Annual Report 2009

DJURSLANDS BANK
– vi bygger på lokale værdier

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

Management report
Financial overview

(1,000 kr.)	**2009**	2008	2007	2006	2005
Profit and Loss Accont					
Net interest income	**194.090**	184.176	157.980	141.450	132.016
Net interest and fee income	**255.073**	245.580	230.478	208.232	187.190
Value adjustments	**30.996**	-24.921	15.031	28.498	30.033
Operational expenditure	**193.562**	176.461	157.129	145.021	134.488
herof staff and administrative expenses	**166.484**	165.711	151.715	140.758	129.506
herof payment to the Private Preparedness Initiative	**21.154**	5.502	0	0	0
Writedowns	**46.999**	30.728	-9.141	-13.838	4.696
herof writedowns in the Private Preparedness Initiative / Roskilde Bank	**13.880**	5.947	0	0	0
Profit of associated and affiliated companies	**87**	2.973	73	76	60
Profit before tax for the financial year	**51.153**	20.522	102.269	107.721	79.228
Profit for the financial year	**39.969**	17.766	79.659	83.292	59.876
Selected assets and liabilities					
Equity	**635.710**	588.239	633.413	565.104	489.325
Capital base	**701.561**	725.304	713.040	686.402	607.668
Total deposits	**4.276.901**	4.172.662	4.245.790	3.679.834	3.203.460
Loans and other amounts due	**3.893.372**	4.235.007	4.301.945	3.535.614	2.820.627
Total assets / liabilities	**6.294.894**	6.518.733	6.317.418	5.422.703	4.436.681
Off-balance sheet items	**1.404.110**	1.390.640	2.251.373	2.328.346	2.254.159
Selected keys figures					
Solvency ratio	**14,2**	13,0	12,3	13,1	13,4
Individual solvency demand ratio	**8,0**	8,0	8,0	0,0	0,0
Core capital ratio	**11,7**	9,5	9,4	9,5	10,2
Profit on own funds before tax	**8,4**	3,4	17,1	20,4	17,3
Basic earning / costs excl. Expense Private Preparedness	**1,51**	1,46	1,50	1,45	1,40
Extra cover in relation to the statutory liquidity requirement	**195,1**	100,5	44,9	60,0	61,9
The year's loss and writedown	**0,9**	0,5	-0,1	-0,2	0,1
Lending in relation to equity capital	**6,1**	7,2	6,8	6,3	5,8
Stock value / net book value per share	**0,65**	0,65	1,64	1,69	1,56

Further survey and key figures is available in note 1.

Management report
Annual Review

Annual result lower than expected
The annual profit of DKK 40m is higher than expected at the beginning of the year, and is deemed by the bank's Board and Management to be satisfactory, under the present macroeconomic conditions.

Before value adjustment of securities and currencies, the profit was DKK 20.2m, which in inside the expected guidance after the 3 quarter, but slightly below the expected guidance at the beginning of the year.

The main course is to be found in the bank's relative large contribution to the so-called Bank Package I.
The bank's total payment towards the Package in 2009 was DKK 35m or DKK 23.6m more than in 2008.
These DKK 35m consist of a paid guarantee commission to the Government of DKK 21.1m, as well as write-downs of DKK 13.9m for banks overtaken by the Private Preparedness Initiative.

Without the extraordinary sector cost from Bank Package I, the bank's income – after write-down on own loans and guaranties – has been improved by DKK 1.2m, which is deemed as very satisfactorily by the bank's Management and Board of directors in the present economical situation.

The profit before tax of DKK 51.2m represents a return on the average equity of 8.4%, equaling DKK 19 (per DKK 10 share).

Background for the result
The realized result has to bee seen in the light of the significant macro economical setback, which is one of the consequences of the international financial crisis for.

The negative development in the macro economic has lead to a very low consumer confidence, a low private consumption and harder sales conditions for the companies.
This situation has lead to a significant decrease in the demand for the workforce, and the number of unemployed has, especially in the second half of 2009, been increasing.

Furthermore the lacking macro economic growth has lead to a significant decrease in the interest rate, and thereby increasing rates on bonds.

For the bank, these developments led to

- A larger decrease in the demand for loan
- increased lending risks and thus larger write-downs on credit portfolio.
- Declining income from trust activities and fund management
- Higher positive price adjustment of security holdings and
- large payments to the state for Bank Package I and write-downs associated herewith

Despite the significant economic challengers in 2009 the bank has achieved an improved and satisfactory result of its basic earnings.

One of the main reasons is, that an increasing part of the bank's customers have chosen to gather their banking business in the bank, and in the bank's business associates on the real-estate area – Totalkredit and DLR Kredit.

Another reason is the good influx of customers to the bank's branches in Djursland and Aarhus.

Despite a generally larger reluctant at both private- and business customers towards changing of bank, there are still a great many customers with a sound financial standing that has chosen Djurslands Bank as their new bank connection.

Nevertheless the business volume has not developed as expected as the growth in both lending and deposits is realized beyond budget.

The total deposit has during the year risen by DKK 104m – a 2.5% increase.
This increase is a mix of an increase of 6% in private customer deposits, hereof app. 1/3 is due to savings for pension, whereas the remaining part is on longer placed savings and amounts payable on demands.

In 2009, business clients paid extra attention to their financial positions.
A number of companies needed their cash resources in their daily operations, so business client deposits declined by just under 20%.

On the lending side, low desire to invest and conversion into long-term mortgage credit loans reduced the Bank's lending to business clients by 9%.

Lending to the Bank's private clients was also reduced in 2009, since clients continued to pay back existing loans and were very reluctant to raise new loans. In addition, investment loans and credits in particular were reduced due to expiry and thus ordinary redemption.

Even if private clients were reluctant to raise loans, the Bank's home loans grew by 2%, which is very satisfactory given the relatively low level of turnover on the real property market.

The average interest margin in the year under review was 0.45% points higher than in 2009. The main reason is to be found in the bank's increase of risk premium on some of the lending portfolio.

Furthermore the bank has to some extent been able to benefit from the surplus of liquidity, which has been the overall picture of the liquidity marked for the main part of the year.

Further the balance between deposits and lending has meant that, the bank has had no need for participating in the significant competition for deposits which has been seen in some periods.
Despite the decline in the number of property transactions, the bank has achieved an increase in earnings from mortgage credit finance.
The main reason is to be found in a steadily increasing portfolio of mortgage credit loans organized by the bank for private individuals and for companies, which has generated earnings for the bank.

The activity level in another of the bank's very important business areas – security trading, capital administration and trust funds – remained, especially in the first half year, at a very low level compared with previous years, so the bank's earnings from these activities declined by approx. 13%.

The marked change in economic trends caused some of the Bank's business clients to achieve poorer financial results than previously. In the present economic situation, a minor number of these business clients may have difficulties servicing their debts, which has made the Bank increase its write-downs on loans.
Among a rather small number of private clients, the Bank is now also seeing challenges in regard to debt service, mainly because of the decline in real property prices and the rise in unemployment.

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

The strong decline in interest rates led to increasing bond rates; furthermore, the growing expectation in the year under review that the economy was going to bounce back led to an increase in share prices.
For the Bank, this led to a relatively high positive value adjustment on securities and currencies.

Operations
Net interest income rose by DKK 9.9m. This increase represents a combination of an increase in interest margins, a markedly higher holding of bonds and good funding possibilities for the bank on the money market.

Despite a lower activity in the fields of security trading and fund management the bank has realized a smaller increase in commission and fee income of net 1% or DKK 0.6m.

The main reason for this is the rising income from the real estate area.

Overall, the bank's total income rose by DKK 11m compared with 2008, corresponding to a 4.4% increase.

The total value adjustment of securities and currencies represents a capital gain of DKK 31m. This capital gain on bond holdings amounts to DKK 19.2m and shareholdings at DKK 9.3m, and currency trading has contributed positively with DKK 2.7m.

The total operating expenses rose by DKK 17.1m corresponding to 9.7%. The most important reasons are the following:
• the bank's payment of DKK 21.1 towards Bank Package I /The Private Preparedness Initiative – an increase of DKK 15.6m compared with 2008.
• an increase in salary and pension costs caused by the labor market agreement for employees, and
• ordinary inflation in the bank's other operating costs.

The average number of employees, converted to full-time equivalents, was 199 in 2009 – same level as in 2008.
The average number covers a decrease from 205 employees in the beginning of the year to 198 at the end of the year.

Without the mandatory payment towards Bank Package I, which in 2009 was DKK 15.6m higher than in 2008, the increase in costs would have been DKK 1.5m (+0.5%).

Write-downs and losses
The amount for losses and write-downs on loans amounted to DKK 47m in 2009, against DKK 30.7m in 2008.

The main reasons for the size of the write-down is the general increase in credit risk due to the macro economical development, which among other things has lead to

- an increase in group write-downs on loans with DKK 3.7m.
- an increase in individually written-down loans, especially on business commitments with gross DKK 51.3m, and
- extraordinary write-downs of DKK 13.9m on distressed bank's (Bank Package I/ The Private Preparedness Initiative).

The increase in the individually written-down loans, where objective indicators for value deterioration have been ascertained, is to some extend equaled by reversed write-downs.
A further specification can bee seen in the notes.

The calculation of the group write-downs in the 2009 financial year – as in 2007 and 2008 – has been based on a standard model developed by the trade association known as Lokale Pengeinstitutter (local banks) based on division of the bank's customers into segments.
The assumptions of the standard model have been compared with developments in the bank's primary market area and developments in the bank's historically ascertained losses, and in areas where significant deviations from the standard model have been ascertained, corrections have been made accordingly. In addition, when making a managerial assessment of the group write-downs, the bank has included already occurred events, the effects of which have not yet been integrated into the basic data of the standard model.

The total write-downs on loans and provisions for guarantees ex The Private Preparedness Initiative / Bank Package I amounted to DKK 142m at the end of the year, corresponding to 2.6% of the bank's loan and guarantee portfolio.

The total realized credit loss amount to DKK 4.9m in 2009 compared to 5.2m in 2008.

Allocation of profits
After taxes of DKK 11.2m, the profit for the year was DKK 40m.

According to the legislation implemented on financial stability (Bank Package I), a 2-year ban on the payment of dividend has been imposed on the banks.

At the bank's annual general meeting, the Board will thus propose that the profit for the year, DKK 40m, be transferred to the reserves.

Following the proposed allocation of profits, the bank's equity will amount to DKK 635.7m, representing an increase of 8.1%. Further information is given under the notes and in the explanatory statement regarding the shareholders' equity.

Capital
The bank's capital base amounted to DKK 702m and the solvency ratio at the end of the year amounted to 14.2%, whereof core capital amounts to 11.7%,

The bank's own calculated solvency ratio requirement is lower than 8%, and therefore the statutory requirement of 8%, will be applicable. Therefore the bank has a very satisfying solvency ratio, which amounts to 6.2%-points more than the solvency need, equal to DKK 305m.

The bank makes ongoing assessments of its capital requirement by various means, such as stress tests. For further information and detailing, reference is made to www.diurslandsbank.dk, which contains the full report on the banks capital demand.

In October of 2009, the Bank decided on early redemption of a subordinate bond loan of DKK 50 mill. in connection with a predetermined interest rate increase on the loan.
The remaining tier two capital of approx. DKK 175m are described in more detail in the Notes.

The Bank's Stock Exchange notifications in 2009 announced that in the spring the Bank decided to apply to the Government for approval for possibly receiving a Government capital contribution in the form of hybrid core capital. The reason was to be found in the economic situation at the time, which was very uncertain, so the Bank's Board and Management did not want to risk bringing the Bank into a situation in which the Bank's financial standing could be seen as uncertain, or in which for capital-related reasons the Bank would be unable to meet an increased demand for loans.

In Q4 2009, the Bank was approved for receiving a Government capital contribution of up to DKK 158m.
Based on the Bank's positive result from operations in the year under review, and thus a consolidation capacity that brings the Bank's solvency ratio up to 14.2%, the Bank decided not to accept the Government's offer.

The Bank’s Board and Management also decided to make an assessment of any required additional subordinate capital in the first six months of 2010 if the need arises, e.g. through a strong increase in the demand for loans.
If subordinate capital is deemed to be required, it will be raised in the form of hybrid capital and/or tier two capital within a framework of up to DKK 100m.

In accordance with the bank’s articles of association, the bank’s Board of Directors is entitled, up to 1 March 2014, to increase the share capital by up to DKK 27m to reach a total of DKK 54m in the form of one or several emissions.

The bank’s share capital of nominally DKK 27m is held by 15,500 shareholders.
Sparinvest, a mutual fund, has informed the bank that it holds more than 5% of the share capital.

The bank has chosen to pay a part of the guarantee commission to the Government for Bank Package I in the form of own shares. The Government now owns 3.92% of the bank’s share capital.

The bank will not used further own shares as payment for the remaining payment of guarantee commission to the Government.

Balance Sheet
The bank’s balance sheet decreased by DKK 224m, amounting to DKK 6,295m at the end of the year, equal a decrease of 3.4%. The main cause for this is a realized decrease of the bank’s loans.

Off-balance-sheet items were increased by DKK 13m, corresponding to a increase of 1% compared with 2008.

Liquidity
The bank’s liquidity situation in 2009 was at a very satisfactory level, which is why the bank has not wished or had any need to participate in the policy of overbidding on the market for deposits and liquidity in general.

At the end of 2009, the bank had excess liquidity cover of more than 195%, i.e. DKK 1,300m

At the 12 January 2010 the bank had paid in DKK 300m of issued bonds.
Despite that the liquidity excess coverage is still more than DKK 1,000m the bank has decided in 1 half of 2010, to evaluate the need for taking in new issued bonds during 2010, with the intent of further strengthening the liquidity excess coverage.
If so the bank will seek for a state guarantee on these.

In addition, the guaranteed lines of credit which the bank has from other financial enterprises will be adapted on an ongoing basis to the bank’s growth and requirements.
For further information about cash-flow management, reference is made to the separate section on this topic.

Market risks
The bank’s total interest-rate risk in 2009 amounted to between 1.6% and 2.7% of the bank’s core capital at the beginning of the year. At the end of the year, the interest-rate risk was 1.5% of the core capital after consolidation.

In the year under review, the exchange-rate risk (indicator 1) was max. 1.3% of the bank’s core capital at the beginning of the year.

Pension funds
The bank’s pension funds has realized a satisfying result in 2009, caused by the markedly decrease in interest rates and increasing stock prices.

The returns were 5,1% in the Safe Investment Fund and 13.6%% in the Mixed Investment Fund.

Board and Management
At the bank’s annual general meeting in March 2009, the bank’s vice deputy Ole Fast resigned from the bank’s Board of Directors.

As replacement, CFO Ejner Søby was elected as a new member to the Board.

Following business manager Uffe Vithen was elected as new vice deputy to the Board.

Other information
The bank has with effect from 4 quarter 2009 changed the construction of organizations within the business area.
The banks advising and servicing of the bank’s larger business customers is now gathered in 3 of the bank’s branches, Grenaa, Auning and Aarhus.
The changing of the organization has been implemented to strengthen the bank’s business advising and at the same time to minimize the risks which the banks takes on.

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

No events have occurred that would influence the bank's Annual Report or its financial position.

In 2009, the bank issued the following stock exchange announcements:

08.01.2009	Holding of own shares
18.02.2009	Annual Report for 2008
20.02.2009	Notice of the Annual General Meeting
20.02.2009	Motion to amend the bank's Articles of Association
20.03.2009	Minutes from the General Meeting
20.03.2009	Changes to management
20.03.2009	Approved Articles of Association
29.04.2009	Interim report, Q1 2009
07.08.2009	Interim report, Q1–Q2 2009
16.10.2009	Financial calendar for 2010
30.10.2009	Interim report, Q1–Q3 2009
07.12.2009	The bank says no to Bank Package II

Expectations for 2010
The bank expects the growth of the national economy to remain at a relative low level in 2010.

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

Despite of increasing available amounts to the consumers, due to very low rates for estate loans and the implemented tax reductions, it is expected that the rising unemployment will effect the consumer confidence in a negative direction and thus also the demand for loans from both private and business customers.

Based on this situation, the bank expects no growth in the demand for loans.

The expected restraint in consumer spending is expected to lead to increase the wish to save up, so the bank expects to see a minor increase in deposits.

The bank will work targeted with attracting new private- and business customers with a sound economic.
The historical balance between deposits and loans and the bank's capital resources gives a good possibility for this.

The Board and Management will in the 1 half of 2010 evaluate on the need for obtainment of new subordinated debt, all dependent on the growth of the bank's business volume.

The present situation in the macro economics is expected to cause an increasing credit risk an a slightly increasing interest margin.
The bank's payment towards Bank Package I is expected to be DKK 16m.
To which must be added any additional losses suffered by the Private Preparedness Initiative when closing banks that are in distress.

The bank's risk profile in regard to its own transactions in the fields of currencies and investments will remain at a cautious level and the bank's balanced growth in business volume until now will be maintained.

Based on these assumptions, the profit for 2010 – excluding value adjustments of securities and currencies, tax and write-downs – is expected to be at the level of DKK 50m to DKK 70m.

Because of the expected macro economic situation, losses and write-downs on loans are expected on a slightly lower level than 2009.

The bank's interim reporting for 2010 is shown on the financial calendar issued in collaboration with Copenhagen Stock Exchange to which reference is made.

Management report
Commercial basis

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

Since its establishment the bank has continuously expanded its network of branches in Djursland.
The first branch in the Århus area was opened in 1995, and with the latest establishment in 2003 in the centre of Aarhus, the bank has 5 branches in the area.

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

The bank's vision is, based in East Jutland to be a strong and attractive partner for both private and businesses with a healthy economy.
The bank's strategy therefore includes a continued expansion of the bank within the bank's natural market area.

The foundation of the bank's principal objectives is that the bank should be a competitive, professional, locally-oriented business at all times.
Continuous development, optimal use of resources, responsible risk management and controlled growth are therefore keywords in the management of the bank.

The bank's values are described in more detail on the last page.

Commercial basis
Djurslands Bank is a full-service bank for private customers, small and medium-sized commercial enterprises and public institutions in the bank's market area.

In addition to banking products, customers are offered a full range of mortgage, investment, pension, insurance and leasing products.
The bank's most important cooperation partners in these business areas are

- Totalkredit
- DLR Kredit
- BankInvest
- PFA
- Privatsikring
- Letpension
- SG Finans and
- Den Nordiske Investerinsbank

Customers
The bank advises and services around 33,000 private customers and around 3,000 business customers and public institutions, and 1,800 other customers. The number of customers is still growing in the right customer segments, where a healthy common sense in economic behaviour and a wish for full customers is the fundamental element.

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

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

As a supplement to this, the bank's customers are offered all relevant forms of self-service products.
More than half of the bank's business and private customers have electronic access to the bank via NetBank or NetBank Erhverv.

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

Management report
Corporate Management

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

At www.djurslandsbank.dk the bank's share-holders and other interested parties can obtain further information about Djurslands Bank's response to the full set of recommendations on Corporate Governance.

The bank complies with most of the recom-mendations, and for those recommendations, which the bank doesn't comply the bank's management has provided a detailed explanation of the reasons for this in accordance with the so-called "comply or explain" principle.

The duty to inform for publicly quoted companies also includes the individual company's opinion of and assessment of Corporate Governance, and the following sections therefore include a selection of the most significant areas of the bank that are covered by the rules.

To ensure the application of the bank's business strategy and policies, the bank has prepared a set of values, which describes how good management is performed in the bank.

Shareholders
The bank is owned by 15,500 share-holders, of which only one shareholder owns more than 5% of the share capital. Please see page 4 in the management report.

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

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

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

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

The bank's shareholders decided, by quite a large majority at general meetings in 1990, to insert ownership restrictions into the bank's articles of association, as a roof of 10% of the share capital.

The immediate background for this, was the relatively large shareholdings in the bank held by two other financial institutions, and thus the risk of a dominating influence on the bank's development.

Changes in the articles of association cannot be adopted unless at least two thirds of the votes submitted and votes cast by the share capital represented with voting rights at the general meeting.

Changes in the articles of association that are suggested by anyone other than the Board of Directors or the Board of Representatives cannot be adopted unless at least nine tenths of the share capital is represented at the general meeting.

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

1-50 shares	= 1 vote
51-100 shares	= 2 votes
101-200 shares	= 3 votes
201-400 shares	= 4 votes
401-800 shares	= 5 votes
801 shares or more	= 6 votes

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

The bank's management is still of the opinion that the ownership and voting right restrictions in the articles of association provide the best basis for realising the bank's vision and its principal objectives.
Optimising the return to shareholders in the short term by lifting the restrictions is, in the opinion of the management, not in harmony with the interests of the customers, employees and local community.

Board of Directors
The bank's Board of Directors consists of six members elected by the bank's Board of Repre-sentatives of 50 members.
In addition, the bank's employees have elected three members.
The composition of the Board of Representatives and the Board of Directors is shown on page 40 in the Annual Report.

The six Board Members elected by shareholders are elected for a 2-year term, so three are elected each year. See Note 37.
The number of Board Members is regularly reviewed. It is the opinion of the Board of Direc-tors that the present number is appropriate for the management of the bank.
The bank's Articles of Association set an age limit of 67 years for election to the Board of

Representatives, and thus also for election to the Board of Directors.

The tasks and responsibilities of the Board of Directors, and the division of the same between the Board of Directors and the Management, are laid down in instructions prepared in accordance with statutory rules and the requirements and guidelines of the Financial Supervisory Authority in this area.
Board Meetings are held at intervals of around three to four weeks, and otherwise as often as required.
The other managerial duties of the Board of Directors and the Management can be seen below.
The fees and remuneration of the Board of Directors and the Management can be found in note 7 to the Annual Report.
The fee for the Board of Directors is a fixed annual amount which is index-linked. The Board of Directors is not remunerated with share options.

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

Chairmann
Wholesaler Erik Nymann, Nymann Autoparts
Manager and deputy chairman in AUTO-G Dansk Grossist Union A/S.
Chairman in J.A.D.-Autodele A/S.
Manager and member of Board of directors in Auto-Generation A/S, Erik Nymann Holding A/S, Nymann Autoparts A/S, Nymann Ejendomme A/S, Nymann Kemi A/S, N.K. Specialværktøj A/S, Detailgruppen A/S, Kolind Midtpunkt A/S and Hedensted lagerhoteller A/S.
Member of Board of directors in S.Burchardt Nielsen Autodele A/S and Sydjydsk Reservedele A/S.

Vice deputy
Business manager Uffe Vithen, Beder-Malling Boligforening

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

Farmer and crop consultant Jacob Arendt, Djurslands Landboforening.

Account manager Helle Bærentsen, Djurslands Bank

Staff manager Tina Klausen, Djurslands Bank

Bank clerk Jan B. Poulsen, Djurslands Bank

Realestate dealer and partner Mikael Lykke Sørensen, Nybolig

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

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

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

Management Report
Risk management

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

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

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

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

For the full risk report, please go to www.djurslandsbank.dk.

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

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

The bank must at a minimum comply with all prevailing rules and supervisory requirements, including a capital adequacy requirement of 8%, and The Danish Financial Supervisory Authorities has not set any higher requirement.

Until now the banks has not been seeking any credit-rating from an International rating-bureau.
The bank's Board of Directors has therefore defined its own solvency target at 12% and core capital target at 11%

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

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

The Bank's own calculated solvency ratio requirement at the end of the year was below 8%, so the statutory minimum requirement of 8% applies.

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

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

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

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

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

The Credit Department's ongoing and regular reporting to the Management and Board of Directors comprises all of the Bank's credit risks divided into cases, clients, segments, industries and departments.
In addition, ongoing reporting is done on trends relating to overdrafts, arrearage, write-downs and bad commitments, just as reporting is done on composition at client level in the industries representing the highest proportions of loans.

The bank accepts credit risks on the basis of a defined credit policy.
In the bank's credit policy the decisive emphasis is placed on the diversification of risk.

Diversification across

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

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

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

To manage the banks loan portfolio a credit rating based on factual financial information based on the individual business or personal customer is used.
The credit rating for private customers is expanded with a financial behaviour score.

To limit the bank's risk of losses, there is an assessment in each individual credit case of whether the lodging of security is necessary.
If the credit risk is not minimal, as a general rule it is a requirement that the customer lodges full or partial security for the commitment.
The value of security lodged is determined on the basis of defined valuation principles for each kind and type of security. This also includes changes in the market and depreciation as a consequence of age.

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

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

All commitments of DKK 0.5 million or more are valued individually with a view to confirm whether there is an objective indication of any depreciation in value on the basis of actual events that have occurred. If an objective indication is confirmed and this involves an impact on the size of expected future payment flows, a write-down is performed.

The loan is written down if necessary, applying the difference between the book value before the write-down and the present value of expected future payments.
Regardless of the size of the commitment, the endangered commitments are valued individually and the write-down is assessed correspondingly.

Loans and other amount that are not written down individually are included in the base data for group write-downs. An assessment of objective indication for losses is performed on the group.
Group assessments are made for groups of loans and receivables with uniform characteristics in relation to credit risks. 11 groups exist, comprising one group of public authorities, one group of private customers and nine groups of corporate customers that have been subdivided into sector groups.

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

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

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

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

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

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

The bank's total interest risk is quantified such that it may be a maximum of between 0 and 3% of the bank's core capital after deductions.

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

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

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

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

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

The Bank's primary source of finance is deposits made by the Bank's clients, so the Bank also works to strike a balance between deposits and lending.

The Bank wishes to be independent on major fixed-term deposits, so the Bank's deposit base only contains minor fixed-term deposits from clients who are not already the Bank's clients in other business areas.

In addition to deposits, bond loans are raised in the form of senior capital with a maturity of up to three years.
For daily procurement and placement of cash resources, unsecured loans on the wholesale market are used.
Furthermore, the Bank has concluded multiannual agreements on guaranteed lines of liquidity for DKK 100m.
The guaranteed lines of liquidity are subject to ongoing adaptation to the Bank's short and long-term requirements and are normally not used in day-to-day cash flow management.

Cash management includes stress tests to identify the Bank's cash flow exposure; the Bank's emergency plans in this field are subject to ongoing updates.

Reporting to Management is done daily, just as regular meetings and follow-ups are held among the people in the organisation who are responsible for this.

Reporting is also done at each Board meeting.

IT security
IT security is also monitored continuously.
Our most important partner in the area of IT is Bankdata, to which most of the operational and developmental activities are outsourced.
The division of responsibility and work between Bankdata and the bank is clearly defined and described, and there are regular evaluations of whether Bankdata complies with the bank's IT security policy.

The bank's contingency plans include continuing updates and test of procedures in the IT-area, as well as the bank's safety policy is updated on an ongoing basis.

Operational risks
Operational risks can be defined as the potential losses to the Bank as a result of errors and incidents caused by people, processes, systems or external events.
These risks could be the result of inappropriate employee action, system breakdown, policy infringements, failure to comply with business procedures, laws and regulations, etc.

The Bank has separated the performance of activities from activity checks in the organisation to minimise operational risks.
In addition, the Bank's internal auditor carries out ongoing audits to obtain the highest possible assurance of compliance with policies, business procedures, rules and processes.

The Bank has high focus on its responsibilities when advising its clients, and thus also on the financial liabilities can could ensue when offering such advice.
The Bank seeks to minimise this risk through systematic clarification and employee competence development in all fields of advising; this includes certification in the fields of investment and home-loan advisory services.
Wherever possible, the Bank uses technical, standardised advising procedures, so as to have the highest possible assurance of identification and advice in regard to all elements involved in a given case.

Ongoing reports are given to Management regarding current and new client complaints; regular reporting is done on this subject to the Board of Directors.

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

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

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

The bank has established an auditing board in 2009, who consist of the whole board of Directors and with CFO Ejner Søby as the independent member.

The auditing board's assignments are defined in a commission, and includes among other things supervising of the process of preparing the banks annual report, the internal control systems, the internal audit, the banks risk management systems, auditing of the annual report and the auditors independent.

Management report
Social Responsibility

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Profit and Loss Account

(DKK 1,000)

	Note	2009	2008
Interest income	*3*	**295.620**	366.342
Interest expenses	*4*	**101.530**	182.166
Net interest income		**194.090**	184.176
Dividend from share etc.		**1.291**	2.279
Fees and commission income	5	**65.957**	65.560
Fees and commission expenses		**6.265**	6.435
Net interest and fee income		**255.073**	245.580
Value adjustments	*6*	**30.996**	-24.921
Other ordinary income		**5.558**	4.079
Staff costs and administrative expenses	*7*	**166.484**	165.711
Depreciation and writedowns of tangible assets		**5.924**	5.248
Other operational expenditures		**21.154**	5.502
Writedowns		**46.999**	30.728
Profit from holdings in associated and affiliated companies	*8*	**87**	2.973
Profit before tax for the financial year		**51.153**	20.522
Tax	*10*	**11.184**	2.756
Profit for the financial year		**39.969**	17.766

Allocation of profit

	2009	2008
Profit on holdings in associated and affiliated companies	**87**	99
Proposed dividend	**0**	0
Retained profit	**39.882**	17.667
Total allocated	**39.969**	17.766

Balance Sheet as at 31. december

(DKK 1,000)	Note	**2009**	2008
Cash in hand and claims at call on central banks		**58.347**	76.230
Due from credit institutions and central banks	*12*	**73.572**	562.133
Loans and other amounts due at amortised cost	*13*	**3.893.372**	4.235.007
Bonds at fair value		**1.051.832**	514.044
Shares, etc.		**166.504**	157.594
Holdings in affiliated companies	*14*	**1.598**	1.511
Assets under pooled schemes	*15*	**866.884**	749.905
Tangible assets		**77.762**	77.245
Investment properties	*17*	**2.865**	2.865
Domicile property	*18*	**74.897**	74.380
Other tangible assets	*19*	**11.969**	13.762
Tax assets		**4.961**	5.393
Deferred tax assets	*20, 21*	**0**	18.392
Temporary assets		**600**	0
Other assets		**83.493**	103.925
Cut-off assets		**4.000**	3.592
Total assets		**6.294.894**	6.518.733
Due to credit institutions and central banks	*22*	**738.864**	1.035.970
Deposits and other amounts due	*23*	**3.384.750**	3.390.111
Deposits under pooled schemes		**892.151**	782.551
Issued bonds at amortised cost	*24*	**300.000**	300.000
Tax liabilities		**0**	0
Other liabilities		**138.247**	181.333
Cut-off liabilities		**4.651**	6.252
Total debt		**5.458.663**	5.696.217
Provisions for pensions and similar obligations	*25*	**5.489**	5.278
Provisions for deferred tax		**2.132**	0
Provisions regarding losses on guarantees		**16.880**	3.000
Other provisions for liabilities		**361**	340
Total provisions for commitments		**24.862**	8.618
Subordinated debt	*26*	**175.659**	225.659
Total subordinated debt		**175.659**	225.659
Share capital		**27.000**	27.000
Share premium account		**5.274**	5.274
Revaluation reserves		**2.468**	2.468
Other reserves		**1.598**	1.511
Retained profit		**599.370**	551.986
Total equity		**635.710**	588.239
Total liabilities		**6.294.894**	6.518.733

Cash Flow Analysis

(DKK 1,000)

	Note	2009	2008
Source of capital			
Operations			
Profit for the financial year		**51.153**	20.522
Writedowns		**46.999**	30.728
Revaluation on investment land and property	*17*	**0**	-300
Depreciation and writedowns of tangible assets		**5.924**	5.248
Profit on holding in affiliated companies	*8*	**-87**	-99
Profit on holding in associate companies	*8*	**0**	-2.874
Tax		**9.774**	-10.483
		113.763	42.742
Change in loans and other amounts before writedowns		**294.636**	36.210
Change in assets under pooled schemes		**-116.979**	76.005
Change in bonds		**-537.788**	76.966
Change in shares		**-8.910**	33.268
Change in temporary assets		**-600**	0
Change in other assets		**20.024**	-45.651
Change in assets at credit institutions		**488.561**	-375.953
Change in due to credit institutions		**-297.106**	237.039
Change in deposits and other amounts due		**104.239**	-73.128
Change in issued bonds		**0**	0
Change in other liabilities		**-44.687**	94.229
Change in provisions for liabilities excl. deferrred tax		**14.112**	-11.651
Cash flows from operation activities		**29.265**	90.076
Purchase of tangible assets	*17, 18, 19*	**-5.163**	-9.063
Sales of tangible assets	*17, 18, 19*	**513**	0
Sales provision from associated company		**0**	3.124
Cash flows from investing activities		**-4.650**	-5.939
Paid dividend		**0**	-9.800
Purchase / sale and revaluation of own shares		**13.298**	-53.140
Tax on own shares		**-5.796**	-4.505
Change in subordinated debt		**-50.000**	0
Cash flow from financing activities		**-42.498**	-67.445
Cash flows for the year		**-17.883**	16.692
Cash, end		**58.347**	76.230
Cash, beginning		**76.230**	59.538
Cash flows for the year		**-17.883**	16.692

Equity

	Share capital	Shares premium account	Revaluation reserves	Other reserves	Proposed dividend	Retained profit	Total
Equity 31.12.2007	**28.000**	**5.274**	**2.468**	**1.412**	**9.800**	**586.459**	**633.413**
Paid dividend					-9.800		-9.800
Used for employee program						-2.250	-2.250
Reduction of share capital	-1.000					1.000	0
Net purchase of own shares						-56.392	-56.392
Own shares reserved for the Private Preparedness Initiative						5.502	5.502
Profit for the financial year				99	0	17.667	17.766
Equity 31.12.2008	**27.000**	**5.274**	**2.468**	**1.511**	**0**	**551.986**	**588.239**
Net purchase of own shares						13.004	13.004
Own shares reserved for the Private Preparedness Initiative						-5.502	-5.502
Profit for the financial year				87	0	39.882	39.969
Equity 31.12.2009	**27.000**	**5.274**	**2.468**	**1.598**	**0**	**599.370**	**635.710**

Number of shares 2.700.000

	2009	**2008**
Own shares		
Bookvalue of own shares	0	0
Number of own shares	62.977	144.823
Stock value per share	157	150
Total stock value	9.887	21.723
Percentage of own shares	2,3	5,4

Shareholders

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

Notes

(1,000 kr.)

1 Survey and key figures

	2009	2008	2007	2006	2005
Profit and Loss Accont					
Net interest income	**194.090**	184.176	157.980	141.450	132.016
Net interest and fee income	**255.073**	245.580	230.478	208.232	187.190
Value adjustments	**30.996**	-24.921	15.031	28.498	30.033
Operational expenditure	**193.562**	176.461	157.129	145.021	134.488
herof staff and administrative expenses	**166.484**	165.711	151.715	140.758	129.506
herof payment to the Private Preparedness Initiative	**21.154**	5.502	0	0	0
Writedowns	**46.999**	30.728	-9.141	-13.838	4.696
herof writedowns in the Private Preparedness Initiative / Roskilde Bank	**13.880**	5.947	0	0	0
Profit of associated and affiliated compa	**87**	2.973	73	76	60
Profit before tax for the financial year	**51.153**	20.522	102.269	107.721	79.228
Profit for the financial year	**39.969**	17.766	79.659	83.292	59.876

Balance Sheet

Assets					
Cash in hand and claims on credit institutions, etc.	**131.919**	638.363	245.718	215.968	252.818
Loans and other amounts due	**3.893.372**	4.235.007	4.301.945	3.535.614	2.820.627
Bonds and shares etc.	**1.218.336**	671.638	781.872	798.327	702.537
Assets under pooled schemes	**866.884**	749.905	825.910	732.116	570.403
Other assets	**184.383**	223.820	161.973	140.678	90.296
Total assets	**6.294.894**	6.518.733	6.317.418	5.422.703	4.436.681
Liabilities					
Due to credit institutions and central banks	**738.864**	1.035.970	798.931	835.691	359.519
Deposits and other amounts due	**3.384.750**	3.390.111	3.386.518	2.913.448	2.621.164
Deposits under pooled schemes	**892.151**	782.551	859.272	766.386	582.296
Other liabilities	**167.760**	196.203	113.625	116.415	158.660
Issued bonds	**300.000**	300.000	300.000	0	0
Subordinated debt	**175.659**	225.659	225.659	225.659	225.717
Equity	**635.710**	588.239	633.413	565.104	489.325
Total liabilities	**6.294.894**	6.518.733	6.317.418	5.422.703	4.436.681
Off-balance sheet items					
Contingent liabilities and other obligating agreements	**1.404.110**	1.390.640	2.251.373	2.328.346	2.254.159

Notes

		2009	2008	2007	2006	2005
1 Survey and key figures (continued)						
Solvency and capital ratio						
Solvency ratio *	pct.	**14,2**	13,0	12,3	13,1	13,4
Core capital ratio *	pct.	**11,7**	9,5	9,4	9,5	10,2
Earning ratios						
Profit on own funds before tax	pct.	**8,4**	3,4	17,1	20,4	17,3
Profit on own funds after tax	pct.	**6,5**	2,9	13,3	15,8	13,1
Earning/costs	kr.	**1,21**	1,10	1,69	1,82	1,57
Basic earning / costs	kr.	**1,35**	1,41	1,50	1,45	1,40
Basic earning / costs excl. expense Private Preparedness	kr.	**1,51**	1,46	1,50	1,45	1,40
Market risk ratios						
Interest rate risk	pct.	**1,5**	2,3	1,8	1,8	2,3
Foreign exchange standing - pos 1	pct.	**0,8**	2,2	4,3	3,6	2,5
Foreign exchange standing - pos 2	pct.	**0,0**	0,0	0,0	0,0	0,0
Credit risk ratio						
Lendings plus provisions on loans in relation to deposits	pct.	**94,4**	104,1	103,0	98,1	91,4
Extra cover in relation to the statutory liquidity requirement	pct.	**195,1**	100,5	44,9	60,0	61,9
Credit risk ratios						
The sum of large commitments	pct.	**73,3**	72,7	97,2	57,6	47,2
Share of outstandings with reduced interest	pct.	**0,7**	0,5	0,1	0,1	0,4
Provision percentage	pct.	**2,9**	2,0	1,3	1,5	2,1
The year's loss and writedown	pct.	**0,9**	0,5	-0,1	-0,2	0,1
The year's growth in lending	pct.	**-8,1**	-1,6	21,7	25,3	20,0
Lending in relation to equity capita	pct.	**6,1**	7,2	6,8	6,3	5,8
Return on share						
Profit for the year per share **	kr.	**15**	7	28	30	21
Net book value per share **	kr.	**241**	230	235	209	181
Dividend per share **	kr.	**0,0**	0,0	3,5	3,5	2,5
Stock value/result of the year per share		**10,6**	22,8	13,5	11,8	13,2
Stock value/net book value per share		**0,65**	0,65	1,64	1,69	1,56
Stock value per share**	kr.	**157**	150	385	352	282

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

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

Notes

(DKK 1,000)

		2009	2008
2	**Solvency**		
	Solvency ratio accordingly to FIL § 124, subsection 1	**14,2%**	13,0%
	Core capital after deductions in percentage of total weighted items	**11,7%**	9,5%
	Equity	**635.710**	588.239
	Herof revaluation reserves	**-2.468**	-2.468
	Tax assets	**0**	-18.392
	Core capital before deduction of holding	**633.242**	567.379
	Half of total of holding etc., more than 10% of capital base	**-54.904**	-35.101
	Core capital after deductions	**578.338**	532.278
	Subordinated capital investments	**175.659**	225.659
	Revaluation reserves	**2.468**	2.468
	Capital base before deductions	**756.465**	760.405
	Half of total of holding etc., more than 10% of capital base	**-54.904**	-35.101
	Capital base after deductions	**701.561**	725.304
	Weighted values excl. values with marked risk	**4.705.978**	5.329.580
	Weighted values with marked risk	**249.284**	267.244
	Total weighted values	**4.955.262**	5.596.824
	Demand for capital accordingly to FIL § 124, subjection 1, 1	**396.421**	447.746
	Demand for capital accordingly to FIL § 124, subjection 1, 2	**37.208**	37.283
3	**Interest income**		
	Claims on credit institutions, etc.	**4.429**	10.929
	Loans and advances	**245.978**	307.762
	Bonds	**39.236**	32.075
	Total derivative financial instruments	**5.463**	15.389
	herof		
	Currency contracts	***1.601***	1.405
	Interest rate contracts	***3.862***	13.984
	Other interest income	**514**	187
	Total interest income	**295.620**	366.342
4	**Interest expenses**		
	Credit institutions and central banks	**14.546**	29.177
	Deposits	**65.962**	121.178
	Issued bonds	**10.039**	16.927
	Subordinated debt	**10.663**	14.719
	Other interest expenses	**320**	165
	Total interest expenses	**101.530**	182.166

Notes

(DKK 1,000)

		2009	2008
5	**Fee and commission income**		
	Securities trading and custody account fees	**23.031**	26.674
	Payment services fees	**7.670**	8.414
	Loan fees	**27.403**	11.732
	Guarantee commissions	**4.416**	15.660
	Other fees and commissions	**3.437**	3.080
	Total fee and commission income	**65.957**	65.560
6	**Value adjustments**		
	Loan and advances at fair value	**2.007**	5.957
	Bonds	**19.249**	-14.834
	Shares, etc.	**9.314**	-14.523
	Investment property	**0**	300
	Currency	**2.708**	4.926
	Derivatives	**-1.909**	-5.849
	Assets under pooled schemes	**64.325**	-150.839
	Deposits under pooled schemes	**-64.698**	149.941
	Total value adjustments	**30.996**	-24.921
7	**Staff costs and administrative expenses**		
	Salaries and remuneration of Executive Board, Board of Directors and Board of Representatives		
	Board of Managers	**1.754**	1.786
	Board of Managers, pension	**321**	309
	Board of Directors	**761**	746
	Board of Representatives	**150**	142
	Total	**2.986**	2.983
	Staff costs		
	Salaries	**84.473**	81.640
	Pensions	**10.833**	9.492
	Social security expenses	**694**	768
	Taxes	**7.748**	7.519
	Total	**103.748**	99.419
	Other administrative expenses	**59.750**	63.309
	Total staff costs and administrative expenses	**166.484**	165.711
	Number of full-time equivalent staff (avg.) in the financial year		
	Calculated according to the ATP-method	**204,3**	203,2
	Calculated according to work-time percentages	**198,8**	198,2
8	**Profit of holdings in associated and affiliated companies**		
	Profit on holdings in affiliated companies	**87**	99
	Profit on holdings in associated companies	**0**	2.874
	Total profit on holdings in associated and affiliated companies	**87**	2.973

Notes

(DKK 1,000)

		2009	2008
9	**Write down on loans and advances**		
	Individual write downs		
	Write downs beginning	**103.353**	68.077
	Write downs in the financial year	**51.306**	85.047
	Changes in write downs regarding earlier years	**-18.242**	-48.032
	Finally lost regarding earlier write downs	**-3.507**	-1.739
	Individual write downs end	**132.910**	103.353
	Group write downs		
	Write downs beginning	**5.831**	1.913
	Write downs in the financial year	**3.665**	3.918
	Group write downs end	**9.496**	5.831
	Total write downs on loans and advances	**142.406**	109.184
10	**Tax**		
	Calculated tax charge for the year	**2.491**	8.625
	Deferred tax	**8.307**	-5.885
	Adjustment of prior-year tax charge	**386**	16
	Total tax	**11.184**	2.756
	Effective tax rate		
	Danish tax rate	**25,0%**	25,0%
	Non-taxable income and non-deductible expenses	**-3,3%**	-11,5%
	Adjustment of prior-year tax charge	**0,8%**	0,1%
	Others	**-0,6%**	-0,2%
	Effective tax rate	**21,9%**	13,4%
	The non-taxable income was mainly from non-public shares		
11	**Audit fees**		
	Total fee to the accounting firm elected by the general meeting which perform the statutory audit	**560**	492
	Fees for non-audit services	**254**	196
	The bank has an internal audit department		
12	**Due from credit institutions and central banks**		
	Claims at notice on central banks	**0**	499.842
	Claims on credit institutions	**73.572**	62.291
	Total due from credit institutions and central banks	**73.572**	562.133
	By residual maturity		
	Up to 3 months	**40.788**	519.100
	Over 5 years	**32.784**	43.033
	Total due from credit institutions and central banks	**73.572**	562.133

Notes

(DKK 1,000)

		2009	2008
13	**Loans and other amounts due at amortised cost**		
	Loans and other amounts due at amortised cost	**3.893.372**	4.235.007
	Total loans and other amounts due at amortised cost	**3.893.372**	4.235.007
	By residual maturity		
	Demand deposits	**417.684**	446.008
	Up to 3 months	**399.308**	320.050
	From 3 months to 1 year	**1.245.677**	1.513.917
	From 1 to 5 years	**999.113**	1.032.931
	Over 5 years	**831.590**	922.101
	Total loans and other amounts due at amortised cost	**3.893.372**	4.235.007
	Specifikation of write downs		
	Loans and other amounts due at amortised cost, before write downs	**4.035.778**	4.344.191
	Write downs	**-142.406**	-109.184
	Total loans and other amounts due at amortised cost	**3.893.372**	4.235.007
	Broken down by sector and industry		
	Public sector	**3,6**	3,2
	Business		
	Agriculture, hunting and forestry	**14,2**	14,4
	Fishing	**0,0**	0,4
	Manufacturing industry, quarring, electricity- and gas etc.	**4,0**	3,5
	Construction	**5,1**	5,1
	Wholesale and retail trade, hotels and restaurants	**5,8**	6,5
	Transport, post and communication	**2,6**	2,5
	Finance, insurance etc.	**2,5**	1,1
	Real estate administration and real estate business activities	**10,1**	13,6
	Other businesses	**10,4**	7,7
	Total business	**54,7**	54,8
	Private	**41,7**	42,0
	Total	**100,0**	100,0
14	**Holdings in affiliated companies**		
	Djurs-Invest ApS, Grenaa		
	Part of shares	**100%**	100%
	Equity	**1.598**	1.511
	Profit for the financial year	**87**	99
15	**Assets under pooled schemes**		
	Bonds at fair value	**687.099**	629.231
	Shares	**179.785**	120.674
	Total	**866.884**	749.905

Notes

(DKK 1,000)

16 Related parties

	2009	2008
	Affiliated Companies	
Loans and advances	**0**	0
Deposits	**607**	610

17 Investment property

Marked value beginning	**2.865**	2.565
Revaluation of marked value	**0**	300
Marked value end	**2.865**	2.865

External experts have not been used in 2008 and 2009.

18 Domicile property

Marked value beginning	**74.380**	73.760
Additions	**1.670**	1.508
Disposals	**-252**	0
Depreciation	**-901**	-888
Marked value end	**74.897**	74.380

External experts have not been used in 2008 and 2009.

19 Other tangible assets

Total cost at beginning	**30.904**	23.673
Additions	**3.493**	7.555
Disposals	**-3.133**	-324
Total cost at end	**31.264**	30.904
Depreciation and impairment beginning	**17.142**	13.106
Depreciation	**5.148**	4.360
Disposals	**-2.995**	-324
Depreciation and impairment end	**19.295**	17.142
Carrying amount end	**11.969**	13.762

20 Deferred tax assets and liabilities

Deferred tax beginning	**18.392**	10.216
Reclassification regarding earlier years	**-6.798**	0
Change in deferred tax due to own shares	**-5.419**	2.291
Change in deferred tax due, without own shares	**-8.307**	5.885
Deferred tax end	**-2.132**	18.392

Notes

(DKK 1,000)

21 Split of deferred tax on assets and liabilities

	2009 Deferred tax assets	2009 Deferred tax liabilities	2008 Deferred tax assets	2008 Deferred tax liabilities
Tangible assets	**149**	**376**	0	415
Cut of on fees and commissions	**3.088**	**0**	3.045	0
Own shares	**0**	**0**	11.638	0
Provisions for commitments	**1.372**	**0**	1.319	0
Other	**1.622**	**7.987**	7.880	5.075
Deferred tax total	**6.231**	**8.363**	23.882	5.490

Deferred tax of unquoted stocks amount to DKK 0

22 Due to credit institutions and central banks

	2009	2008
Due to credit institutions	**738.864**	1.035.970
By residual maturity		
Amounts payable on demand	**564.264**	311.370
Up to 3 months	**50.000**	600.000
From 3 months to 1 year	**124.600**	0
From 1 to 5 years	**0**	74.760
Over 5 years	**0**	49.840
Total due to credit institutions and central banks	**738.864**	1.035.970

23 Deposits and other amounts due

Amounts payable on demand	**2.327.067**	2.337.563
At notice	**146.000**	156.554
Time deposits	**554.247**	565.789
Special deposits	**357.436**	330.205
Total deposits and other amounts due	**3.384.750**	3.390.111
By residual maturity		
Amounts payable on demand	**2.831.421**	2.548.154
Up to 3 months	**245.347**	475.406
From 3 months to 1 year	**23.817**	112.321
From 1 to 5 years	**45.840**	47.450
Over 5 years	**238.325**	206.780
	3.384.750	3.390.111

24 Issued bonds at amortised cost

Up to 3 months	**300.000**	0
From 1 to 5 years	**0**	300.000
Total issued bonds	**300.000**	300.000

25 Provisions for pensions and similar obligations

Provision for pensions and similar commitments	**5.489**	5.278
Total provision for pensions	**5.489**	5.278
Paid to former members of the Executive Board	**1.077**	989

Notes

(DKK 1,000)

		2009	2008
26	**Subordinated debt**		
	Floating rate loan in DKK, maturity 2012, prepaid 2009	**0**	50.000
	Floating rate loan in DKK (2,7%), maturity 2013, Option to prepay from 2010	**75.000**	75.000
	Floating rate loan in DKK (2,9%), maturity 2014, Option to prepay from 2011	**100.659**	100.659
	Total subordinated capital investments	**175.659**	225.659
	Signing fee	**0**	**0**
	Part of capital base	**175.659**	225.659
27	**Equity - shares**		
	Number of shares each of nom value kr. 10.	**2.700.000**	2.700.000
	Share capital nom value DKK 27.000 (1.000 kr.)		
	Number of own shares, beginning	**144.823**	49.589
	Reduction of share capital	**0**	-50.000
	Split of shares 1:2	**0**	46.670
	Additions	**182.768**	302.040
	Disposals	**-264.614**	-203.476
	Number of own shares, end	**62.977**	144.823
	Nom value of own shares, beginning	**1.448**	992
	Net additions / disposals	**-818**	456
	Nom value of own shares, end	**630**	1.448
	Part of own shares, beginning	**5,4%**	3,5%
	Net additions / disposals	**-3,1%**	1,9%
	Part of own shares, end	**2,3%**	5,4%
28	**Guarantees, etc.**		
	Financial guarantees	**738.474**	763.381
	Loss guarantees	**216.358**	189.392
	Registration guarantees	**116.440**	123.477
	Other guarantees	**332.838**	314.390
		1.404.110	1.390.640

The bank has in 2008 joined the Goverment guarante by participating in the Private Preparedness Initiative. The total guaranteeprovision paid to the Goverment amounts to 15 billion d.kr., the banks share of this amounts to a yearly expense of 22 million d.kr. each of the two years the guarantee covers.
The total guarantee obligation towards the Private Preparedness Initiative amounts to 20 billion Danish kr., the banks share amounts to 58 million d.kr., which is included in the above specified guarantees.
At the end of 2009 16,9 million d.kr. has been booked as a provision.

Notes

(DKK 1,000)

29 Derivative financial instruments

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

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

Notes

(DKK 1,000)

29 Derivative financial instruments (continued)

	2008 Nominal value	2008 Net market value	2008 Positive market value	2008 Negative market value
Foreign-exchange contracts, purchase				
Up to 3 months	70.758	-2.811	760	3.571
From 3 months to 1 year	19.261	875	875	0
Market value	90.019	-1.936	1.635	3.571
Foreign-exchange contracts, sale				
Up to 3 months	587.953	-8.285	6.012	14.297
From 3 months to 1 year	61.130	-1.678	197	1.875
Market value	649.083	-9.963	6.209	16.172
Foreign-exchange swaps				
From 3 months to 1 year	8.849	0	349	349
From 1 to 5 years	687.882	0	25.393	25.393
Over 5 years	306.604	0	19.521	19.521
Market value	1.003.335	0	45.263	45.263
Foreign-exchange contracts and swaps	1.742.437	-11.899	53.107	65.006
Interestrate contracts, purchase				
Up to 3 months	10.881	11	11	0
Market value	10.881	11	11	0
Interestrate swaps				
Up to 3 months	0	0	0	0
From 3 months to 1 year	151.737	454	458	4
From 1 to 5 years	133.584	-134	2.396	2.530
Over 5 years	327.311	-8.371	8.088	16.459
Market value	612.632	-8.051	10.942	18.993
Interestrate contracts and swaps	623.513	-8.040	10.953	18.993
Unsettled spot contracts				
Foreign-exchange, purchase	16.484	-30	0	30
Foreign-exchange, sale	137	1	1	0
Interestrate contracts, purchase	6.684	25	28	3
Interestrate contracts, sale	6.684	-18	4	22
Sharecontracts, purchase	6.723	178	231	53
Sharecontracts, sale	6.727	-164	61	225
Market value	43.439	-8	325	333
Total				
Foreign-exchange contracts and swaps, total	1.742.437	-11.899	53.107	65.006
Interestcontracts and swaps, total	623.513	-8.040	10.953	18.993
Spot, total	43.439	-8	325	333
Market value	2.409.389	-19.947	64.385	84.332

Credit risk on other financial instruments	**2009**	2008
Positive market value after netting		
Authorities (with weighted risk 0%)	**0**	0
Credit institutions, etc. (with weighted risk 20%)	**1.600**	1.239
Customers (with weighted risk 100%)	**49.557**	63.146
	51.157	64.385

Notes
(DKK 1,000)

30 Foreign exchange risk	2009	2008
Valutafordeling på hovedvalutaer (netto)		
EUR	**1.934**	
CHF	**772**	
NOK	**596**	
Figures for 2008 are not available		
Exchange rate indicator 1 in % of core capital after deductions	**0,8%**	2,2%
Exchange rate indicator 2 in % of core capital after deductions	**0,0%**	0,0%

31 Financial risk and riskcontrolling

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

Credit risk:
The risk of loss, due to breact of contracts from counterparts

Market risk:
The risk of loss due to changes in market value from the banks assets and liabilities.

Liquidity risk:
The risk of loss due to unusual high increase in financial costs. The risk of loss if the bank is cut of from entering into new businesscontracts due to lacking financing, or the risk regaring the banks lacking ability to fulfilling business contracts when dued because of lacking financing.

The banks management of financial risk is described in the management reports section about credit risk, market risk and liquidity risk page 10 to 12, further information can be found in this section.

32 Current value of financial instruments

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

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

The writedowns on loans are assessed such that they correspond to changes in credit quality. The difference from current value is assessed as fees and commissions received and for fixed-interest loans, the value adjustment which is independent of the interest level and which can be calculated by comparing the actual market interest rate with the nominal rate applying to the loans.

The current value of claims on credit institutions and central banks is determined under the same method as for loans, but the bank has not currently made any writedowns on claims on credit institutions and central banks.

Notes

(DKK 1,000)

32 Current value of financial instruments (continued)

Issued bonds and subordinated debt are measured at amortised cost price. The difference between book and current values is calculated on the basis of prices on the market for own listed issues. The interst on issued bonds and subordinated debt is determined by the market interest fluktation within periods of 3 to 6 months. Based upon this it is valuated that the book value equals the market value.

For fixed-interest financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost price, the difference from current values is estimated to be the value adjustment which is independent of interest level.

	2009 Book value	**2009** Market value	2008 Book value	2008 Market value
Assets				
Loans and other amounts due	**3.893.372**	**3.929.149**	4.235.007	4.235.007
Passiver				
Deposits and other amounts due	**3.384.750**	**3.404.699**	3.390.111	3.410.117

	2009	2008
33 Interest rate risk		
Total interest rate risk on liabilities, etc.	**8.567**	12.381
Interest rate risk by foreign currency with highest interest rate risk		
DKK	**8.564**	12.338
NZD	**2**	**41**
Other currencies	**1**	2
34 Credit risk		
Total credit		
Cash in hand and claims at call on central banks	**58.347**	76.230
Due from credit institutions and central banks	**73.572**	562.133
Loans and other amounts due at amortised cost	**3.893.372**	4.235.007
Bonds at fair value	**1.051.832**	514.044
Shares, etc.	**166.504**	157.594
Other assets	**83.493**	103.925
	5.327.120	5.648.933
Off-balance sheet items		
Guarantees	**1.404.110**	1.390.640
Credit commitments	**1.443.703**	1.644.550
	2.847.813	3.035.190

Credit risk

Creditmanagement and th risk is a material area in the banks riskmanagement, as loans are far the largest part of the banks assets.

For management herof see section management report page 10.

Notes
(DKK 1,000)

34 Credit risk (continued)

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

	2009	2008
Book value of loans which would have been in arrears or written down if they had not been renegotiated	**61.851**	64.050

Overdue loans

Overdued loans, which have not been written down		
0-90 days overdue	**47.862**	63.213
More than 90 days overdue	**4.945**	3.112
	52.807	66.325

Securities cannot be specified.

Writedowns
See specification in note 9.

Interest on loans with writedowns	**5.211**	3.839

35 Sensitivity to each type of market risk

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

Interest rate risk
The sensitivity calculation in relation to the bank's interest rate risk is based on the interest rate risk key figure, reported by the Danish FSA. This key figure shows the effect on core capital after deduction of a change in the interest rate of 1 percentage point, corresponding to 100 base point. The calculation shows that if, at the end of the year, the average interest rate had been 100 base point higher, the result for the year before tax, all else being equal, would be 8.6 mio DKK lower (2008: 12.4 mio DKK lower). This change is primarily due to acurrent market value adjustment of the bank's fixed-interest bonds. The lower level of interest rate risk in 2009 compared with 2008 is due to an increase in the share of non-fixed-interest bonds.
In the stress tests conducted in connection with calculating the adequate capital base, the bank has chosen to use a scenario, whereby the bank is exposed to a 1,35 percentage increase in the interest rate for items inside the trading portfolio, and to a 1,00 percentage increase in the interest rate for items outside the trading portfolio.

Foreign exchange risk
The sensitivity calculation in relation to the bank's foreign exchange risk is based on the Foreign exchange Indicator 1-key figure, reported by the Danish FSA. Foreign Exchange Indicator 1 expresses a simplified traget for the scope of tehe bank's positions in foreign currency and is calculated as the greatest of the sum of all the short foreign exchange positions and the sum off all the long foreign exchange positions. In the event of an increase in the exchange rate of 2,5% of Foreign Exchange Indicator 1 at the end of the year, the result for the year before tax, all else being equal, would be 0.1 mio DKK lower (2008: 0.3 mio DKK lower) mainly due to foreign exchange adjustments. The adjustment is immaterial.
In the stress tests conducted in connection with calculating the adequate capital base, the bank has chosen to use a scenario, whereby the bank is exposed to an increase of 2,25 in Euro and to an increase of 12 percentage in other exchange rates.

Notes

(DKK 1,000)

35 Sensitivity to each type of market risk (continued)

Share risk
Had the value of the bank's shareholding been 10% lower on the 31 December 2009, the result for the year, all else being equal, would be 16 mio. DKK lower (2008: 16 mio. DKK lower) due to a negative current value adjustment of the share portfolio. The share risk is evaluated as lower in 2009 than 2008, because the proportion of sector shares has increased in 2009.
In the stress tests conducted in connection with calculating the adequate capital base, the bank has chosen to use a scenario, whereby the bank is exposed to a loss of 15% of the value of its shareholding in companies that support the operation of the bank (sector shares) and a decline of 30% of the value of its shareholding in all other companies.

36 Close parties

Transaktions with close parties
Close parties covers the Board of Directors and the Board of Managment. None transactions have been entered into except those mentioned in note 7-

Loans etc to the management		
Executive Board	**300**	300
Board of Directors	**9.455**	19.502
Board of Representatives	**316.457**	318.318
Interest rates		
Executive Board	**6,5%**	8,3%
Board of Directors	**2,5-10,3%**	4,4-11,3%
Collaterals for engagements with		
Executive Board	**180**	180
Board of Directors	**734**	1.217

37 Election of board of directors

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

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

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

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

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

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

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

Financial instruments are recognised at the time of trading.

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

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

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

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

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

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

The costs of incentive schemes are recognised in the profit and loss account in the financial year to which the cost relates. Stock based payment is booked at marked value at the date of allocation.

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

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

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

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

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

Balance sheet
Due to and from credit institutions and central banks
Amounts due from credit institutions and central banks includes due to other credit institutions and time deposits in central banks. Debt consists of credit institutions short debt and time deposits in Djurslands Bank.

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

All commitments of DKK 0.5 million or more are valued individually with a view to confirming whether there is an objective indication of any depreciation in value on the basis of actual events that have occurred.
If an objective indication is confirmed and this involves an impact on the size of expected future payment flows, a write-down is performed.
The loan is written down if necessary, applying the difference between the book value before the write-down and the present value of expected future payments.
Regardless of the size of the commitment, the endangered commitments are valued individually and the write-down is performed correspondingly.

Loans and other amount that are not written down individually are included in the base data for group write-downs. An assessment of objective indication for losses is performed on the group.
Group assessments are made for groups of loans and receivables with uniform characteristics in relation to credit risks. 11 groups exist, comprising one group of public authorities, one group of private customers and nine groups of corporate customers that have been subdivided into sector groups.

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

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

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

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

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

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

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

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

Property, plant and buildings
Property, plant and buildings consist of two types "Investment and Domicile properties". Those properties which are used to bank activities are categorised as Domicile properties, while other properties are seen as Investment properties.

After initial recognition investment properties are measured at fair value in accordance with Annex 8 of the Executive Order. Fair value adjustments are recognised in the income statement under "Investment property".

Domicile property is measured at revalued amount, which is the marked value less

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

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

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

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

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

Other tangible assets
Other tangible assets and furnishing of leased premises is measured at cost price less accumulated depreciation, amortisation and writedowns. Depreciation and amortisation are on a straight-line basis over an expected lifetime of 3-8 years. The base for depreciation is cost deducted with scrap value.

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

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

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

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

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

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

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

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

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

Cash comprise cash and balances on demand with central banks.

Signatures by the Board of Executives and Directors

We have today presented the annual report 2009 for Djurslands Bank A/S.

The annual report has been presented in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Financial Credit Institutions and Investment Companies etc.. Furthermore the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial companies.

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

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

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

Grenaa, 24 February 2010
Board of Executive
Ole Bak

Martin Ring Andersen
Chief Accountant

Grenaa, 24 February 2010
Board of Directors

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

Internal auditors´ report on the financial statement

We have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January – 31 December 2009 page 15- 36. The Financial statement includes the profit and loss account, balance sheet, equity, cash flow analysis, notes and applied accounting policies. The Financial statement has been prepared in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

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

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

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the procedures and internal controls established, including the risk management organised by Management relevant to the company's reporting processes and significant business risks, are working satisfactorily.

Furthermore, in our opinion, the Annual Report gives a true and fair view of the company's financial position at 31 December 2009 and of its financial performance and its cash flows for the financial year 1 January – 31 December 2009 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

Grenaa, 24 February 2010

Internal audit

Jens Reckweg

Manager Internal audit

The independent auditors' report

To the shareholders of Djurslands Bank A/S
We have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January – 31 December 2009 page 15- 36. The Financial statement includes the profit and loss account, balance sheet, equity, cash flow analysis, notes and applied accounting policies. The Financial statement has been prepared in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

Furthermore, in connection with the audit, we have read the management report, which has been prepared in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the bank's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

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

Our audit did not result in any qualification.

Opinion
In our opinion, the annual report gives a true and fair view of the bank's financial position at 31 December 2009 and of the results of its operations for the financial year 1 January - 31 December 2009 in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

Aarhus, 24 February 2010

KPMG
Statsautoriseret Revisionspartnerselskab

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