiquid securities. However, such uncertainties are considered to be manageable. See the description of accounting estimates in note 36.

Risk
The Bank has established an independent risk management function with a risk manager, who reports to the Executive Board.
The risk manager's responsibilities include the Bank's risk activities across risk areas and organisational entities as well as risks associated with outsourced functions.
The risk manager must ensure that the Bank's risk management is appropriate and identify the Bank's risks and overall risk profile. The risk manager reports to the Board of Directors at least once a year.

Compliance
The Bank has established a compliance function with a compliance officer, who reports to the Executive Board.
The compliance officer's responsibilities are to monitor, advise and assist Management and those in charge of the individual compliance areas to ensure that legislation, market standards or internal rules are complied with. The compliance officer reports to the Board of Directors at least once a year.

Money laundering
The Bank has established an anti-money laundering department with an anti-money laundering manager, who reports to the Executive Board.
The anti-money laundering manager's responsibility is to ensure that the Bank meets the requirements of the Danish Act on Money Laundering and rules issued in this respect, that these rules are integrated in the organisation and that Management focuses on preventive measures regarding money laundering and terrorist funding. The Bank is increasingly dedicating resources to compliance with regulatory requirements to counter money laundering and terrorist funding. The anti-money laundering manager reports to the Board of Directors at least once a year.

Audit
On the basis of a recommendation from the Audit Committee and the Board of Directors, the general meeting appoints the external auditor for the coming year as well as an alternate.

In accordance with applicable legislation, the external auditor conduct the audit of the Bank, including planning, performance and reporting to the Board of Directors on the work performed.

In addition to the external auditor, the Bank's Board of Directors has appointed an audit manager to be in charge of the Internal Audit department.

The division of work between the external auditor and the Internal Audit department is agreed annually.
The Internal Audit department reports to the Board of Directors at least semi-annually.
In connection with the audit of the annual report, the auditors go through the details of long-form audit reports with the Board of Directors and present their overall assessment of the Bank.

The Bank's Audit Committee consists of the collective Board of Directors plus Treasurer Ejner Søby as chairman and independent member.
The Audit Committee's tasks are defined in terms of reference and include supervising the financial reporting, the internal control systems, the Internal Audit function, the Bank's risk management systems, the audit of the annual report and the auditor's independence.

Corporate social responsibility

The Bank's CSR policy
Together with the Bank's environmental policy, the Bank's five values are the foundation of the its ongoing CSR effort.

The five values are:

1. **Team, well-being and security**
2. **Committed and effective**
3. **Active Customer Advice**
4. **Sound economy**
5. **Local and visible**

The five values form the foundation on which the Bank's Management and employees are expected to base their daily work and decisions. The values are described in the context of the four major stakeholder categories to which the Bank's CSR initiatives primarily relate:

- Customers
- Employees
- The local community
- The environment, climate and social compliance

At Djurslands Bank, we believe that the greatest CSR contribution is when the Bank's core business is in line with society's general interests and expectations as to proper and honest behaviour, thus becoming an integral part of the Bank's day-to-day actions.

The Bank also supports the Danish Parliament's initiatives and efforts to put human rights and climate impacts high on the social agenda. As a local bank, we have, however, a strong local focus and have therefore not adopted specific policies in these two areas.

Djurslands Bank's environmental policy
The Bank strives to comply with and support developments in Danish environmental legislation.

As a business entity, the Bank primarily implements the policy in the areas of energy, technology and buildings by continuously acting with the intent to apply solutions that use the smallest amount of natural resources in the most environmentally friendly way.

As a workplace, the Bank implements the policy through employee policies and the value "Team, well-being and safety" as well as through constructive cooperation in the Bank's working environment organisation.

As a lender, the Bank implements the policy via its customer and credit policies.

The Bank's financial contribution to society
As a local business in Eastern Jutland, the Bank contributes financially both directly and indirectly to create value for society.

The Bank contributes indirectly by tying investments and financing together for 45,950 private customers and 3,925 corporate customers in the market segment.
Some of the Bank's operating expenses are settled as revenue in a number of local businesses, and the Bank's approx. 200 employees also help generate revenue and growth in the local area.

The Bank's direct financial contributions in terms of public payments for 2017 are calculated at:

22% corporate income tax	**25.1**
14,1% payroll tax	**16.1**
Property tax	**0.3**
Total (DKK million)	**41.5**

Add to this payment of energy charges, other indirect taxes and VAT.

For 2017, the direct effect of the Bank as a workplace is calculated at:

Employees' total payment of income tax	**31.0**
Labour market contributions	**8.0**
Total (DKK million)	**39.0**

The Bank has published the statutory CSR report on its website.

The goals, status and trends in each area are described annually in an appendix to the Bank's annual report to which all of the Bank's stakeholders have access at
djurslandsbank.dk/ombanken/samfundsansvar2017.

Profit and Loss Account and comprehensive income

(DKK 1,000)	Note	2017	2016
Profit and Loss Account			
Interest income	2	**176,621**	176,804
Interest expenses	3	**9,635**	11,615
Net interest income		**166,986**	165,189
Dividend from share etc.		**5,247**	6,912
Fees and commission income	4	**145,691**	139,180
Fees and commission expenses		**9,189**	7,530
Net interest and fee income		**308,735**	303,751
Value adjustments	5	**24,833**	19,675
Other ordinary income		**479**	842
Staff costs and administrative expenses	6	**218,674**	205,826
Depreciation and impairment of tangible assets		**9,867**	5,305
Other operational expenditures		**193**	357
Impairment losses on loans and receivables	8	**-17,180**	20,861
Profit from holdings in associated and affiliated companies	7	**17**	-18
Profit before tax for the financial year		**122,510**	91,901
Tax	11	**24,434**	17,519
Profit for the financial year		**98,076**	74,382
Comprehensive income			
Profit for the financial year i.e. profit and loss account		**98,076**	74,382
Value adjustments of domicile property		**3,000**	0
Other comprehensive income after tax		**3,000**	0
Total comprehensive income for the financial year		**101,076**	74,382
Allocation of profit			
Revaluation reserves		**3,000**	0
Legal reserves		**17**	-18
Proposed dividend		**18,900**	18,900
Retained profit		**79,159**	55,500
Total allocated		**101,076**	74,382

Balance Sheet at 31. december

(DKK 1,000)	Note	**2017**	2016
Assets			
Cash in hand and claims at call on central banks		**122,483**	141,027
Due from credit institutions and central banks	*12*	**63,099**	109,383
Loans and other amounts due at amortised cost	*13*	**4,516,187**	3,665,212
Bonds at fair value	*14*	**1,982,508**	2,120,925
Shares, etc.		**261,234**	241,859
Holdings in affiliated companies	*15*	**1,774**	1,757
Assets under pooled schemes	*16*	**1,821,802**	1,064,083
Tangible assets		**82,585**	72,210
Investment properties	*18*	*5,873*	*3,190*
Domicile properties	*19*	*76,712*	*69,020*
Other tangible assets	*20*	**8,423**	10,908
Tax assets		**354**	0
Deferred tax assets	*21, 22*	**3,865**	3,153
Other assets		**98,081**	108,157
Cut-off assets		**4,882**	5,782
Total assets		**8,967,277**	7,544,456
Liabilities			
Due to credit institutions and central banks	*23*	**187,187**	266,429
Deposits and other amounts due	*24*	**5,827,185**	5,152,943
Deposits under pooled schemes		**1,837,236**	1,089,744
Tax liabilities		**0**	1,074
Other liabilities		**90,443**	94,537
Cut-off liabilities		**3,372**	3,771
Total debts		**7,945,423**	6,608,498
Provisions regarding losses on guarantees	*9*	**6,287**	2,883
Total provisions for commitments		**6,287**	2,883
Share capital	*25*	**27,000**	27,000
Revaluation reserves		**9,918**	6,918
Legal reserves		**774**	757
Retained profit		**958,975**	879,500
Proposed dividend		**18,900**	18,900
Total equity		**1,015,567**	933,075
Total liabilities		**8,967,277**	7,544,456

Equity

(DKK 1,000)

	Share capital	Revaluation reserves *	Legal reserves**	Proposed dividend	Retained profit	Total
Equity 31.12.2015	**27,000**	**6,918**	**775**	**16,200**	**823,858**	**874,751**
Net purchase of own shares					142	142
Paid out dividend				-16,200		-16,200
Profit for the financial year			-18	18,900	55,500	74,382
Equity 31.12.2016	**27,000**	**6,918**	**757**	**18,900**	**879,500**	**933,075**
Net purchase of own shares					316	316
Paid out dividend				-18,900		-18,900
Other comprehensive income		3,000				3,000
Profit for the financial year			17	18,900	79,159	98,076
Equity 31.12.2017	**27,000**	**9,918**	**774**	**18,900**	**958,975**	**1,015,567**

* Revaluation reserve relates to revaluation of domicile properties.

** Legal reserves relating to the revaluation reserve at the bank affiliated company.

Share capital

Number of share 2,700,000, nom. Value DKK 10.

	2017	2016
Own shares		
Bookvalue of own shares	**0.0**	0
Number of own shares	**24,695.0**	25,195
Stock value per share	**247.0**	233
Total stock value	**6,100.0**	5,858
Percentage of own shares	**0.9**	0.9

Shareholders

The bank has no shareholders with a announced share of more than 5%.

Cash Flow Analysis

(DKK 1,000)	Note	2017	2016
Operational activities			
Profit for the financial year		**122,510**	91,901
Impairment losses on loans and receivables	*8*	**-17,180**	20,861
Depreciation and writedowns of tangible assets		**9,867**	5,305
Profit on holding in affiliated companies	*7*	**-17**	18
Tax		**-26,574**	-15,274
		88,606	102,811
Change in loans and other amounts before writedowns		**46,284**	29,971
Change in assets under pooled schemes		**-833,795**	-164,944
Change in bonds		**138,417**	-454,964
Change in shares		**-19,375**	-15,738
Change in temporary assets		**-757,719**	-246,555
Change in other assets		**10,976**	-19,553
Change in due to credit institutions		**-79,242**	-261,010
Change in deposits and other amounts due		**1,421,734**	900,222
Change in other liabilities		**-4,493**	7,908
Change in provisions for liabilities excl. deferrred tax		**3,404**	1,732
Cash flows from operation activities		**14,797**	-120,120
Investments activities			
Purchase of tangible assets	*18, 19, 20*	**-14,774**	-6,263
Sales of tangible assets	*18, 19, 20*	**17**	1,357
Cash flows from investing activities		**-14,757**	-4,906
Financing activities			
Purchase / sale and revaluation of own shares		**316**	142
Paid out dividend		**-18,900**	-16,200
Cash flow from financing activities		**-18,584**	-16,058
Cash flows for the year		**-18,544**	-141,084
Cash, end		**122,483**	141,027
Cash, beginning		**141,027**	282,111
Cash flows for the year		**-18,544**	-141,084

Solvency

(DKK 1,000)	**2017**	2016
Solvency ratio	**18.9%**	17.9%
Tier 1 capital ratio	**18.9%**	17.9%
CET1 capital ratio	**18.9%**	17.9%
Own funds requirements (8%)	**355,413**	339,498
Equity	**1,015,567**	933,075
Herof proposed dividend	**-18,900**	-18,900
Deferred tax assets	**-3,865**	-3,153
Deduction of trading frame for own shares	**-10,004**	-12,555
Actual utilization of the trading frame for own shares	**6,100**	5,858
Other deductions	**-2,244**	-2,363
Immaterial holdings in the financial sector	**-148,651**	-142,248
Core capital (CET 1)	**838,003**	759,714
Tier 1 capital	**0**	0
Core capital before deductions	**838,003**	759,714
Immaterial holdings in the financial sector	**0**	0
Core capital after deductions	**838,003**	759,714
Revaluation reserves	**0**	0
Immaterial holdings in the financial sector	**0**	0
Capital base after deductions	**838,003**	759,714
Risk exposures		
Weighted values with credit risk	**3,606,051**	3,242,886
Weighted values with marked risk	**263,002**	443,821
Operational risk	**573,607**	557,014
Total risk exposure amount	**4,442,660**	4,243,721

Note overview

1	Main- and key figures	31
2	Interest income	35
3	Interest expenses	35
4	Fee and commission income	35
5	Value adjustments	35
6	Staff cost and administrative expenses	36
7	Profit of holdings in affiliated companies	37
8	Impairment losses on loans and advances	38
9	Provisions regarding losses on guarantees	39
10	Audit fees	40
11	Tax	40
12	Due from credit institutions and central banks	40
13	Loans and other amounts due and off-balance items	41
14	Bonds at fair value	42
15	Holdings in affiliated companies	42
16	Assets under pooled schemes	42
17	Intercompany with affiliated companies	42
18	Investment property	42
19	Domicile property	42
20	Other tangible assets	43
21	Deferred tax assets and tax liabilities	43
22	Split af defereed tax assets and tax liabilities	43
23	Due to credit institions and central banks	43
24	Deposits and other amounts due	44
25	Eqity - shares	44
26	Derivative financial instruments	45
27	Off balance sheet items	47
28	Foreign exchange exposure	47
29	Financial risk and riskmanagement	47
30	Current value of financial instruments	48
31	Interest rate risk	49
32	Credit risk	49
33	The quality of loans and guarantees before impairment losses, which are not overdued	51
34	Overdued loans, without individuel impairment losses	52
35	Sensitivity to each type of market risk	53
36	Accounting estimates	53
37	Liquidity reserve	54
38	Close parties	55
39	Election of board of directors	55
40	The board of directors and board of executives shareholdings at the end of the year	56
41	Applied accounting policy	57

Notes

(DKK 1,000)	2017	2016	2015	2014	2013
1 Main- and key figures					
Profit and Loss account					
Net interest income	**166,986**	165,189	170,215	183,126	179,360
Net interest and fee income	**308,735**	303,751	314,851	294,229	269,070
Value adjustments	**24,833**	19,675	1,896	13,556	22,682
Operational expenditure	**228,734**	211,488	201,515	195,288	200,038
herof staff and administrative expenses	**218,674**	205,826	187,198	180,578	180,896
herof payment to sector solutions	**193**	357	9,620	9,153	10,025
Impairment losses on loans and receivables	**-17,180**	19,129	42,210	42,503	43,616
Profit from holdings in affiliated companies	**17**	-18	-14	2	23
Profit before tax for the financial year	**122,510**	93,633	73,379	70,151	48,364
Profit for the financial year	**98,076**	76,114	58,771	57,057	37,053
Balance sheet					
Assets					
Cash in hand and claims on credit institutions, etc.	**185,582**	250,410	421,465	206,002	154,989
Loans and other amounts due	**4,516,187**	3,665,212	3,521,129	3,589,855	3,679,973
Bonds and shares etc.	**2,243,742**	2,362,784	1,892,082	1,737,488	1,681,423
Assets under pooled schemes	**1,821,802**	1,064,083	817,528	885,449	871,143
Other assets	**199,964**	201,967	184,002	226,457	187,491
Total assets	**8,967,277**	7,544,456	6,836,206	6,645,251	6,575,019
Liabilities					
Due to credit institutions and central banks	**187,187**	266,429	527,439	743,207	772,203
Deposits and other amounts due	**5,827,185**	5,152,943	4,514,818	4,045,308	3,907,593
Deposits under pooled schemes	**1,837,236**	1,089,744	827,647	899,633	959,810
Other debt	**100,102**	102,265	91,551	124,456	101,785
Subordinated debt	**0**	0	0	0	50,000
Equity	**1,015,567**	933,075	874,751	832,421	783,628
Total liabilities	**8,967,277**	7,544,456	6,836,206	6,645,025	6,575,019
Off-balance sheet items					
Off-balance sheet items	**2,058,929**	1,587,398	1,334,376	1,145,641	848,656

Notes

(DKK 1,000)		2017	2016	2015	2014	2013
1 Main- and key figures (continued)						
Solvency and capital ratio						
Solvency ratio *	pct.	**18.9**	17.9	17.5	16.7	17.3
CET1 capital ratio *	pct.	**18.9**	17.9	17.5	16.7	18.1
Earning ratios						
Profit on own funds before tax **	pct.	**12.6**	10.0	8.6	8.7	6.3
Profit on own funds after tax **	pct.	**10.1**	8.2	6.9	7.1	4.8
Return on assets	pct.	**1.4**	1.2	1.1	1.1	0.7
Earning/costs		**1.58**	1.41	1.30	1.30	1.20
Basic earning / costs		**1.35**	1.44	1.56	1.51	1.35
Market risk ratios						
Interest rate risk	pct.	**1.2**	2.4	2.0	1.0	0.8
Foreign exchange standing - pos 1	pct.	**1.1**	7.0	7.1	1.9	4.4
Foreign exchange standing - pos 2	pct.	**0.0**	0.0	0.0	0.0	0.0
Liquidity risk ratio						
Lendings plus provisions on loans in relation to deposits	pct.	**62.1**	63.1	70.8	77.5	80.0
Liquidity Coverage Ratio (LCR) ***		**171.7**	202.4	231.1	50.1	
statutory liquidity requirement ****	pct.	**177.5**	196.0	153.9	130.4	181.2
Credit risk ratios						
The sum of large exposures	pct.	**80.1**	80.1	61.8	79.8	59.8
Receivables at reduced interest	pct.	**1.7**	1.7	1.3	0.9	1.2
Accumulated impairment losses	pct.	**3.6**	5.0	5.1	4.9	4.6
The year's impairment losses	pct.	**-0.3**	0.3	0.8	0.9	0.9
The year's growth in lending	pct.	**23.2**	0.0	-1.9	-2.4	2.0
Loans/Equity ratio		**4.4**	3.9	4.0	4.3	4.7
Return on share						
Earnings per share	kr.	**36**	28	22	21	14
Book value per share *****	kr.	**380**	349	327	310	292
Dividend per share	kr.	**7.0**	7.0	6.0	5.5	3.0
Stock value/earnings per share		**6.8**	8.2	12.1	9.3	13.3
Stock value/book value per share		**0.65**	0.67	0.80	0.63	0.63
Stock value per share	kr.	**247**	233	263	197	183

* The rules for the calculation of the solvency- and core capital ratio is changed with the incorporation of the CRD IV rules per. 31/03/2014. Comparative figures for 2013 are not adapted to this change.

** Calculated on the basis of average equity.

*** LCR is first calculated in 2014, therefore comparative figures for 2013 are not available.

**** No longer a legal requirement in 2017, but is still being used in the FSA's Supervisory Diamond.

***** Book value is calculated as: equity / (Number of shares - holding of own shares)

Notes

1 **Main- and key figures (continued)**

Formula overview

Key figures are calculated in accordance with FSA's guidance for reporting of financial ratios.

Solvency ratio	Core capital x 100 / Total weighted values
CET1 capital ratio	Core capital x 100 / Total weighted values
Equity before tax	Profit before tax x 100 / Equity (avg)
Equity after tax	Profit after tax x 100 / Equity (avg)
Return on investment*	Profit x 100 / Total assets
Earnings/cost ratio	Income** / Cost (without tax)
Core earnings per cost ratio*	Core earnings / Costs excl.***
Interest rate risk	Interest rate risk x 100 / Core capital
Foreign exchange standing - pos 1	Foreign exchange standing - pos 1 x 100 / Core capital
Foreign exchange standing - pos 2	Foreign exchange standing - pos 2 x 100 / Core capital
Loans and writedowns compared to total deposits	Loans and writedowns x 100 / Total deposits (incl. pools)
Total liquidity reserve acc. To FIL § 152	Excess liquidity after compliance with the Danish Financial Business Act section 152 / 10 % - legal requirement

* Key figures are not included in the FSA's guidance.

** Net interest and fee income and other ordinary income.

*** Value adjustments, Writedowns of loans and receivables, Income from investments in affiliated companies and tax.

Noter

1 Main- and key figures (continued)

Formula overview

Key figures are calculated in accordance with FSA's guidance for reporting of financial ratios.

Sum of large exposures	$\frac{\text{Sum of large exposures x 100}}{\text{adjusted core capital}}$
Receivables at reduced interest	$\frac{\text{Receivables at reduced interest x 100}}{\text{Loans + guarantees + writedowns}}$
Accumulated impairment losses	$\frac{\text{Accumulated impairment losses on loans x 100}}{\text{Loans + guarantees + writedowns}}$
The year's impairment losses	$\frac{\text{Impairment lossses current year on loans x 100}}{\text{Loans + guarantees + writedowns}}$
This year's growth in lending	$\frac{\text{This year's loan x 100}}{\text{Loans at the beginning of the year}}$
Loans/Equity ratio	$\frac{\text{Loans}}{\text{Equity}}$
Earnings per Share*	$\frac{\text{Profit}}{\text{Average number of shares (pcs.)}}$
Book value per share	$\frac{\text{Equity}}{\text{Total shares - holding of own shares}}$
Stock value/earnings per share	$\frac{\text{Stock value at the end of the year}}{\text{earnings per shares}}$
Stock value/ book value per share	$\frac{\text{Stock value at the end of the year}}{\text{book value}}$

* Key figures are not included in the FSA's guidance.

Definitions

Operating expenses (2017: T.DKK 228,734)	Staff and administration costs (2017: T.DKK 218,674) + Depreciation andr writedowns of tangible assets (2017: T.DKK 9,867) + Other operational costs (2017: T.DKK 193)
Core earnings (2016: T.DKK 80,480)	Profit before tax (2017: T.DKK 122,510) - Value adjustments (2017: T.DKK 24,833) + Impairment losses (2017: T.DKK 17,180) - Profit from holdings in affiliated companies (2017: T.DKK 17)

Notes

(DKK 1,000)		2017	2016
2	**Interest income**		
	Claims on credit institutions, etc.	**1,317**	1,747
	Loans and advances	**158,146**	158,373
	Bonds	**19,257**	19,300
	Total derivative financial instruments	**-2,664**	-3,090
	hereof		
	Currency contracts	**26**	-18
	Interest rate contracts	**-2,690**	-3,072
	Other interest income	**565**	474
	Total interest income	**176,621**	176,804
	Of which income from genuine purchase and resale transactions represent	**0**	0
3	**Interest expenses**		
	Credit institutions and central banks	**2**	-122
	Deposits	**9,552**	11,689
	Other interest expenses	**81**	48
	Total interest expenses	**9,635**	11,615
	Of which expenses from genuine purchase and resale transactions represent	**0**	0
4	**Fee and commission income**		
	Securities trading and custody account fees	**41,276**	46,427
	Payment services fees	**14,736**	14,717
	Loan fees	**58,684**	55,246
	Guarantee commissions	**11,750**	8,065
	Other fees and commissions	**19,245**	14,725
	Total fee and commission income	**145,691**	139,180
	Payed fee and commissions are not decucted in the above.		
5	**Value adjustments**		
	Bonds	**-1,861**	3,172
	Shares, etc.	**24,501**	14,356
	Currency	**2,187**	2,536
	Derivatives	**22**	-175
	Assets under pooled schemes	**41,152**	22,791
	Deposits under pooled schemes	**-41,168**	-23,005
	Total value adjustments	**24,833**	19,675

Notes

(DKK 1,000)	2017	2016
6 Staff costs and administrative expenses		
Remuneration of Executive Board, board of Directors and Representatives	**3,986**	4,717
Staff costs	**129,764**	125,331
Administrative expenses	**84,924**	75,778
Total staff and administrative costs	**218,674**	205,826
Staff costs		
Salaries	**101,167**	98,250
Pensions	**11,384**	11,001
Social security expenses	**1,115**	1,060
Taxes	**16,098**	15,020
Total	**129,764**	125,331
Salary equals the accrued remuneration.		
Number of full-time equivalent staff (avg.) in the financial year		
Calculated according to the ATP-method	**206.0**	203.8
Calculated according to work-time percentages	**196.3**	196.5
Salaries and remuneration of Executive Board, Board of Directors and Board of Representatives		
Fixed payment		
Board of Directors	**1,172**	1,156
Board of Representatives	**259**	255
Board of Executives, wage, free car, holiday payment	**2,237**	2,884
Board of Executives, pension	**318**	422
Total	**3,986**	4,717
There is no variable payment, or pension obligations		
Number of board of executive members	**1.0**	1.0
Number of board of directors members	**9.0**	9.0
Specification of remuneration to the board of directors members		
Peter Zacher Sørensen, chairmann	**225**	225
Ejner Søby, deputy chairmann and chaimann of audit committee	**204**	194
Erik Nymann, (resigned chairmann)	**0**	62
Helle Bærentsen	**102**	100
Mikael Lykke Sørensen	**102**	100
Uffe Vithen	**102**	100
Bente Østergaard Høg	**102**	75
Tina Klausen	**102**	100
Peter Pedersen	**102**	100
Jan B. Poulsen (resigned the board 30. june 2017)	**51**	100
Anders Tækker Rasmussen (Joined the board 11. august 2017)	**51**	0

Notes

(DKK 1,000)	2017	2016
6 Staff costs and administrative expenses (continued)		
Specification of saleries for the Representatives		
Chairmann	**10**	10
Other members	**5**	5
Specification of saleries for the executives		
Lars Møller Kristensen		
Wage, free car, holiday payment	**2,237**	2,083
Pension	**318**	237
Total	**2,555**	2,320
Ole Bak		
Wage, free car, holiday payment	**0**	801
Pension	**0**	185
Total	**0**	986

Ole Bak resigned from the Manangement Board late April 2016.
The wage in 2016 covering the period 1 January to 30 April 2016.

There is no variable payment, or pension obligations.
The Management Board can by the bank be terminated at 12 months notice and with 24 months notice in the event of a merger with another company.

	2017	2016
Other employees with significant influence on the bank's risk profile		
Fixed payment		
Saleries, company car, pension etc.	**7,252**	6,487
Total payment to employees with significant influence on the risk profile	**7,252**	6,487
Number of employees with significant influence on the risk profile	**7**	7
7 Profit of holdings in affiliated companies		
Total profit on holdings in affiliated companies	**17**	-18

Notes

(DKK 1,000)	2017	2016
8 Impairment losses on loans and advances		
Individual impairment losses		
Impairment losses beginning of the year	**254,684**	243,447
Impairment losses in the financial year	**30,545**	63,341
Changes in impairment losses regarding earlier years	**-42,760**	-34,311
Finally lost regarding earlier impairment losses	**-24,655**	-17,793
Individual impairment losses at year end	**217,814**	254,684
Group impairment losses		
Impairment losses beginning of the year	**19,446**	17,523
Impairment losses in the financial year	**2,400**	1,923
Group Impairment losses year end	**21,846**	19,446
Total impairment losses on loans and advances	**239,660**	274,130
Expenses in the financial year from impairment losses on loans and advances		
Impairment losses in the financial year from loans and advances	**32,945**	65,264
Impairment losses in the financial year from provisions	**3,404**	1,732
Reversal of impairment losses in ealier financial years	**-42,760**	-34,311
Realized losses, impairment losses in earlier financial years	**-26,146**	-17,793
Realized losses	**24,655**	17,617
Interest from debitors with impairment losses	**-9,278**	-11,648
Impairment losses	**-17,180**	20,861

Reasons for individual Impairment losses	**2017** Loans before impairment losses	**2017** Impairment losses	2016 Loans before impairment losses	2016 Impairment losses
Bankruptcy / liquidation	**28,973**	**28,519**	32,214	23,673
Suspension of payments / granted	**377**	**430**	467	521
Debt restructuring initiated / granted	**0**	**0**	0	0
Engagement terminated	**1,506**	**1,506**	12,822	12,291
Other causes	**289,063**	**187,359**	346,466	218,199
Total	**319,919**	**217,814**	391,969	254,684

Notes

(DKK 1,000)

8 Impairment losses on loans and advances (Continued)

Loans with individuel impairment losses by sectors	**2017** Loans before impairment losses	**2017** Impairment losses	2016 Loans before impairment losses	2016 Impairment losses
Public sector	**0**	**0**	0	0
Business				
Agriculture, hunting, forestry and fishing	**79,539**	**62,922**	97,406	75,417
Industry and raw materials extraction	**7,176**	**4,246**	7,240	4,694
Building and construction	**9,948**	**7,530**	25,149	19,285
Trade	**16,140**	**11,145**	21,323	11,934
Transport, hotels and restaurants	**17,153**	**15,711**	25,428	15,005
Information and communication	**533**	**526**	573	521
Financing and insurance	**3,125**	**3,088**	8,075	8,043
Real estate	**65,649**	**13,613**	66,772	12,154
Other businesses	**17,891**	**17,745**	19,756	14,825
Total business	**217,154**	**136,526**	271,722	161,878
Private	**102,764**	**81,288**	120,248	92,806
Total	**319,919**	**217,814**	391,969	254,684

	2017	2016
The value of collateral on loans, which have impairment losses		
Collateral in real estate	**121,922**	73,971
Collateral in operating equipment	**13,270**	45,397
Collateral in securities and deposits	**24,458**	3,630
Collateral in mortages	**15,715**	13,961
Collateral in sureties	**233**	326
Total	**175,597**	137,285
Loans and advances with impairment losses		
Gross loans and advances with individual writedowns	**319,919**	391,969
Gross loans and advances with group writedowns	**3,491,594**	3,104,864
Total	**3,811,513**	3,496,833
Loans and advances without impairment losses	**944,334**	442,509
Total loans and advances		
Loans and advance before impairment losses	**4,755,847**	3,939,342

9 Provisions regarding losses on guarantees

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

Guarantees with provisions	**6,287**	3,284
Provision on guarantees	**6,287**	2,883

Notes

(DKK 1,000)		2017	2016
10	**Audit fees**		
	Total fee to the accounting firm elected by the general meeting which perform the statutory audit	**513**	503
	By services		
	Statutory audit	**400**	392
	Other declarations with security	**75**	73
	Other services*	**38**	38
	Total audit fee	**513**	503

*Other sevices include fees for work sone as a result of FSA's special reporting requirements.

The bank has an internal audit department.

11	**Tax**		
	Calculated tax charge for the year	**25,146**	17,738
	Deferred tax	**-712**	59
	Adjustment of prior-year tax charge	**0**	-278
	Total tax	**24,434**	17,519
	Effective tax rate		
	Danish tax rate	**22.0%**	22.0%
	Non-taxable income and non-deductible expenses	**-2.2%**	-2.6%
	Adjustment of prior-year tax charge	**0.0%**	-0.3%
	Others	**0.1%**	0.0%
	Effective tax rate	**19.9%**	19.1%

The non-taxable income and non-deductible expenses are mainly depreciations on domicile properties, non-deductible part of the representative costs and gain on unlisted capital investments.

12	**Due from credit institutions and central banks**		
	Claims on central banks	**0**	54,107
	Claims on credit institutions	**63,099**	55,276
	Total due from credit institutions and central banks	**63,099**	109,383
	By residual maturity		
	Up to 3 months	**46,700**	89,883
	Between 3 months and 1 year	**0**	17,000
	Between 1 year and 5 year	**16,399**	2,500
	Over 5 years	**0**	0
	Total due from credit institutions and central banks	**63,099**	109,383

Notes

(DKK 1,000)	**2017**	2016
13 Loans and other amounts due and off-balance items		
Loans and other amounts due	**4,516,187**	3,665,212
Total loans and other amounts due	**4,516,187**	3,665,212
By residual maturity		
Demand deposits	**1,255,791**	542,381
Up to 3 months	**271,358**	190,478
From 3 months to 1 year	**836,450**	1,024,137
From 1 to 5 years	**996,582**	936,593
Over 5 years	**1,156,006**	971,623
Total loans and other amounts due	**4,516,187**	3,665,212
Specifikation of gross loans		
Loans and other amounts due before write downs	**4,755,847**	3,952,502
Write downs	**-239,660**	-287,290
Total loans and other amount due	**4,516,187**	3,665,212
Gross loans and off-balance items		
Loans and other amounts due before impairment losses	**4,755,847**	3,939,342
Off-balance items	**2,058,929**	1,587,398
Total loans and off-balance items	**6,814,776**	5,526,740
Broken down by sectors and industry (in percentage)		
Public sector	**13.9**	8.0
Business		
Agriculture, hunting, forestry and fishing	**9.6**	11.6
Crop farming	*4.1*	*4.2*
Cattle farming	*3.1*	*4.1*
Pig farming	*0.7*	*1.1*
Other farming	*1.7*	*2.2*
Fishing	*0.0*	*0.0*
Industry and raw materials extraction	**1.2**	2.0
Energy supply	**1.0**	1.5
Building and construction	**2.4**	4.1
Trade	**3.7**	3.7
Transport, hotels and restaurants	**1.4**	1.9
Information and communication	**0.5**	0.5
Financing and insurance	**1.8**	1.9
Real estate	**7.1**	8.3
Other businesses	**5.8**	6.6
Total business	**34.5**	42.1
Private	**51.6**	49.9
Total	**100.0**	100.0

Notes

(DKK 1,000)		2017	2016

14 Bonds at fair value

	2017	2016
Mortgage bonds	**1,817,356**	1,178,381
Other bonds	**165,152**	942,544
Total	**1,982,508**	2,120,925

The Bank has deposited bonds at Nationalbanken and VP as collateral for clearing and settlement, etc. for a total of t.DKK 217,086 (2016: t.DKK 214,585)

15 Holdings in affiliated companies

	2017	2016
Djurs-Invest ApS, Grenaa		
Part of shares	**100%**	100%
Equity	**1,774**	1,757
Profit for the financial year	**17**	-18

The company's balance and activity are insignificant.

16 Assets under pooled schemes

	2017	2016
Bonds at fair value	**650,670**	414,333
Shares	**1,171,132**	649,750
Total assets	**1,821,802**	1,064,083

17 Intercompany with affiliated companies

	2017	2016
Deposits	**557**	569

18 Investment property

	2017	2016
Marked value beginning	**3,190**	4,305
Access of the year	**2,683**	0
Additions	**0**	-1,115
Marked value end	**5,873**	3,190

External experts have not been used.

19 Domicile property

	2017	2016
Marked value beginning	**69,020**	70,458
Additions	**9,886**	0
Disposals	**0**	-242
Depreciation	**-957**	-1,196
Value adjustments to current value for the year, recognized in total income	**3,000**	0
Value adjustments to current value for the year, recognized in P&L	**-4,237**	0
Marked value end	**76,712**	69,020

External experts have not been used.

Notes

(DKK 1,000)	2017	2016

20 Other tangible assets

	2017	2016
Total cost at beginning	**28,453**	33,790
Additions	**2,205**	6,263
Disposals	**-2,482**	-11,600
Total cost at end	**28,176**	28,453
Depreciation and impairment beginning	**17,545**	25,036
Depreciation	**4,673**	4,109
Disposals	**-2,465**	-11,600
Depreciation and impairment end	**19,753**	17,545
Book value at end	**8,423**	10,908

21 Deferred tax assets and tax liabilities

	2017	2016
Deferred tax liabilities beginning	**3,153**	3,212
Change in deferred tax due	**712**	-59
Deferred tax assets and tax liabilities end	**3,865**	3,153

22 Split of deferred tax assets and tax liabilities

	2017 Deferred tax assets	**2017** Deferred tax liabilities	2016 Deferred tax assets	2016 Deferred tax liabilities
Tangible assets	**23**	**220**	249	231
Cut of on fees and commissions	**4,517**	**0**	3,994	0
Other	**1,044**	**1,499**	1,084	1,943
Total deferred tax	**5,584**	**1,719**	5,327	2,174

23 Due to credit institutions and central banks

	2017	2016
Due to credit institutions	**187,187**	266,429
By residual maturity		
Amounts payable on demand	**187,187**	266,429
Total due to credit institutions and central banks	**187,187**	266,429

Notes

(DKK 1,000)	2017	2016

24 Deposits and other amounts due

	2017	2016
Amounts payable on demand	**5,355,003**	4,464,206
At notice	**58,022**	50,054
Time deposits	**16,145**	20,472
Special deposits	**398,015**	618,211
Total deposits and other amounts due	**5,827,185**	5,152,943
By residual maturity		
Amounts payable on demand	**5,427,741**	4,529,499
Up to 3 months	**50,618**	78,475
From 3 months to 1 year	**11,150**	11,431
From 1 to 5 years	**57,202**	71,572
Over 5 years	**280,474**	461,966
Total deposits and other amounts due	**5,827,185**	5,152,943

25 Equity - shares

	2017	2016
Number of shares each of nom value kr. 10.	**2,700,000**	2,700,000
Share capital nom value t.DKK 27,000		
Number of own shares, beginning	**25,195**	25,248
Additions	**242,537**	183,007
Disposals	**-243,037**	-183,060
Number of own shares, end	**24,695**	25,195
Net additions / disposals		
Nom value of own shares, beginning	**252**	252
Net additions / disposals	**-4**	0
Nom value of own shares, end	**247**	252
Part of own shares, beginning	**0.9%**	0.9%
Net additions / disposals	**0.0%**	0.0%
Part of own shares, end	**0.9%**	0.9%
Total purchase	**61,621**	40,489
Total sale	**61,376**	39,736

Own shares are bought and sold as part of the bank's common stock trading.

Notes

(DKK 1,000)

26 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.

	2017 Nominal value	2017 Net market value	2017 Positive market value	2017 Negative market value
Foreign-exchange contracts, purchase				
Up to 3 months	19,585	-1,032	262	1,294
From 3 months to 1 year	12,355	-415	43	456
Market value	31,940	-1,447	305	1,750
Foreign-exchange contracts, sale				
Up to 3 months	30,248	1,355	1,366	12
From 3 months to 1 year	12,355	479	487	7
Market value	42,603	1,834	1,853	19
Foreign-exchange contracts and swaps	74,543	387	2,158	1,769
Interestrate swaps				
Up to 3 months	0	0	0	0
From 3 months to 1 year	990	-9	0	9
From 1 to 5 years	140,386	-2,408	2,532	4,940
Over 5 years	287,419	-4,826	32,869	37,695
Market value	428,795	-7,243	35,401	42,644
Interestrate contracts and swaps	428,795	-7,243	35,401	42,644
Unsettled spot contracts				
Foreign-exchange, purchase	87	0	0	0
Foreign-exchange, sale	2,723	4	4	0
Futures, purchase	26	266	267	1
Futures, sale	26	-186	8	194
Interestrate contracts, purchase	5,838	-14	6	20
Interestrate contracts, sale	5,838	23	26	3
Sharecontracts, purchase	3,458	14	45	31
Sharecontracts, sale	3,458	-13	32	45
Market value	21,454	94	388	294
Total				
Foreign-exchange contracts and swaps, total	74,543	387	2,158	1,769
Interestcontracts and swaps, total	428,795	-7,243	35,401	42,644
Spot, total	21,454	94	388	294
Market value	524,792	-6,762	37,947	44,707

Notes

(DKK 1,000)

26 Derivative financial instruments (continued)

	2016 Nominal value	2016 Net market value	2016 Positive market value	2016 Negative market value
Foreign-exchange contracts, purchase				
Up to 3 months	34,699	2,149	2,170	21
From 3 months to 1 year	7,216	437	437	0
Market value	41,915	2,586	2,607	21
Foreign-exchange contracts, sale				
Up to 3 months	47,339	-1,683	217	1,900
From 3 months to 1 year	7,216	-417	0	417
Market value	54,555	-2,100	217	2,317
Foreign-exchange contracts and swaps	96,470	486	2,824	2,338
Interestrate swaps				
From 3 months to 1 year	20,651	-146	393	539
From 1 to 5 years	102,734	-1,924	3,327	5,251
Over 5 years	293,585	-7,168	36,784	43,952
Market value	417,562	-9,246	40,504	49,750
Interestrate contracts and swaps	417,562	-9,246	40,504	49,750
Unsettled spot contracts				
Foreign-exchange, purchase	700	1	2	1
Foreign-exchange, sale	141	0	0	0
Futures, purchase	20,007	426	426	0
Futures, sale	20,007	-368	0	368
Interestrate contracts, purchase	3,794	12	13	1
Interestrate contracts, sale	3,794	-6	2	8
Sharecontracts, purchase	2,213	32	63	31
Sharecontracts, sale	2,213	-31	31	62
Market value	52,869	66	537	471
Total				
Foreign-exchange contracts and swaps, total	96,470	486	2,824	2,338
Interestcontracts and swaps, total	417,562	-9,246	40,504	49,750
Spot, total	52,869	66	537	471
Market value	566,901	-8,694	43,865	52,559

Notes

(DKK 1,000)	2017	2016

27 Off balance sheet items

	2017	2016
Financial guarantees	**578,867**	394,606
Loss guarantees	**599,213**	509,010
Registration guarantees	**219,102**	104,631
Other guarantees	**661,747**	579,151
Total off balance sheet items	**2,058,929**	1,587,398

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 0.43%.

The bank participates in a IT-cooperation with other banks via the IT-center Bankdata. An exit from this will result in payment of a withdrawal benefit of DKK 148 million as at 31.12.2014.

28 Foreign exchange exposure

	2017	2016
Currencies breakdown for the main currencies (net)		
EUR	**3,637**	46,303
GBP	**536**	1,445
CHF	**464**	1,080
NOK	**468**	664
USD	**849**	1,486
SEK	**499**	66
Other currencies	**2,864**	2,545
Total	**9,317**	53,523
Exchange rate indicator 1 in % of core capital after deductions (positions)	**1.1%**	7.0%
Exchange rate indicator 2 in % of core capital after deductions (risk)	**0.0%**	0.0%

Exchange rate indicator 1 is calculated as the som of the largest numerical value of assets (long position) or net debt. net debt. Exchange rate indicator 1 shows a measure of the overall currency risk.
Exchange rate indicatr 2 is based on a statistical method that reflects the overall loss risk.

29 Financial risk and riskmanagement

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

Credit risk: The risk of loss, due to 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 20 to 23, further information can be found in this section.

Notes

(DKK 1,000)

30 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.

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.

	2017	**2017**	2016	2016
	Book value	Market value	Book value	Market value
Financial assets				
Cash in hand and claims at call on central banks	**122,483**	**122,483**	141,027	141,027
Due from credit institutuions and central banks	**63,099**	**63,099**	109,383	109,383
Loans and other amounts due	**4,516,187**	**4,556,422**	3,665,212	3,707,090
Bonds at fair value	**1,982,508**	**1,982,508**	2,120,925	2,120,925
Shares, etc.	**261,234**	**261,234**	241,859	241,859
Assets under pooled schemes	**1,821,802**	**1,821,802**	1,064,083	1,064,083
Afledte finansielle instrumenter	**37,947**	**37,947**	43,865	43,865
Total assets	**8,805,260**	**8,845,495**	7,386,354	7,428,232
Liabilities				
Deposits and other amounts due	**5,827,185**	**5,827,498**	5,152,943	5,154,276
Deposits under pooled schemes	**1,837,236**	**1,837,236**	1,089,744	1,089,744
Afledte finansielle instrumenter	**44,711**	**44,711**	52,559	52,559
Total liabilities	**7,709,132**	**7,709,445**	6,295,246	6,296,579

Notes

(DKK 1,000)		2017	2016
31	**Interest rate risk**		
	Total interest rate risk on liabilities, etc.	**9,311**	17,922
	Interest rate risk by foreign currency with highest interest rate risk		
	DKK	**9,323**	17,481
	EUR	**-10**	441
	Other currencies	**-2**	0

32 Credit risk

Creditmanagement and -risk is a material area in the banks riskmanagement, as loans are far the largest part of the banks assets.
In addition to the information in this note 32 and accompanying notes 33 and 34 refers to the general description of credit management in the management report page 19 under "creditrisk".

	2017	2016
Maximum credit exposure on claims on credit institutuions and central banks, bonds and other assets		
Due from credit institutuions and central banks	**63,099**	109,383
Bonds at fair value	**1,982,508**	2,120,925
Other assets	**98,081**	108,157
Maximum credit risk	**2,143,688**	2,338,465
Maximum credit exposure on loans, guarantees and credit commitments before securities		
Loans and other amounts due at amortised cost	**4,755,847**	3,952,502
Guarantees	**2,058,929**	1,587,398
Credit commitments (credits)	**2,174,335**	1,982,245
Credit commitments (framework agreements)	**284,874**	466,327
Maximum credit exposure	**9,273,985**	7,988,472
Total maximum credit exposure	**11,417,673**	10,326,937
Broken down by sector and industry, loans, gurantees and credit commitments		
Public sector	**1,014,900**	653,735
Business		
Agriculture, hunting, forestry and fishing	**889,024**	861,681
Industry and raw materials extraction	**140,292**	192,835
Energiforsyning	**152,205**	136,554
Building and construction	**290,254**	361,622
Trade	**362,393**	365,440
Transport, hotels and restaurants	**255,224**	280,180
Information og kommunikation	**41,307**	38,230
Financing and insurance	**95,125**	70,377
Real estate	**916,361**	799,563
Other businesses	**618,329**	541,037
Total business	**3,760,513**	3,647,519
Private	**4,498,572**	3,674,059
Total	**9,273,985**	7,975,312

Notes

(DKK 1,000)

32 Credit risk (continued)

Creditrisk on largest sector

Agriculture, hunting, forestry and fishing make up the largest single industry in the Bank's total lending, gurantees and credit commitments with 9.6%.

The allocation of loans, guarantees and credit commitments is

	2017	**2017**	2016	2016
Crops	352,481	39%	330,430	38%
Pig farming	261,061	29%	309,858	36%
Cattle farming	78,769	9%	72,794	8%
Other farming, hunting and forestry	191,228	22%	142,843	17%
Fishing	5,485	1%	5,756	1%
Total	889,024	100%	861,681	100%
Impairment losses by				
Crops	2,050	3%	0	0%
Pig farming	56,526	90%	64,029	85%
Cattle farming	4,176	7%	9,469	13%
Other farming, hunting and forestry	81	0%	1,643	2%
Fishing	89	0%	276	0%
Total	62,922	100%	75,417	100%

Describtion of securities

When the bank's credit risk is not minimal, it is generally a requirement that the customer makes full or partial security for the exposure. The collateral is mainly by mortgage on properties, pledge in physical assets, debts, liquid securities and deposits and mortgages. As a general rule safety are also made in companies' shares, letter of subordination and surety. A large part of these sureties are provided by companies or persons with a group related to the debtor. For prudential reasons, the bank does not calculate with any independent value on these sureties. The value of collateral is determined based on established assessment principles for any kind and type of securities.

Securities on loans and guarantees *)	**2017**	2,016
Collateral in real estate	**2,250,952**	1,990,540
Collateral in operating equipment	**399,038**	385,516
Collateral in securities and deposits	**303,479**	249,160
Collateral in mortages	**1,201,069**	889,587
Collateral in sureties	**37,479**	40,599
Total	**4,192,017**	3,555,402

*) Securities is calculated without excess securities.

Notes

(DKK 1,000)

32 Credit risk (continued)

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

Other tangible assets values are calculated on the basis of market price reduced by a percentage to cover the depreciation due to age. Securities are measured at official exchange rates reduced by a percentage to cover unexpected sudden circumstances. Deposits in the bank are stated at nominal value. Mortgages, etc. consists mainly of indirect mortgages on properties where the bank on behalf of the client takes home mortgage against the guarantee to mortgage banks. These guarantees are secured by indirect mortgage on the property, and the valuation equivalent to the guaranteed amount.

33 The quality of loans and guarantees before impairment losses, which are not overdued

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.

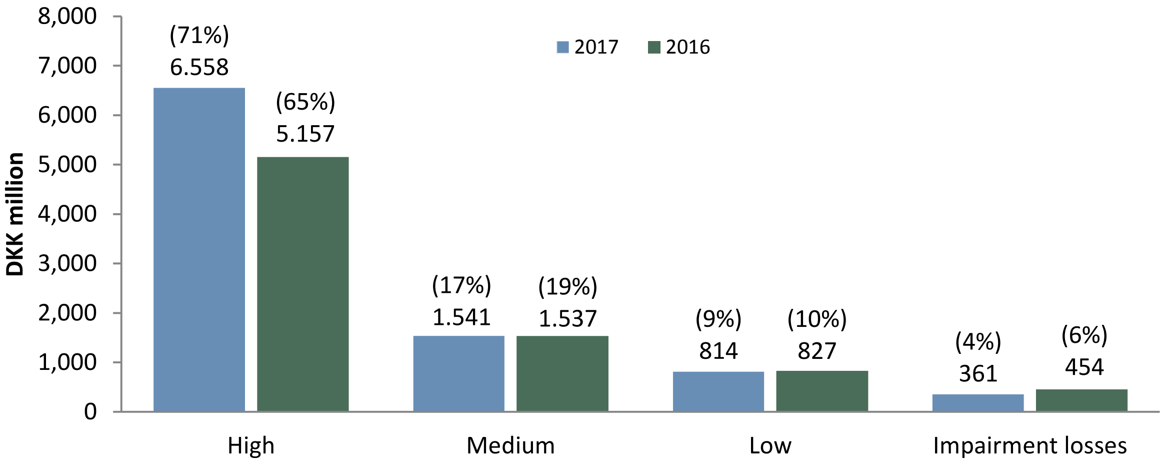
	2017	**2017**	2016	2016
	Exposure	**Hereof loans**	Exposure	Hereof loans
Public sector				
High (grade 3 og 2A)	**1,014,900**	**944,334**	653,735	442,509
I alt	**1,014,900**	**944,334**	653,735	442,509
Private				
High (grade 3 og 2A)	**3,491,390**	**1,453,768**	2,667,889	1,127,830
Medium (grade 2B)	**735,726**	**396,700**	724,273	378,589
Low (grade 2C)	**158,732**	**92,951**	153,696	96,428
Total	**4,385,848**	**1,943,419**	3,545,858	1,602,847
Business				
High (grade 3 og 2A)	**2,051,397**	**831,002**	1,835,791	758,919
Medium (grade 2B)	**805,052**	**366,977**	812,471	402,256
Low (grade 2C)	**655,657**	**368,710**	673,456	352,804
Total	**3,512,106**	**1,566,689**	3,321,718	1,513,979
Total public, private and business	**8,912,854**	**4,454,442**	7,521,311	3,559,335

Notes

(DKK 1,000)

33 The quality of loans and guarantees before impairment losses, which are not overdued (continued)

Distribution of the credit quality of rated exposures (including exposures with impairment losses)



34 Overdued loans, without individuel impairment losses	**2017**	2016
Overdued loans, which have not been written down is specified as follows		
0-90 days overdue	**16,292**	11,848
More than 90 days overdue	**3,035**	2,106
Total	**19,327**	13,954

Broken down by sector and industry*	**2017 0-90 days overdue**	**2017 More than 90 days overdue**	2016 0-90 days overdue	2016 More than 90 days overdue
Public sector	**0**	**0**	0	0
Business				
Agriculture, hunting, forestry and fishing	**1,004**	**24**	452	9
Industry and raw materials extraction	**322**	**0**	175	10
Energy supply	**0**	**0**	0	0
Building and construction	**732**	**137**	485	9
Trade	**331**	**633**	729	86
Transport, hotels and restaurants	**415**	**69**	128	64
Information and communication	**68**	**108**	64	234
Financing and insurance	**71**	**16**	61	8
Real estate	**92**	**9**	664	43
Other businesses	**1,496**	**371**	945	271
Total business	**4,531**	**1,367**	3,703	735
Private	**11,761**	**1,668**	8,145	1,371
Total	**16,292**	**3,035**	11,848	2,106

*Data regarding securities are not available.

Notes

(DKK 1,000)

35 Sensitivity to each type of market risk

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

Interest rate risk
The sensitivity calculation in relation to the bank's interest rate risk is based on the interest rate risk key figure, reported by the Danish FSA. This key figure shows the effect on core capital after deduction of a change in the interest rate of 1 percentage point, corresponding to 100 base point. The calculation shows that if the average interest rate had been 100 base point higher, at the end of 2017, the result for the year after tax and equity, all else being equal, would be DKK 7.5 m. lower (2016: DKK 14.0 m. lower). This change is primarily due to acurrent market value adjustment of the bank's fixed-interest bonds. The higher level of interest rate risk in 2017 compared with 2016 is due to an increase in the base of core capital.

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 the bank's positions in foreign currency and is calculated as the greatest of the sum of all the short foreign exchange positions and the sum 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 2017, the result for the year after tax and equity, all else being equal, would be DKK 0.2 m. lower (2016: DKK 1.0 m. lower) mainly due to foreign exchange adjustments. The adjustment is immaterial.

Share risk
Had the value of the bank's shareholding been 10% lower on the 31 December 2017, the result after tax for the year and equity, all else being equal, would be DKK 26.1 m. lower (2016: DKK 24.2 m. lower) due to a negative current value adjustment of the share portfolio. The share risk is evaluated as same level than in 2016.

Risk on buildings
Had the value of the bank's buildings been 10% lower on the 31 December 2017, the result after tax for the year and equity, all else being equal, would be DKK 8.3 m. lower (2016: DKK 7.2 m. lower) - the main part comes from domicile buildings.

36 Accounting estimates

The calculation of the accounting value of certain assets and liabilities entails an estimat of how future events will affect the value of these assets and liabilities.

The estimates are based on assumptions that management considers reasonable, but uncertain. In addition, the bank is subject to risks and uncertainties that may cause actual results may differ from estimates.

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

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

Notes

(DKK 1,000)

36 Accounting estimates (continued)

Impairment losses on loans and other receivables are made to take account of the impairments that occurred after initial recognition. Writedowns are made as a combination of individual and grouped impairments and are associated with a number of estimates. There are estimates associated with the assessment of identification of loans, there is objective evidence of impairment, the determination of future cash flows and the value of collateral.

The assumptions for the estimates may be incomplete, inaccurate moreover, unexpected future events can occur. Given these uncertainties, it may be necessary to modify the previous estimates, either because of new information, more experience or subsequent developments. A deterioration of the exposures will lead to further write downs.

The Return method is used to measure the fair value of domicile properties. In connection with fair value measurement estimates are made of expected market rent, return requirements and maintenance costs. These estimates are subject to some uncertainty. Market rent and return requirements depend substantially on location. Market rent is in the range of DKK 450 - DKK 2,000 per. sqm. and the required return is in the range 5.5% - 8.5%.

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

For unlisted shares in the form of shares in sector-owned companies, where there is redistribution of the shares, considered redistribution to constitute the primary market for the shares. The fair value determined as redistribution price.

For other unlisted shares in sector-owned companies, where observable inputs are not readily available, the valuation is based on estimates involving information from companies concerned as well as input from qualified external party.

Sensitivity calculation of shares and property are disclosed in note 35.

37 Liquidity reserve	**2017**	2016
Cash in hand	**40,954**	41,225
Cash in hand and claims at call on central banks	**57,529**	80,803
Due from credit institutions and central banks	**46,700**	89,883
Bonds at fair value, uncollateralized	**1,982,508**	1,800,357
Bonds at fair value, pools, uncollateralized	**650,670**	414,333
Total liquidity reserve acc. to FIL §152	**2,778,361**	2,426,601
Cover relative to statutory liquidity	**177.5**	196.0

Notes

(DKK 1,000)	2017	2016

38 Close parties

Transaktions with close parties
Close parties covers the Board of Directors and the Board of Managment. No transactions have been entered with these except those mentioned in note 6 and 17.
All transactions are made on market terms.

Loans etc. To Board of Management and Board of Directors
The size of loans and mortgages, or guarantees issued to members of the banks

	2017	2016
Board of Management	**3**	6
Board of Directors	**8,206**	10,329
Interest rates		
Board of Management	**3.4-7.5%**	3.4-7.5%
Board of Directors	**2.35-9.5%**	2.9-9.5%

The fluctuation is due to the loans varies from foreign currency loans to loans in DKK.

	2017	2016
Collaterals for engagements with		
Board of Management	**350**	350
Board of Directors	**10,743**	16,185

39 Election of board of directors

	Elected to the Board	Latest re-elected	On election
Peter Zacher Sørensen (chairmann since 2016)	2012	2017	2019
Ejner Søby (deputy chairmann since 2016)	2009	2017	2019
Uffe Vithen	2006	2017	2019
Helle Bærentsen (employee representative)	2006	2014	2018
Tina Klausen (employee representative)	1998	2014	2018
Peter Pedersen	2013	2016	2018
Mikael Lykke Sørensen	2008	2016	2018
Bente Østergaard Høg	2016		2018
Anders Tækker Rasmussen (employee representative)	2017		2018

Representatives elected board members are elected for a 2 year period.
Employee representatives are elected for a 4 year period.

Notes

(DKK 1,000)	**2017**	2016
40 The board of directors and board of executives shareholdings at the end of the year		
The board of directors	**shares**	shares
Peter Zacher Sørensen	**1,905**	1,905
Ejner Søby	**1,800**	1,800
Uffe Vithen	**799**	799
Helle Bærentsen	**945**	945
Tina Klausen	**1,657**	1,657
Peter Pedersen	**975**	775
Mikael Lykke Sørensen	**3,639**	3,639
Bente Østergaard Høg (since 16.03.2016)	**68**	68
Anders Tække Rasmussen (Joined the board 11. august 2017)	**788**	
The board of executives		
Lars Møller Kristensen	**2,619**	2,619

The holdings include also if any controlled companies stocks.

Notes

41 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 currency and rounded to the nearest 1.000 DKK.

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

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 included 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 included 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 are recognised directly in the comprehensive income.

Financial instruments are included at the time of trading.

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

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

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

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

The bank's net interest- and fee income and market value adjustments attributable only to one activity and one geographical area.

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

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

Tax
The tax for the year, which comprises current tax and changes in deferred tax, is recognised in the profit and loss account for the part which can be ascribed to the profit for the year, and in other comprehensive income for the part which can be ascribed to other comprehensive income.
Current tax liabilities or current tax assets are recognised on the balance sheet and calculated as estimated tax on the taxable income for the year adjusted for tax paid on account.

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

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

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

Balance sheet

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

Claims to and debt to credit institutions and central banks
Claims to credit institutions and central banks includes claims to other credit institutions and time deposits in central banks. Debt consists of credit institutions short debt and time deposits in Djurslands Bank.
Due to and from credit institutions are measured at amortized cost.

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

Notes

41 Applied accounting policy (continued)

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

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

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

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

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

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

Group assessments are made using a segmentation model developed by the trade organisation “Lokale Pengeinstritutter”, 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 by 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.

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 not 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 affiliated 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.

Notes

41 Applied accounting policy (continued)

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

Land and buildings
Property, plant and buildings consists of two types “Investment properties and Domicile properties”. Those properties which are used to bank activities are categorised as Domicile properties, while other properties are treated as Investment properties.

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

Domicile property is measured at revaluated amount, which is the marked value less deducted depreciations and impairments. Yield and yield percentage is dependent of place and condition. Revaluations are carried out with sufficient regularity so that the carrying amount does not differ significantly from the amount that would be determined using fair value at the balance sheet date.
Depreciations are calculated on the basis of an expected life time of 50 years.
The base for depreciation is revaluated value deducted with scrap value. Depreciations are booked in the profit and loss account, while 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.

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

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

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

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

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

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

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

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

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

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

Cash comprise cash and balances on demand with central banks.

Notes

41 Applied accounting policy (continued)

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

Future accounting rules
At the time of publication of this annual report, the financial reporting standard IFRS 9, which replaces IAS 39, entered into force with effect from 1 January 2018. IFRS 9 changes the existing rules for classification and measurement of financial assets and impairment losses substantially, and to some extent, the rules for hedge accounting.

The general provisions of IFRS 9 have similarly been incorporated in the Danish Executive Order on the Presentation of Financial Statements and supplemented by special Danish rules for impairment losses in Appendix 10 to the Executive Order that comply with the general principles of IFRS 9.

The amended Danish Executive Order entered into force at the same time as IFRS 9, i.e. for accounting periods commencing on 1 January 2018.

The IFRS 9 rules on financial instruments that are incorporated in the Danish Executive Order stipulate the following as regards classification and measurement as well as impairment losses on financial assets:

<u>IFRS 9 classification and measurement:</u>
According to IFRS 9, classification and measurement of financial assets are made based on the business model of the financial assets and contractual cash flows that relate to the financial assets.
On subsequent recognition, financial assets that are held to generate contractual payments and for which contractual payments solely represent interest and repayments of the outstanding amount are measured at amortised cost.

Financial assets that are held in a mixed business model for which the objective of some of the financial assets is to generate contractual payments and for others to sell the financial assets and where contractual payments on the financial assets held in a mixed business model solely include interest and repayments of the outstanding amount are measured at fair value through other comprehensive income on subsequent recognition. However, the financial assets in question are part of a risk management system and an investment strategy that are based on fair values and are included in Djurslands Bank's internal management reporting on this basis. Based thereon, the Bank assesses that the financial assets do not qualify for the business model criteria relating to the measurement categories amortised cost and fair value through other comprehensive income. The financial assets in question are instead measured at fair value through profit or loss.

On subsequent recognition, financial assets that do not qualify for the above-mentioned business model criteria or for which the contractual payments do not solely include interest and repayments of the outstanding amount are measured at fair value through profit or loss.

Implementation of the IFRS 9 measurement categories for financial assets based on the business model and the characteristics of the contractual cash flows is expected only to imply minor changes to the measurement principles compared with the measurement principles used in Djurslands Bank's annual report for 2017.

<u>IFRS 9 – impairment:</u>
IFRS 9 replaces the exiting impairment model, which is based on losses incurred, with an impairment model that is based on expected losses. The new "expected loss" impairment model implies that, at the date of initial recognition, a financial asset is written down by an amount that corresponds to the expected 12-month credit loss (stage 1). If subsequently, the credit risk increases considerably compared to the date of initial recognition, the asset is written down by an amount that corresponds to the expected credit loss during the remaining term of the asset (stage 2). If an asset is impaired (stage 3), it is amortised at an amount corresponding to the expected credit loss during the term of the asset that will be higher than in stage 2, and interest income is recognised in profit or loss according to the effective interest method relative to the impaired amount.

Impairment write-down on customers in stages 1 and 2, except for the weak part of stage 2, are made based on a portfolio-based calculation model, whereas impairment losses for weak stage 2 customers and stage 3 customers are assessed individually.

The portfolio-based calculation model is based on a simplified model which again is based on Djurslands Bank's classification of customers into various rating classes and an assessment of the risk of the individual rating classes. Payment is made in a set-up that Djurslands Bank's data processing centre develops and maintains, supplemented by a forward-looking macroeconomic module that Lokale Pengeinstitutter (The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark) develops and maintains. The forward-looking macroeconomic module generates a number of adjustment factors that are multiplied based on the data processing centre's estimates, which are thereby adjusted according to the starting point.

Endorsements

Management's statement

The Board of Directors and the Board of Executive have today reviewed and approved the annual report 2017 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 of 31 December 2017 and of the result of the banks activities and cash flow for the financial year 1 January - 31 December 2017.

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 assembly.

Grenaa, 7 February 2018

Board of Executive

Lars Møller Kristensen

/ **Jonas Krogh Balslev**
Chief accountant

Grenaa, 7 February 2018

Board of Directors

Peter Zacher Sørensen *Chairman*	**Ejner Søby** *Deputy chairman*	**Helle Bærentsen**
Tina Klausen	**Peter Pedersen**	**Bente Østergaard Høg**
Anders Tække Rasmussen	**Mikael Lykke Sørensen**	**Uffe Vithen**

Endorsements

Independent auditor's report

To the shareholders of Djurslands Bank A/S

Opinion
We have audited the financial statements of Djurslands Bank A/S for the financial year 1 January – 31 December 2017, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial institutions.

In our opinion, the financial statements give a true and fair view of the Bank's financial position at 31 December 2017 and of the results of the Bank's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial institutions.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we rendered no prohibited non-audit services that follow from Article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor
We were initially appointed as auditor of Djurslands Bank A/S before 1995 and must therefore withdraw from the audit no later than at the annual general meeting in 2021. We have been reappointed annually by resolution of the general meeting for a total consecutive period of more than 23 years up until the financial year 2017.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the below key audit matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements as a whole.

Independent auditor's report

Measurement of loans and guarantees
Risk assessment in relation to our audit: A major part of the Bank's assets consist of loans to the Bank's customers (50% of the Bank's total assets), which entails a risk of loss in case of the customer's inability to pay. Also, the Bank offers guarantees and other financial products also implying a risk of loss.

The Bank's statement of impairment losses on loans and provisions for losses on guarantees, etc., involves significant amounts and management estimates. In particular, we focused on any objective indication of impairment, the realisable value of collateral received as well as the customer's ability to pay in case of default.

Furthermore, determination of methods and parameters for stating collective impairment losses involves significant management estimates.

Audit handling: Our audit covered the Bank's procedures for follow-up on loans and guarantees and registration of indications of impairment. By way of analysis and sample testing as well as a review of the Bank's procedures, we tested whether impairment losses and provisions have been recognised in accordance with the Bank's accounting policies.

Our review included the largest and most high-risk exposures and guarantees. As for collective impairment losses, we reviewed the methods and assumptions used as well as the relating management estimates.

Furthermore, we reviewed and tested whether note disclosures relating to loans, impairment losses, guarantees and credit risks in our view meet the relevant accounting rules.

Statement on the Management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements of the Danish Financial Business Act and Danish disclosure requirements for listed financial institutions.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act and Danish disclosure requirements for listed financial institutions. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements
Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial institutions and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Endorsements

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Based on the matters communicated to those charged with governance, we determine which matters were of most importance in our audit of the financial statements for the current period and therefore are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Aarhus, 7 February 2018

Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jon Midtgaard
State Authorised
Public Accountant
MNE no. 28657

Klaus Skovsen
State Authorised
Public Accountant
MNE no. 30204

Endorsements

Internal auditor’s report

To the shareholders of Djurslands Bank A/S

Opinion
In my opinion, the financial statements of Djurslands Bank A/S give a true and fair view of the the Banks financial position at 31 December 2017 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Audit performed
I have audited the financial statements of Djurslands Bank A/S for the financial year 1 January – 31 December 2017.
The financial statements are prepared in accordance with the Danish Financial Business Act.

The audit was performed based the Danish FSA's Executive Order on Auditing Financial Undertakings etc. as well as International Standards on Auditing of planing and performance of the audit work.

I have planned and performed the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. I participated in the audit of significant and high-risk areas.

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

My audit has not resulted in any qualification.

Statement on the Management's review
Management is responsible for the Management's review.

My opinion on the financial statements does not cover the Management's review, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or my knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is my responsibility to consider whether the Management's review meets the disclosure requirements in the Danish Financial Business Act.

Based on my procedures, I conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. I did not identify any material misstatement of the Management's review.

Grenaa, 7 februar 2018

Djurslands Bank A/S
Internal Audit

Jens Reckweg
Head of Audit

Management and audit

Management and audit

Board of representatives

Chairman
Niels Ejnar Rytter
Farmer
Allelev

Vice deputy
Uffe Vithen
Director
Egå

Britta Andersen
Museum director
Randers

Kaj Dahl Andersen
Plumber
Auning

Kim Andersen
Former menber of parliament
Skanderborg

Kirstine Bille
Teacher
Balle

Jens Blach
Proprietary
Trustrup

Hans Gæmelke
Proprietary
Ørsted

Merete Hoe
Engineer
Hornslet

Peter Høegh
Contractor
Kolind

Bente Østergaard Høg
Vice President
Allingåbro

Bo Ibsen
Farmer
Pederstrup

Désirée Iuel
Consultant
Glesborg

Gert Jakobsen
Haulage
Rodskov

Keld Hasle Jakobsen
Auditor
Tranbjerg

Hans Ulrik Jensen
Mason
Auning

Werner Kaihøj
Head of department
Højbjerg

Lars Møller Klemmensen
Warehouse manager
Nimtofte

Benny Kristensen
Director
Randers

Bent Kristensen
Director
Mørke

Jakob Tolstrup Kristensen
Associate partner
Risskov

Hans Jørgen Laursen
Project manager
Grenaa

Jesper Lyngesen
Director
Grenaa

Jonna Madsen
Nurse
Allingåbro

Jens Mikkelsen
Partner and COO
Ryomgaard

Solveig Skov Nielsen
Auditor
Hornslet

Erik Pedersen
Contractor
Ørsted

Eva Bæk Pedersen
Department Manager
Grenaa

Finn Pedersen
Trade in books
Kolind

Kaj Pedersen
Inspector
Grenaa

Ole Pedersen
Director
Egå

Peter Pedersen
Farmer
Nimtofte

Leo Holm Petersen
Director
Allingåbro

René Sønderby Povlsen
Merchant
Ugelbølle

Connie Rasmussen
Senior consultant/CFO
Risskov

Sussi L. Rasmussen
E-Commerce Manager
Åbyhøj

Gert Rygaard
Director
Grenaa

Jørn Schmidt
Store manager
Kolind

Lars Stehouwer
Contractor
Egå

Peder Svenstrup
Store owner
Grenaa

Ejner Søby
CFO
Vivild

Alf Sørensen
Manager
Grenaa

Eigil Bjørn Sørensen
Butcher
Ebeltoft

Else Brask Sørensen
Communications Officer
Grenaa

Mikael Lykke Sørensen
Real estate agent
Ebeltoft

Peter Zacher Sørensen
Attorney-at-law
Gjerrild

Morten Therkildsen
Director
Grenaa

Kristian Juul Thorsen
Director
Nimtofte

Lise Torp
Project manager
Skanderborg

Ole Tåsti
Carpenter
Allingåbro

Management and audit (continued)

Board of Directors

Chairman

Peter Zacher Sørensen	Bente Østergaard Høg	Peter Pedersen	Mikael Lykke Sørensen
Attorney-at-law	Vice president	Farmer	Real estate agent
Gjerrild	Allingåbro	Nimtofte	Ebeltoft

Vice deputy

Ejner Søby	Helle Bærentsen *	Tina Klausen *	Anders Tækker Rasmussen *
CFO	Deputy head	Department Manager	Corporate account manager
Vivild	Egå	Grenaa	Vivild

Uffe Vithen
Director
Egå

* (Employee representative)

Board og Management

Lars Møller Kristensen
Managing director

Auditor

Ernst & Young
Approved auditing company, Aarhus

Internal auditor

Jens Reckweg
Cheif audit Executive

DJURSLANDS BANK

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