



# Annual report 2013



**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

(DKK 1,000)	2013	2012	2011	2010	2009
<b>Profit and loss account</b>					
Net interest income	<b>179.360</b>	187.570	185.611	187.442	194.090
Net interest and fee income	<b>269.070</b>	277.896	256.862	254.386	255.073
Operational expenditure	<b>200.038</b>	197.336	195.895	194.717	193.562
hereof staff and administrative expenses	<b>180.896</b>	176.883	177.162	172.694	166.484
hereof payment to sector solutions	<b>10.025</b>	7.316	10.785	16.153	21.154
Basic result					
Profit before value adjustments, writedowns and tax	<b>69.275</b>	82.588	65.317	63.840	67.069
Value adjustments	<b>22.682</b>	26.392	4.905	24.340	30.996
Writedowns on loans and receivables	<b>43.616</b>	47.876	38.260	39.267	46.999
hereof writedowns Private Preparedness	<b>0</b>	0	0	12.120	13.880
Profit from holdings in affiliated companies	<b>23</b>	26	102	38	87
Profit before tax of the financial year	<b>48.364</b>	61.130	32.064	48.951	51.153
Profit for the financial year	<b>37.053</b>	47.120	23.281	36.785	39.969

## Selected asstes and liabilities

Equity	<b>783.628</b>	757.656	705.476	680.714	635.710
Capital base	<b>736.864</b>	717.457	683.688	767.567	701.561
Total deposits	<b>4.867.403</b>	4.503.086	4.398.012	4.482.541	4.276.901
Loans and other amounts due	<b>3.679.973</b>	3.609.442	3.948.183	3.819.926	3.893.372
Total assets / liabilities	<b>6.575.019</b>	6.657.446	6.586.366	6.550.058	6.294.894
Off-balance sheet items	<b>848.656</b>	880.905	945.600	1.439.574	1.404.110

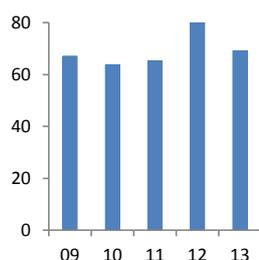
## Selected keys figures

Solvency ratio	pct.	<b>17,3</b>	16,6	15,3	15,7	14,2
Individual solvency demand ratio*	pct.	<b>11,2</b>	9,7	8,5	8,0	8,0
Core capital ratio	pct.	<b>18,1</b>	17,3	16,0	14,3	11,7
Profit on own funds before tax	pct.	<b>6,3</b>	8,4	4,6	7,4	8,4
Basic earning / costs		<b>1,35</b>	1,42	1,33	1,33	1,35
Extra cover in relation to the statutory liquidity requirement	pct.	<b>181,2</b>	206,5	170,4	211,5	195,1
The year's loss and writedown	pct.	<b>0,9</b>	1,0	0,8	0,7	0,9
Lending in relation to equity capital		<b>4,7</b>	4,8	5,6	5,6	6,1
Stock value / net book value per share		<b>0,63</b>	0,48	0,50	0,66	0,65
Dividend per share		<b>3,00</b>	2,50	0,00	0,00	0,00

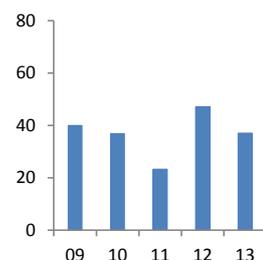
\*The solvency ratio model has been changed in 2013. Figures from 2009-2012 are not comparable to 2013.

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

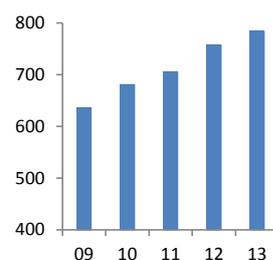
**Basic result**  
DKK m.



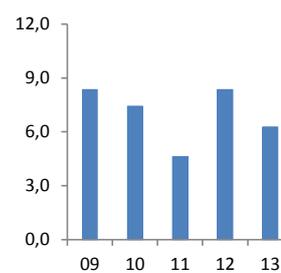
**Profit for the financial year**  
DKK m.



**Equity**  
DKK m.



**Profit on own funds before tax**  
in %



# Management report

## Annual Report

### Profit for the year as expected

Core profit (before write downs, exchange rate adjustments and taxes) was a profit of DKK 69.3 m., and is within the framework of DKK 60–75 m. which the bank expected at the beginning of the year.

Core profit is also influenced by one-off costs of about DKK 10 m, and on this basis the achieved profit is at a satisfying level.

The positive stock price adjustments of the year were DKK 22.7 m., which is on the same high level as in 2012.

The profit before tax of DKK 48.4 m. equalled a return on the average equity of 6.3% or DKK 17.9 per share (of DKK 10 each).

Based on the present society-economic situation the bank's management consider the profit of DKK 37.1 m. to be satisfying.

Furthermore, the management is pleased to note

- that the net influx of new customers has been on a historical high and very satisfying level
- that the bank's subordinate capital consists of 94% equity, and
- that the bank complies with all requirements of the Supervision Diamond of the Danish FSA

### Background for the result

The continued low economic growth in Denmark and the very low level of interest rates, also had a very high influence on the bank's financial results in 2013.

As expected at the beginning of the year, the uncertainty about the financial development in Europe continued and thus the uncertainties regarding the development of the Danish economy.

Despite increasing signs of a coming economic growth, there has not been a decisive change of ambience in Denmark, nor in the level of business investment or private consumption.

Settlement of debt and increasing savings is still characterizing the behavior of retail customers and businesses, and this despite the historically low interest rates.

The economic development has still left some financial institutions with financial difficulties, which has had a knock-on effect on the financial sector as a whole.

For the bank, this general development has led to

- increasing deposits
- lacking growth in lending
- decreasing interest margin

- higher activity and earnings in fund management
- slightly descending losses and impairments on the credit portfolio
- high positive price adjustments of the bank's holdings of securities, and
- continued, significant payments into the Depositor Guarantee Fund.

Despite the lacking growth of the bank's scope of business, the bank achieved a satisfying result on its basic earnings.

The main reason is that an increasing number of the bank's customers chose to gather their other financial activities at the bank.

Especially within the areas of pension savings and fund management the bank has had a significant higher activity and an increase in earnings.

Another significant reason is the historical high influx of private customers to the bank's 9 branches in the Djursland area and 5 branches in the Aarhus area.

Also influx of small and medium size business customers is on an increasing level.

The bank's average deposits were DKK 230 m. higher than in 2012, corresponding to a 5.1 % increase.

Higher deposits derive from higher savings both among the bank's private customers and business customers.

Among private customers, payments into pension schemes continue to contribute significantly to savings. Overall the customers wanted to gather their pension savings at the bank, so the bank's total portfolio of pension funds increased considerably.

The general customer behavior to settle the debts have great impact on the development of the bank's loan portfolio.

Despite the significant number of new customers, the bank's average lending was DKK 108 m lower in 2013 than in 2012.

In response, the bank has in the last quarter launched new and very competitive products in home financing.

This approach, as well as a greater lending to public enterprises has during the year resulted in an increase in total loans.

The average interest margin was at a lower level than in 2012. The main reasons are that the actual interest level, changes in product mix in lending and increasing competition.

The low economic growth and the missing development of private consumption meant that some of the bank's business customers still obtain poorer financial results than they used to, thus the bank write downs on these engagements to make reserves for future potential losses.

# Management report

Among a minor part of the private customers, the bank also sees increasing challenges when it comes to servicing debt, mainly because of unemployment or divorce, often combined with a sale of the home.

## Operations

All in all, the bank's total revenue decreased by DKK 8.8 m. compared with 2012.

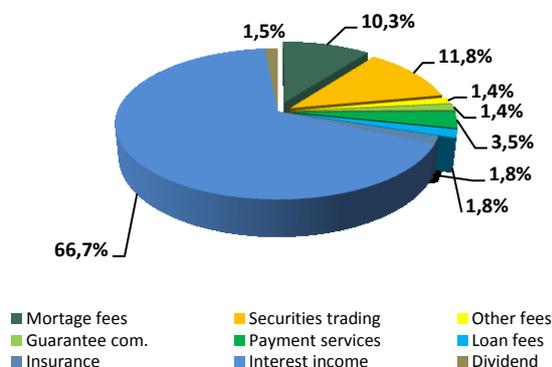
Net interest income decreased by DKK 8.2 m, and is mainly due to lower loan portfolio and a lower interest margin.

The very low interest level has meant that the direct interest return on the bank's bond holdings has been at the same level as in 2012.

In fees and commissions, the bank has realized a small decrease by DKK 0.8 m.

The decrease is a materially a combination of an increase in fees from securities trading with DKK 5.2 m, and a lower income of DKK 5.5 m from the mortgage credits, where there where a large activity in 2012.

Break-down of the bank's earnings



The Bank's operating income fell by DKK 1.8 m. compared with 2012. The main reason is lower income from lending of employees to the bank's IT center.

Total operating costs have increased with DKK 2.7 m. compared to 2012.

The main reasons are

- that the bank's payment towards banks in distress corresponds to an increase of DKK 2.7 m. compared to 2012.
- That real estate and facility costs has increased by DKK 5.8 m. for renovation of the head-quarter.
- that the bank's other operating costs has increased by DKK 2.4 m., the most material is an increase in marketing costs by DKK 1.2 m.
- that IT costs decreased by DKK 3.1 m.
- that salary and pension costs were reduced by DKK 1.7 m. The average number of full-time employed was 177 in 2013 equal to 5 less than in 2012 and

- that write-downs on tangible assets (own real estate) has decreased by DKK 4 m.

## Value adjustments

Value adjustments on securities and foreign exchange amounted to a very satisfying exchange gain of DKK 22.7 m.

Exchange gains on bond holdings were DKK 10.4 m. and DKK 11.2 m. on share holdings.

## Loan impairments and losses

The amount for losses and impairments on loans, as well as provisions for guarantees, amounted to DKK 43.6 m. in 2013 – a decrease of DKK 4.3 m. compared to 2012.

Loan impairment costs are composed mainly as follows

- an unchanged level of group loan impairments
- individual loan impairments of DKK 71.7 m.
- reversal of previously made loan impairments and guaranties of DKK 20.9 m.

Further specifications are given in note 9.

In the business sector, the bank continued to make the highest percentage impairments on the agricultural credit portfolio and on properties and building construction projects.

The generally improved financial situation in agriculture has improved the ability of the bank's agricultural customers to service their debt.

Given the present market conditions, however, a minor part of the bank's agricultural customers will have difficulties servicing their debt, so the bank carries out impairments on these commitments.

The Bank generally has a high credit quality of the credit portfolio due to a constant and long-term focus on credit quality and risk diversification of both private and corporate businesses, industries and geographical spread.

Please refer to the separate section on credit risk management, as well as note 35 and 36 with a summary of the credit portfolio.

Like in the 6 previous years, the calculation of group impairments was made in 2013 on the basis of a standard model developed by the Local Bankers' trade organisation, based on segmentation of the bank's customers.

The assumptions of the standard model have been compared with developments in the bank's primary field of business and the bank's historically ascertained losses; in areas where significant deviations from the standard model are seen, corrections are made to take this into account.

Furthermore, in its managerial assessment of group impairments, the bank has included already occurred events, where the effects of such events have not yet been included in the data basis of the standard model.

# Management report

At the end of the year, the bank's total amount for loan impairment and guarantee provisions was DKK 217.5 m., corresponding to 4.6 % of the bank's loan and guarantee portfolio.

In 2013, the total ascertained credit losses were DKK 26.5 m., which was DKK 11.2 m lower than in 2012.

Of the losses ascertained in 2013, only DKK 2.7 m. had not previously been covered by loan impairment provisions.

Receivables with reduced interest at the end of 2013 were DKK 56 m. – a satisfactory decline of DKK 22 m. compared with the very low level in 2012.

The key number for the bank's largest commitments at the end of the year is 60% - a drop from 71% when the year started; the exposure now corresponds to the bank's overall maximum target at 70% for this area.

The key number contains 4 commitments from 3 different industries. All 4 commitments are individually below the bank's maximum limit, which has been laid down at DKK 150 m. per commitment.

## Distribution of profits

After taxes of DKK 11.3 m., the profit for the year under review was DKK 37.1 m.

Basically, the bank's management still wishes to strengthen the bank's equity, so as to have the necessary financial basis for expanding the scope of business.

Based on the bank's solvency surplus, and the expectation of modest growth in business volume in the short term, the board of directors will propose

- that dividend amounting to DKK 3.0 per share (of DKK 10) is disbursed, corresponding to a total dividend payment of DKK 8.1 m., while
- the remaining profit of DKK 29.0 m. is allocated to the reserves.

After payment of dividend, the bank's equity will be DKK 776 m. – an increase of 3.3 %. Further details are given in the equity statement.

## Capital

The bank's basic capital was DKK 736.9 m. at the end of the year under review, and the solvency ratio was 17.3%, and core capital was 18.1%.

The solvency requirement calculated by the bank itself is 11.17% in accordance with the Danish FSA guidelines for calculating this requirement.

The bank thus has a very satisfying solvency surplus cover, amounting to 6.1 % points more than the solvency requirement, corresponding to DKK 260 m.

The bank makes ongoing assessments of its capital requirement by various means, such as stress tests. For further information and detailing,

reference is made to <https://alm.djurslands-bank.dk/risikorapport> (only in Danish), which contains the full report on the banks capital demand.

The bank's capital consists of DKK 783.6 m. in equity and DKK 50 m. hybrid capital without government guarantees.

Based on the new capital adequacy rules, the bank expects that the current hybrid core capital of DKK 50 m. cannot be fully included in the calculation of the bank's capital base.

The Bank has applied for FSA prior approval of an early amortization.

A settlement of the hybrid core capital will ceteris paribus reduce the bank's solvency ratio from 17.3% to 16.0%.

For details on the hybrid core capital, see note 27

At the bank's general assembly on 20 March 2013 the Board of Directors achieved the General Assembly authorization to raise additional capital resources in the form of hybrid and or additional capital within a framework of up to DKK 100 m.

This authorization has not been used because the bank has had no need.

At the General Assembly, 19 March 2014, the bank will ask for a extension by one year for this authorization.

In accordance with the bank's articles of association, the bank's Board of Directors is entitled, until 1 March 2018, to increase the share capital by up to DKK 27 m. to reach a total of DKK 54 m. in the form of one or several emissions.

The bank's share capital of nominally DKK 27 m. is held by approximately 16,000 shareholders.

Henrik Ostergaard Lind and his companies, has in 2011 notified the bank a shareholder capital of more than 5%.

## Balance Sheet

The bank's balance sheet decreased by DKK 82 m., amounting to DKK 6.575 m. at the end of the year, equal a decrease of 1.2%. The main cause is a reduction of debt to other banks.

Off-balance-sheet items have decreased by DKK 32 m., corresponding to a decrease of 3.7% compared with 2012.

## Liquidity

The bank's liquidity situation during 2013 was at a very satisfactory level, which is why the bank has not wished or had any need to participate in the policy of overbidding on the market for deposits and liquidity.

At the end of 2013, the bank had excess liquidity cover of 181%, equal to more than DKK 1.200 m. For further information on cash management, see separate section thereof.

# Management report

## Market risks

The bank's total interest-rate risk in 2013 amounted to between -0.3% and 1.0% of the bank's core capital after deductions.

At the end of the year, the interest-rate risk was 0.8% of the core capital after deductions.

In the year under review, the exchange-rate risk (indicator 2) was max. 0.04% of the bank's core capital after deductions.

## Pension funds

The year's overall positive developments in the stock markets have led to satisfying returns in the bank's pension pools in 2013.

The return was 1.93% in the Safe Investment Fund and 9.90% in the Mixed Investment Fund.

## Board and Management

At the bank's general assembly in March 2013 car dealer Poul Erik Soersen resigned from the Board of Directors.

As a new member of the board farmer Peter Pedersen, Nimtofte, was elected instead.

Besides this there have been no changes in the bank's management, and refer to the separate section here on.

## Business development

With effect from 1 January 2013 the bank adjusted the organization of the business departments in order to strengthen the competence in the field.

The Bank established a new business department in Grenaa, which together with the business unit in Auning, advice and services to the bank's large business customers.

In addition, the Bank established a new department - "UngBank" - intended for the bank's young customers. The department has been well received by the bank's young customers, and the bank will in future extend this virtual department.

## Other information

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

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

In 2013, the bank issued the following stock exchange announcements.

12.02.2013 Major shareholder announcement

20.02.2013 Annual Report 2012

21.02.2013 Notice of the Annual General Assembly.

21.02.2013 Proposal for Articles of Association

20.03.2013 Summary of General Assembly

20.03.2013 Approved Articles of Association

20.02.2013 Changes to management

03.05.2013 Interim report, Q1 2013

16.08.2013 Interim Report, first half 2013

01.11.2013 Interim Report, Q1-Q3 2013

19.12.2013 Financial calendar 2014

## Expectations for 2014

The bank expects the growth of the national economy to show a slightly increasing trend.

Despite this, there is still great reluctance in corporate investment.

This situation is expected to result in an unchanged level of demand for additional labor, and the current unemployment rate is therefore not expected to fall.

Despite the historically low housing interest rates, private consumption is not expected to increase due to continued uncertainty about developments in the economy.

Loan demand from both private customers and commercial businesses is expected to remain generally low.

The expected reluctance in consumer spending is expected to increase savings and therefore the bank expects thus only a small growth in deposits.

Thus the increase of the bank's business volume is expected to come from existing customers, bringing together more of their financial transactions at the bank, and the expected continued increase in new customers to the bank.

Based on the low growth in the macro economy competition is expected to increase in the sector, and the bank's interest margin is therefore expected to be slightly falling during the year.

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

The current high level of activity with new customers means that the number of employees of the bank is expected at the same level as in 2013.

On the other hand the bank expects to reduce the cost level of IT and tangible assets.

The bank's risk profile in regard to its own transactions in the fields of currencies and investments will remain at a cautious level.

Based on these assumptions, the profit for 2014 - excluding value adjustments of securities and currencies, tax and write-downs - is expected to be at the level of DKK 65 m. to DKK 80 m.

Because of the actual macro economic situation, losses and write-downs on loans are expected at the same level or slightly lower than in 2013.

The bank's interim reporting for 2014 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 going back to 1906.

Since its establishment the bank has continuously expanded its network of branches in Djursland. The first branch in the Aarhus 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.

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.

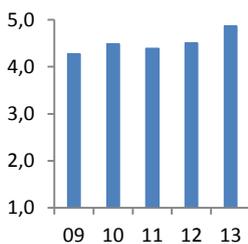
The foundation of the bank's principal objectives is that the bank should be a competitive, professional, locally-oriented business at all times. Continuous development, optimal use of resources, responsible risk management and controlled growth are therefore keywords in the management of the bank.

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

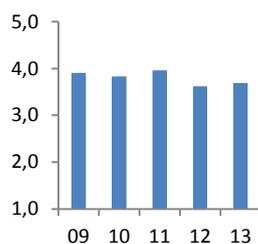
### Commercial basis

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.

#### Deposits (incl. pools)



#### Loans

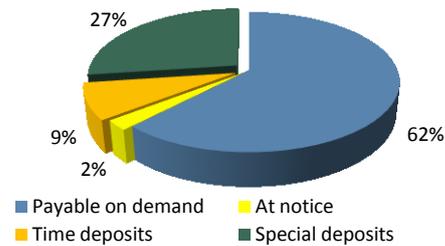


In addition to banking products, customers are offered a full range of mortgage, investment, pension, insurance and leasing products.

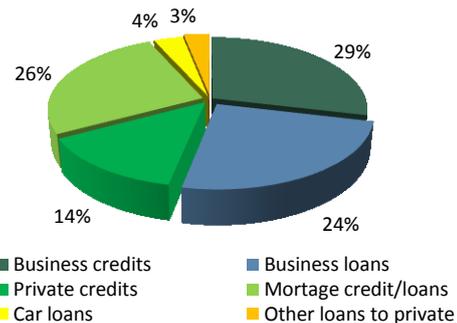
The bank's most important cooperation partners in these business areas are

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

## Break down of deposits on main products



## Break down of loans on main products



## Customers

The bank advises and services around 36,500 private customers and around 3,200 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 businesses in the bank will benefit from this. This way the bank will seek to get the best position in term of delivering a qualified and all-around advising to the customer.

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

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

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

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

# Management report

## Corporate Management

### Corporate Governance at Djurslands Bank

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

The bank has chosen to publish the statutory corporate governance statement on its website.

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

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

The duty to inform for publicly quoted companies also includes the individual company's opinion 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 approximately 16,000 shareholders, one shareholder has 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](http://www.djurslandsbank.dk), and the bank's management also aims to enhance the level of information in the regular communications and reports from the bank.

The bank's shareholders decided, by quite a large majority at general assembly 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 assembly.

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 assembly.

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

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

No shareholder may cast more than a total of six votes on their own behalf.

The bank's management is still of the opinion that the ownership and voting right restrictions in the articles of association provide the best basis for achieving 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 6 members elected by the bank's Board of Representatives of 50 members.

In addition, the bank's employees have elected 3 members.

The composition of the Board of Representatives and the Board of Directors is shown on page 47 in the Danish version of the Annual Report.

The 6 Board Members elected by shareholders are elected for a 2-year term, so 3 are elected each year. See Note 41.

The number of Board Members is regularly reviewed. It is the opinion of the Board of Directors that the present number is appropriate for the management of the bank.

The bank's Articles of Association set an age limit of 67 years for election to the Board of

# Management report

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 Board of Directors shall, after a defined process, conduct an evaluation of the Board's powers in relation to its business model and overall risks in order to identify and address any competency gaps.

The other managerial duties of the Board of Directors and the Management can be seen below.

The fees and remuneration of the Board of Directors and the Management can be found in note 7 to the Annual Report.

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

## Chairmann

- Wholesaler Erik Nymann, 66 years, Nymann Autoparts

### Other executive functions

Chairman of JAD Auto Parts A/S and Djurs Invest ApS.

Deputy chairman and manager in AUTO-G Danish Grossist Union A/S.

Board member and manager in Auto-Generation A/S, Erik Nymann Holding A/S, Nymann Autoparts A/S, Nymann Ejendomme A/S, Nymann Kemi A/S, N.K. Specialværktøj A/S, Detailgruppen A/S, Kolind Midtpunkt A/S and Hedensted Lager A/S.

Board member in S.Burchardt Nielsen Autodele A/S, Auto-G Holstebro A/S and Sydjysk Reservedele A/S.

Manager of Carlight Denmark, Maskindepotet ApS and Kolind Boghandel ApS.

### Experience and skills

Considerable experience as a manager and owner in Denmark and other European countries.

23 years experience as a member of the bank's board - including the 12 as Chairman of the Board.

Attendance at Board theoretical training through the bank.

## Vice deputy

- Manager Uffe Vithen, 52 years, DOMI Administration (Beder-Malling Boligforening og Arbejdernes Andelsboligforening in Odder)

## Other executive functions

Member of the board in Djurs Invest ApS

### Experience and skills

Considerable experience as head of the housing association under the supervision of public authorities.

7 years experience as a member of the bank's board - including the 4 as vice chairman.

Attendance at Board theoretical training through the bank.

## Chairmann of the audit committee

- CFO Ejner Søby, 47 years, Danish Crown

### Other executive functions

Board member in Jydsk Automobil Centrum A/S

### Experience and skills

Financial education in banking and theoretical training.

Financially responsible for the Danish Crown's own insurance company under the supervision of the FSA.

Daily responsible for the financial area of Danish Crown.

4 years experience as a member of the bank's board - including the 4 as Chairman of the Audit Committee.

- Private account Manager Helle Bærentsen, 47 years, Djurslands Bank

### Experience and skills

Financial education - hired as account manager in one of the bank's branches.

7 years experience as a member of the bank's board.

Attendance at board theoretical training through the bank.

Participation in theoretical education board through The Financial Services Union.

- Staff manager Tina Klausen, 53 years, Djurslands Bank

### Other executive functions

Member of the board in Djurs Invest ApS

### Experience and skills

Financial education - hired as head of the bank's business development.

15 years experience as a member of the bank's board.

Attendance at Board theoretical training through the bank.

Participation in theoretical education board through The Financial Services Union.

- Farmer Peter Pedersen, 59 years, pig farmer

### Experience and skills

Considerable experience within agriculture as pig farmer, agriculture organisations and as board member in the agribusiness industry.

1 years experience as a member of the bank's board.

# Management report

- Bank clerk Jan B. Poulsen, 53 years, Djurslands Bank  
Experience and skills  
Financial education - hired as administrative assistant in the bank's central division.  
11 years experience as a member of the bank's board.  
Attendance at Board theoretical training through the bank.  
Participation in theoretical education board through The Financial Services Union.  
Board member northern Jutland circle of The Financial Services Union.
- Real estate dealer and partner Mikael Lykke Sørensen, 50 years, Nybolig  
Other executive functions  
Manager in Djurs Invest ApS  
Experience and skills  
Financial education in a bank and subsequently as state authorized real estate dealer.  
Considerable experience as a manager and owner.  
5 years experience as a member of the bank's board.  
Attendance at Board theoretical training through the bank.
- Attorney Peter Zacher Sorensen, 55 years, Zacher Attorneys.  
Other executive functions  
Member of Board of directors in Fregat Fisk A/S, Powercare A/S og Powerdoc A/S  
Experience and skills  
Attorney to the Supreme Court, and with more than 25 years of experience as an attorney in corporate and commercial law, business transfer, succession planning, contract, litigation and consulting.  
2 years experience as a member of the Board of Directors.

## Board of Executives

- Managing Director Ole Selch Bak, 58 years,  
Other management assignments  
Member of Board of directors in DLR Kredit, the association Bankdata, JN Data, the association of local banks and Djurs Invest ApS.

The Management is not incentive paid and no pension commitments have been made to the Management.

The Management can be terminated with a 12 months notice, and 24 months in case of merger with another company.

## Wage policy

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

The bank's wage policy is based on current

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

### *Board of Representatives*

Under the Statute of the bank the remuneration of Representatives is approved at the General Assembly in connection with the financial reporting.

Board members receive fixed fees, for which the board of directors seek approval at the Annual General Assembly. Basically the annual fee is adjusted in accordance with the contractual wage increases in the financial sector's standard agreement.

### *Board of directors*

Under the Statute of the bank fees for the board of directors are established and approved by the board of representatives.

The board of directors receives a fixed fee and without incentive pay elements accordingly to the following guidelines:

1. The board of directors fees are reviewed every two years from a comparison relative to peer banks
2. Chairman honored with 2.5 times normal directors' fees
3. Deputy rewarded with 1.5 times the usual directors' fees
4. Chairman of the Audit Committee are paid at 1.5 times the standard board fee.
5. The board of directors fees are adjusted annually in proportion to the collectively agreed wage increases in the financial industry standard agreement

### *Employees of the bank with special conditions*

#### *a. Executive Board*

The Executive Board receives a fixed fee and without incentive pay elements. The total remuneration consisting of salary, pension and other goods negotiated between the wage commission and the executive board, and final approved by the board of directors. The total wage is described in an individual contract. The wages are adjusted annually based on wage growth in financial industry standard agreement.

The bank has no pension commitment burden after the termination of employment.

Current pension contributions paid by the bank, agreed only as a share of the fixed remuneration

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

# Management report

## b. Significant risk takers

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

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

## c. Employees of the control functions

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

1. the bank's CFO and AML officer, in charge of the accounting department
2. the bank's chief compliance officer and chief of administration, including the back office with financial transactions
3. the bank's risk manager appointed under the Executive Order Management § 71, chapter 7
4. the bank's Chief Auditor, Head of Internal Audit.

The employees listed under b. and c. are paid a fixed fee and without incentive pay elements. The total remuneration consisting of salary, pension and other goods negotiated between management and employee and final approval by the board of directors. Other conditions follow generally uniform agreement. The salary is adjusted annually based on wage growth in financial sector standard agreement.

By an extraordinary effort, employees can be granted a one-time fee.

Current pension contributions paid by to the bank agreed with the basis of uniform agreement as a share of the fixed wage.

On termination of the bank's or the employee's request, shall be paid no special termination payments beyond the normal compensation for the agreed period of notice. There can be agreed extended notice periods for special circumstances, such as the bank's merger with another company.

### *Other employees*

The bank has defined all the bank's job functions with associated functional description and competency profile.

For each job function is defined by some earning bands indicating the scope of the job function remuneration.

The bank uses only a fixed salary after convention. In an extraordinary action, the employee may be granted a one-time fee.

### *Other Information*

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

## **Policy for the underrepresented gender in management bodies**

### Board of Directors

The gender distribution of the bank's Board of directors for 2013, 6 men and 0 women, corresponding to 100% of men and 0% women.

It is the Board's goal that the proportion of female Representatives elected board members by the end of 2017, represent 33%, which corresponds to 2 of the 6 board members.

### Board of representatives

The Bank will therefore put extraordinary focus on increasing the number of potential female candidates for the Board of representatives, including having as targets, the proportion of female members should be increased from current 16% to 25% by the end of 2017.

### Other levels of management in the bank

The Board has adopted a policy that intends to increase the proportion of the under represented sex in the bank's management.

It is the policy's overall goal of providing an appropriate balance of men and women in management. The Bank appoints leaders under the premise that it is the best suitable employed - regardless of gender. The bank wants an open and unbiased culture, where the focus is on competencies rather than gender. The bank's employees, regardless of gender must find that they have the same opportunities for career and leadership positions. The Bank supports systematic process of annual performance reviews, as well as the HR department separate efforts to promote leadership development.

The aim is that the proportion of female managers increased from 32% in 2013 to 35% by the end of 2016 and 40% at the end of 2018.

# Management report

## Risk management

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

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

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

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

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

### General

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

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

### Monitoring diamond 31. december 2013

	FSA	Djurslands Bank
Large engagements	< 125%	59,8%
Growth in loans	< 20 %	2,0%
Liquidity coverage	> 50%	181,2%
Stabil funding	< 1,00	0,65
Real estate	< 25%	12,4%

### A 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.

Until now the bank has not been seeking any credit-rating from an International rating-bureau.

The bank's Board of Directors has therefore defined its own solvency target at the banks own calculated solvency ratio requirement plus 3% 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 with reporting to the Management.

The Bank's capital requirements, capital preparedness and emergency plans for these, are reported to, discussed by and approved by the Bank's Board of Directors every quarter as a minimum.

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

### Credit risks

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

The bank's credit organisation is structured to enable it to make decisions close to the customer, i.e. in the individual branches.

The authorisation to make decisions is therefore delegated to customer advisors and managers in the branches, so that most credit decisions are made locally.

Authorisation is delegated to an individual employee on the basis of an assessment of competence and needs.

The bank has a central credit department to develop, manage and monitor the bank's credit policies and risks.

The credit department also authorises any commitments that exceed the branches' authorisation limits according to the defined rules, and processes, assesses and recommends the commitments to be authorised by the Management or the Board of Directors.

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

The Credit Department's ongoing and regular reporting to the Management and Board of Directors comprises all of the Bank's credit risks divided into cases, clients, segments, industries and departments.

In addition, ongoing reporting is done on trends relating to overdrafts, arrearage, write-downs and bad commitments, just as reporting is done on

# Management report

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.

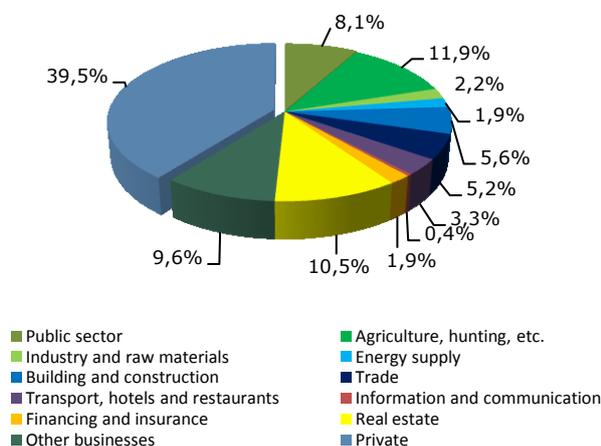
In the bank's credit policy the decisive emphasis is placed on the diversification of risk.

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.

## Break down of exposures on sectors and branches



See split in note 35

The credit policy also includes

- that no commitment on a consolidated basis to exceed DKK 150 m. and a unsecured share DKK 100 m., except for public institutions.
- the proportion of large exposures in accordance with the FSA notice, aggregate maximum may represent 70% of the bank's core capital.
- that the aim is that no single industry represents more than 15% of the bank's total credit portfolio.

The bank's lending policy is based on the concept that all loan commitments shall have a healthy financial basis.

The determining element in assessing the credit-worthiness of business customers is their ability to service the debt with cash flow from operations.

For personal customers the balance between net income, expenses and capital is decisive.

To manage the banks loan portfolio a credit rating based on factual financial information based on the individual business or personal customer is used.

The credit rating for private customers is expanded with a financial behaviour score.

To limit the bank's risk of losses, there is an assessment in each individual credit case of whether the lodging of security is necessary.

If the credit risk is not minimal, as a general rule it is a requirement that the customer lodges full or partial security for the commitment.

The value of security lodged is determined on the basis of defined valuation principles for each kind and type of security. This also includes changes in the market and depreciation as a consequence of age.

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

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

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

The loan is written down if necessary, applying the difference between the book value before the write-down and the present value of expected future payments.

Regardless of the size of the exposure deemed non-performing loans also individually and impairment assessed in a similar manner.

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

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

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

The macro economical segment model is generally calculated on the basis of loss data for the entire banking sector. Djurslands Bank has

# Management report

therefore assessed whether the model estimates should be adjusted to the credit risk on the bank's own loan portfolio.

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

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

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

## Market risks

Another important area of risk management is the management of the bank's market risk.

Market risk is the changes which a financial receivable may be subject to as a result of interest rate changes and general or specific fluctuations in the market prices of securities.

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

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

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

The bank only uses financial instruments for coverage risks.

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 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, and similar credit facilities with financial partners and the National bank.

For daily procurement and placement of cash resources, unsecured loans on the wholesale market are used.

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

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

Reporting is also done monthly 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.

# Management report

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 the bank can incur 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.

## Uncertainties in recognizing and measuring

The main uncertainties in recognizing and measuring primarily related to write-downs of loans and provisions for guarantees fair value of property and the fair value of unlisted / illiquid securities. Uncertainties are considered to be at a manageable level. Refer to the description of accounting estimates under "Accounting Policies."

## Risk

The Bank has established an independent risk management function and with a risk manager with reference to the Board.

The risk managers responsibilities include the bank's risk bearing activities across risk areas and

organizational units as well as risks arising from outsourced functions.

The risk charge is responsible for risk management in the bank is completed safely, including the creation of an overview of the bank's risks and the overall risk picture.

The risk manager will report at least annually to the bank's Board of Directors.

## Compliance

The Bank has established a compliance function, with a compliance officer to the Management Board.

The compliance officer has a task to monitor, advise and assist the management and the persons responsible for individual compliance areas to ensure that legislation, standards or internal market rules are respected.

The compliance controller will report at least annually to its board of directors.

## Audit

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

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

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

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

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

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

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 independence.

# Management report

## Social Responsibility

### The Bank's social responsibility policy

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

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

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

The Bank's social responsibility, are compared to 4 key stakeholders / areas:

- Customers
- Employees
- Local community and
- Enviroment, climate and societal compliance

The Bank also supports the Parliament's initiatives and efforts to bring human rights and climate impacts high on the social agenda. But as a local bank, we have a strong locally focus and has therefore no specific policies in these two areas.

The bank has chosen to publish the statutory report on corporate social responsibility to its website.

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

### The Bank's financial community contribution

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

The indirect contribution in the form of the bank helps to bond investing and financing together for approximately 36,500 private customers and 3,200 business customers in the market area.

A portion of the bank's operating costs are settle as revenue in a number of local businesses and the bank's around 185 employees also helps to create income and growth in the local area.

The Bank's direct economic contribution in terms of public payments for 2013 can be calculated as:

25% corporate income tax	DKK 11.3m
10.9% payroll tax	DKK 10.4m
Property tax	<u>DKK 0.4m</u>
Total	<u>DKK 22.1m</u>

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

For the year 2013, the direct effect of the bank as a workplace is calculated to:

Employee's payment of income tax	DKK 26.4m
Labour tax	<u>DKK 6.9m</u>
Total	<u>DKK 33.3m</u>

# Profit and Loss Account and comprehensive income

(DKK 1,000)

	Note	2013	2012
<b>Profit and Loss Account</b>			
Interest income	3	216.676	232.275
Interest expenses	4	37.316	44.705
<b>Net interest income</b>		<b>179.360</b>	187.570
Dividend from share etc.		3.969	3.800
Fees and commission income	5	92.530	92.762
Fees and commission expenses		6.789	6.236
<b>Net interest and fee income</b>		<b>269.070</b>	277.896
Value adjustments	6	22.682	26.392
Other ordinary income		243	2.028
Staff costs and administrative expenses	7	180.896	176.883
Depreciation and writedowns of tangible assets		9.117	13.137
Other operational expenditures		10.025	7.316
Writedowns	9	43.616	47.876
Profit from holdings in associated and affiliated companies	8	23	26
<b>Profit before tax for the financial year</b>		<b>48.364</b>	61.130
Tax	12	11.311	14.010
<b>Profit for the financial year</b>		<b>37.053</b>	47.120
<b>Comprehensive income</b>			
<b>Profit for the financial year i.e. profit and loss account</b>		<b>37.053</b>	47.120
<b>Other comprehensive income</b>			
Value adjustments of domicile property		-3.600	6.450
Other comprehensive income after tax		-3.600	6.450
<b>Total comprehensive income for the financial year</b>		<b>33.453</b>	53.570
<b>Allocation of profit</b>			
Revaluation reserves		-3.600	6.450
Legal reserves		23	26
Proposed dividend		8.100	6.750
Retained profit		28.930	40.344
<b>Total allocated</b>		<b>33.453</b>	53.570

# Balance Sheet at 31. december

(DKK 1,000)

	Note	2013	2012
<b>Assets</b>			
Cash in hand and claims at call on central banks		<b>60.863</b>	72.738
Due from credit institutions and central banks	13	<b>94.126</b>	72.173
Loans and other amounts due at amortised cost	14	<b>3.679.973</b>	3.609.442
Bonds at fair value	15	<b>1.494.356</b>	1.686.030
Shares, etc.		<b>187.067</b>	189.690
Holdings in affiliated companies	16	<b>1.787</b>	1.764
Assets under pooled schemes	17	<b>871.143</b>	847.429
Tangible assets		<b>77.402</b>	80.486
Investment properties	19	4.305	2.565
Domicile properties	20	73.097	77.921
Other tangible assets	21	<b>7.283</b>	7.948
Tax assets		<b>1.101</b>	1.383
Deferred tax assets	22, 23	<b>3.412</b>	1.863
Other assets		<b>92.550</b>	82.472
Cut-off assets		<b>3.956</b>	4.028
<b>Total assets</b>		<b>6.575.019</b>	6.657.446
<b>Liabilities</b>			
Due to credit institutions and central banks	24	<b>772.203</b>	1.204.477
Deposits and other amounts due	25	<b>3.907.593</b>	3.593.379
Deposits under pooled schemes		<b>959.810</b>	909.707
Other liabilities		<b>89.470</b>	124.992
Cut-off liabilities		<b>3.893</b>	3.984
<b>Total debt</b>		<b>5.732.969</b>	5.836.539
Provisions for pensions and similar obligations	26	<b>5.782</b>	5.905
Provisions regarding losses on guarantees	10	<b>1.923</b>	6.462
Other provisions for liabilities		<b>717</b>	884
<b>Total provisions for commitments</b>		<b>8.422</b>	13.251
Subordinated debt	27	<b>50.000</b>	50.000
<b>Total subordinated debt</b>		<b>50.000</b>	50.000
Share capital		<b>27.000</b>	27.000
Revaluation reserves		<b>6.918</b>	10.518
Legal reserves		<b>787</b>	764
Retained profit		<b>740.823</b>	712.624
Proposed dividend		<b>8.100</b>	6.750
<b>Total equity</b>		<b>783.628</b>	757.656
<b>Total liabilities</b>		<b>6.575.019</b>	6.657.446

# Cash Flow Analysis

(DKK 1,000)

	Note	2013	2012
<b>Operational activities</b>			
Profit for the financial year		<b>48.364</b>	61.130
Writedowns	9	<b>43.616</b>	47.876
Revaluation on investment land and property	19	<b>0</b>	100
Depreciation and writedowns of tangible assets		<b>9.117</b>	13.137
Profit on holding in affiliated companies	8	<b>-23</b>	-26
Tax		<b>-12.578</b>	-22.543
		<b>88.496</b>	99.674
Change in loans and other amounts before writedowns		<b>-21.953</b>	11.482
Change in assets under pooled schemes		<b>-114.147</b>	290.865
Change in bonds		<b>191.674</b>	-374.483
Change in shares		<b>2.623</b>	-14.169
Change in temporary assets		<b>-23.714</b>	-10.939
Change in other assets		<b>-10.006</b>	15.650
Change in due to credit institutions		<b>-432.274</b>	-63.645
Change in deposits and other amounts due		<b>364.317</b>	105.074
Change in other liabilities		<b>-35.613</b>	-22.965
Change in provisions for liabilities excl. deferrred tax		<b>-4.829</b>	6.579
<b>Cash flows from operation activities</b>		<b>4.574</b>	43.123
<b>Investments activities</b>			
Purchase of tangible assets	19, 20, 21	<b>-10.990</b>	-11.365
Sales of tangible assets	19, 20, 21	<b>2.022</b>	552
<b>Cash flows from investing activities</b>		<b>-8.968</b>	-10.813
<b>Financing activities</b>			
Purchase / sale and revaluation of own shares		<b>-731</b>	-1.390
Change in subordinated debt		<b>-6.750</b>	0
<b>Cash flow from financing activities</b>		<b>-7.481</b>	-1.390
<b>Cash flows for the year</b>		<b>-11.875</b>	30.920
Cash, end		<b>60.863</b>	72.738
Cash, beginning		<b>72.738</b>	41.818
<b>Cash flows for the year</b>		<b>-11.875</b>	30.920

# Equity

(DKK 1,000)

	<u>Share capital</u>	<u>Shares premium account</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Proposed dividend</u>	<u>Retained profit</u>	<u>Total</u>
<b>Equity 31.12.2011</b>	<b>27.000</b>	<b>5.274</b>	<b>4.068</b>	<b>738</b>	<b>0</b>	<b>668.396</b>	<b>705.476</b>
Reclassification		-5.274				5.274	
Net purchase of own shares						-1.390	-1.390
Other comprehensive income			6.450				6.450
Profit for the financial year				26	6.750	40.344	47.120
<b>Equity 31.12.2012</b>	<b>27.000</b>	<b>0</b>	<b>10.518</b>	<b>764</b>	<b>6.750</b>	<b>712.624</b>	<b>757.656</b>
Net purchase of own shares						-731	-731
Paid out dividend					-6.750		-6.750
Other comprehensive income			-3.600				-3.600
Profit for the financial year				23	8.100	28.930	37.053
<b>Equity 31.12.2013</b>	<b>27.000</b>	<b>0</b>	<b>6.918</b>	<b>787</b>	<b>8.100</b>	<b>740.823</b>	<b>783.628</b>

Number of shares 2.700.000, nom. value DKK 10

Legal reserves relating to the revaluation reserve at the bank affiliated company.  
Revaluation reserve relates to revaluation of domicile properties.

	<u>2013</u>	<u>2012</u>
<b>Own shares</b>		
Bookvalue of own shares	<b>0</b>	0
Number of own shares	<b>17.276</b>	14.389
Stock value per share	<b>183</b>	136
Total stock value	<b>3.162</b>	1.957
Percentage of own shares	<b>0,6</b>	0,5

## Shareholders

Shareholders who owns more than 5% of the sharevalue

- Henrik Østenkjær Lind personally and through the companies Lind Invest ApS, Lind Value ApS and Danish Commodities A/S

# Notes

## 1 Main- and key figures

(DKK 1,000)	2013	2012	2011	2010	2009
<b>Profit and Loss account</b>					
Net interest income	<b>179.360</b>	187.570	185.611	187.442	194.090
Net interest and fee income	<b>269.070</b>	277.896	256.862	254.386	255.073
Value adjustments	<b>22.682</b>	26.392	4.905	24.340	30.996
Operational expenditure	<b>200.038</b>	197.336	195.895	194.717	193.562
herof staff and administrative expenses	<b>180.896</b>	176.883	177.162	172.694	166.484
herof payment to sector solutions	<b>10.025</b>	7.316	10.785	16.153	21.154
Writedowns on loans	<b>43.616</b>	47.876	38.260	39.267	46.999
herof writedowns Private Preparedness	<b>0</b>	0	0	12.120	13.880
Profit from holdings in affiliated companies	<b>23</b>	26	102	38	87
Profit before tax for the financial year	<b>48.364</b>	61.130	32.064	48.951	51.153
Profit for the financial year	<b>37.053</b>	47.120	23.281	36.785	39.969
<b>Balance sheet</b>					
<b>Assets</b>					
Cash in hand and claims on credit institutions, etc.	<b>154.989</b>	144.911	125.473	120.216	131.919
Loans and other amounts due	<b>3.679.973</b>	3.609.442	3.948.183	3.819.926	3.893.372
Bonds and shares etc.	<b>1.681.423</b>	1.875.720	1.487.068	1.533.192	1.218.336
Assets under pooled schemes	<b>871.143</b>	847.429	836.490	876.788	866.884
Other assets	<b>187.491</b>	179.944	189.152	199.936	184.383
Total assets	<b>6.575.019</b>	6.657.446	6.586.366	6.550.058	6.294.894
<b>Liabilities</b>					
Due to credit institutions and central banks	<b>772.203</b>	1.204.477	1.268.122	1.027.373	738.864
Deposits and other amounts due	<b>3.907.593</b>	3.593.379	3.533.775	3.587.396	3.384.750
Deposits under pooled schemes	<b>959.810</b>	909.707	864.237	895.145	892.151
Other debt	<b>101.785</b>	142.227	164.756	208.771	167.760
Issued bonds	<b>0</b>	0	0	0	300.000
Subordinated debt	<b>50.000</b>	50.000	50.000	150.659	175.659
Equity	<b>783.628</b>	757.656	705.476	680.714	635.710
Total liabilities	<b>6.575.019</b>	6.657.446	6.586.366	6.550.058	6.294.894
<b>Off-balance sheet items</b>					
Off-balance sheet items	<b>848.656</b>	880.905	945.600	1.439.574	1.404.110

# Notes

## 1 Main- and key figures

		2013	2012	2011	2010	2009
<b>Solvency and capital ratio</b>						
Solvency ratio *	pct.	<b>17,3</b>	16,6	15,3	15,7	14,2
Core capital ratio *	pct.	<b>18,1</b>	17,3	16,0	14,3	11,7
<b>Earning ratios</b>						
Profit on own funds before tax	pct.	<b>6,3</b>	8,4	4,5	7,4	8,4
Profit on own funds after tax	pct.	<b>4,8</b>	6,4	3,3	5,6	6,5
Earning/costs		<b>1,20</b>	1,25	1,14	1,21	1,21
Basic earning / costs		<b>1,35</b>	1,42	1,33	1,33	1,35
<b>Market risk ratios</b>						
Interest rate risk	pct.	<b>0,8</b>	0,1	0,3	0,4	1,5
Foreign exchange standing - pos 1	pct.	<b>4,4</b>	4,0	9,2	1,4	0,8
Foreign exchange standing - pos 2	pct.	<b>0,0</b>	0,0	0,0	0,0	0,0
<b>Liquidity risk ratio</b>						
Lendings plus provisions on loans in relation to deposits	pct.	<b>80,0</b>	84,2	93,7	89,0	94,4
Extra cover in relation to the statutory liquidity requirement	pct.	<b>181,2</b>	206,5	170,4	211,5	195,1
<b>Credit risk ratios</b>						
The sum of large commitments**	pct.	<b>59,8</b>	71,5	77,0	91,0	73,3
Share of outstandings with reduced interest	pct.	<b>1,2</b>	0,7	1,1	1,0	0,7
Provision percentage	pct.	<b>4,6</b>	4,1	3,4	3,6	2,9
The year's loss and writedown	pct.	<b>0,9</b>	1,0	0,8	0,7	0,9
The year's growth in lending	pct.	<b>2,0</b>	-8,6	3,4	-1,9	-8,1
Lending in relation to equity capital		<b>4,7</b>	4,8	5,6	5,6	6,1
<b>Return on share</b>						
Profit for the year per share *	kr.	<b>14</b>	17	9	14	15
Net book value per share *	kr.	<b>292</b>	282	262	253	241
Dividend per share *	kr.	<b>3,0</b>	2,5	0,0	0,0	0,0
Stock value/result of the year per share		<b>13,3</b>	7,8	15,3	12,2	10,6
Stock value/net book value per share		<b>0,63</b>	0,48	0,50	0,66	0,65
Stock value per share*	kr.	<b>183</b>	136	132	166	157

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

# Notes

(DKK 1,000)	2013	2012
<b>2 Solvency</b>		
Solvency ratio	<b>17,3%</b>	16,6%
Core capital ratio	<b>18,1%</b>	17,3%
Equity	<b>783.628</b>	757.656
Herof revaluation reserves	<b>-6.918</b>	-10.518
Herof proposed dividend	<b>-8.100</b>	-6.750
Deferred tax assets	<b>-3.412</b>	-1.863
Hybrid core capital	<b>50.000</b>	50.000
Core capital before deduction of holding	<b>815.198</b>	788.525
Half of total of holding etc., more than 10% of capital base	<b>-42.626</b>	-40.793
Core capital after deductions	<b>772.572</b>	747.732
Revaluation reserves	<b>6.918</b>	10.518
Capital base before deductions	<b>779.490</b>	758.250
Half of total of holding etc., more than 10% of capital base	<b>-42.626</b>	-40.793
Capital base after deductions	<b>736.864</b>	717.457
Weighted values excl. values with marked risk	<b>3.946.548</b>	4.031.304
Weighted values with marked risk	<b>321.284</b>	297.225
Total weighted values	<b>4.267.832</b>	4.328.529
<b>3 Interest income</b>		
Claims on credit institutions, etc.	<b>1.651</b>	1.679
Loans and advances	<b>197.347</b>	214.894
Bonds	<b>22.947</b>	20.537
Total derivative financial instruments herof	<b>-5.399</b>	-5.054
Currency contracts	<b>313</b>	484
Interest rate contracts	<b>-5.712</b>	-5.538
Other interest income	<b>130</b>	219
Total interest income	<b>216.676</b>	232.275
Of which income from genuine purchase and resale transactions represent	<b>0</b>	0
<b>4 Interest expenses</b>		
Credit institutions and central banks	<b>4.531</b>	8.287
Deposits	<b>27.499</b>	31.155
Subordinated debt	<b>4.908</b>	4.892
Other interest expenses	<b>378</b>	371
Total interest expenses	<b>37.316</b>	44.705
Of which expenses from genuine purchase and resale transactions represent	<b>0</b>	0
<b>5 Fee and commission income</b>		
Securities trading and custody account fees	<b>34.258</b>	29.070
Payment services fees	<b>11.990</b>	12.279
Loan fees	<b>32.300</b>	37.807
Guarantee commissions	<b>5.226</b>	5.429
Other fees and commissions	<b>8.756</b>	8.177
Total fee and commission income	<b>92.530</b>	92.762
Payed fee and commissions are not deducted in the above		

# Notes

(DKK 1,000)	2013	2012
<b>6 Value adjustments</b>		
Loan and advances at fair value	<b>-7.181</b>	708
Bonds	<b>10.359</b>	15.117
Shares, etc.	<b>11.196</b>	9.073
Investment property	<b>0</b>	-100
Currency	<b>1.853</b>	2.799
Derivatives	<b>7.198</b>	-646
Assets under pooled schemes	<b>59.374</b>	40.331
Deposits under pooled schemes	<b>-60.117</b>	-40.890
Total value adjustments	<b>22.682</b>	26.392
<b>7 Staff costs and administrative expenses</b>		
Remuneration of Executive Board, board of Directors and Representatives	<b>3.450</b>	3.425
Staff costs	<b>106.079</b>	107.755
Administrative expenses	<b>71.367</b>	65.703
Total staff and administrative costs	<b>180.896</b>	176.883
Staff costs		
Salaries	<b>83.933</b>	86.219
Pensions	<b>10.732</b>	10.639
Social security expenses	<b>986</b>	1.027
Taxes	<b>10.428</b>	9.870
Total	<b>106.079</b>	107.755
Salary equals the accrued remuneration.		
Number of full-time equivalent staff (avg.) in the financial year		
Calculated according to the ATP-method	<b>184,4</b>	189,6
Calculated according to work-time percentages	<b>176,7</b>	182,1
Salaries and remuneration of Executive Board, Board of Directors and Board of Representatives		
Fixed payment		
Board of Executives, wage, free car, holiday payment	<b>1.949</b>	1.938
Board of Executives, pension	<b>353</b>	350
Board of Directors	<b>987</b>	978
Board of Representatives	<b>161</b>	159
Total	<b>3.450</b>	3.425
There is no variable payment, or pension obligations		
Number of board of executive members	<b>1</b>	1
Number of board of directors members	<b>9</b>	9
Specification of remuneration to the board of directors members		
Erik Nymann, chairmann	<b>215</b>	213
Uffe Vithen, deputy chairman	<b>129</b>	128
Jacob Arendt (retired 21.03.2012)	<b>0</b>	21
Helle Baerentsen	<b>86</b>	85
Tina Klausen	<b>86</b>	85
Peter Pedersen (elected 20.03.2013)	<b>64</b>	0
Jan. B. Poulsen	<b>86</b>	85
Ejner Soeby, audit committee Chairman	<b>129</b>	128
Mikael Lykke Soerensen	<b>86</b>	85
Peter Zacher Soerensen (elected 21.03.2012)	<b>86</b>	64
Poul Erik Soerensen	<b>21</b>	85

# Notes

(DKK 1,000)

**2013**                      2012

## 7 Staff costs and administrative expenses (continued)

Specification of salaries for the Representatives

Chairmann	<b>6</b>	6
Other members	<b>3</b>	3

Other employees with significant influence on the bank's risk profile

Fixed payment

Salaries, company car, pension etc.	<b>7.227</b>	6.372
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Total payment to employees with significant influence on the risk profile	<b>7.227</b>	6.372
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Number of employees with significant influence on the risk profile	<b>7</b>	6
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There is no variable payment, or pension obligations

## 8 Profit of holdings in affiliated companies

Profit on holdings in affiliated companies	<b>23</b>	26
Total profit on holdings in affiliated companies	<b>23</b>	26

## 9 Write down on loans and advances

Individual write downs

Write downs beginning	<b>174.226</b>	163.219
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Write downs in the financial year	<b>71.510</b>	65.688
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Changes in write downs regarding earlier years	<b>-16.327</b>	-18.335
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Finally lost regarding earlier write downs	<b>-23.909</b>	-36.346
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Individual write downs end	<b>205.500</b>	174.226
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Group write downs

Write downs beginning	<b>9.898</b>	10.305
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Write downs in the financial year	<b>159</b>	-407
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Group write downs end	<b>10.057</b>	9.898
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Total write downs on loans and advances

<b>215.557</b>	184.124
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## Expenses in the financial year from write downs on loans and advances

Write downs in the financial year from loans and advances	<b>71.669</b>	65.281
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Write downs in the financial year from provisions	<b>-4.539</b>	6.431
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Reversal of write downs in ealier financial years	<b>-16.327</b>	-18.335
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Realized losses, written down in earlier financial years	<b>-23.909</b>	-36.346
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Realized losses	<b>26.475</b>	37.713
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Interest from debtors with writedowns	<b>-9.753</b>	-6.868
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Writedowns	<b>43.616</b>	47.876
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## Reasons for individual impairment

	2013		2012	
	Loans before writedowns	Writedowns	Loans before writedowns	Writedowns
Bankruptcy / liquidation	<b>27.141</b>	<b>12.953</b>	34.699	18.844
Suspension of payments / granted	<b>2.114</b>	<b>2.144</b>	850	866
Debt restructuring initiated / granted	<b>302</b>	<b>297</b>	1.343	698
Engagement terminated	<b>13.539</b>	<b>9.569</b>	24.270	15.906
Other causes	<b>351.023</b>	<b>180.537</b>	279.877	137.912
Total	<b>394.119</b>	<b>205.500</b>	341.039	174.226

# Notes

(DKK 1,000)

## 9 Write down on loans and advances (continued)

### Loans with individual writedowns by sectors

	<b>2013</b>	<b>2013</b>	2012	2012
	Loans before writedowns	Writedowns	Loans before writedowns	Writedowns
Business				
Agriculture, hunting, forestry and fishing	<b>76.309</b>	<b>38.725</b>	68.276	28.093
Industry and raw materials extraction	<b>1.598</b>	<b>1.318</b>	1.357	1.237
Building and construction	<b>35.087</b>	<b>17.174</b>	29.906	9.358
Trade	<b>16.263</b>	<b>10.384</b>	12.745	8.012
Transport, hotels and restaurants	<b>22.604</b>	<b>5.106</b>	3.814	2.404
Information and communication	<b>476</b>	<b>277</b>	1.567	1.254
Financing and insurance	<b>5.102</b>	<b>5.102</b>	5.132	5.063
Real estate	<b>81.848</b>	<b>38.810</b>	98.179	44.573
Other businesses	<b>41.802</b>	<b>21.553</b>	49.503	20.808
Total business	<b>281.089</b>	<b>138.449</b>	270.479	120.802
Private	<b>113.030</b>	<b>67.051</b>	70.560	53.424
Total	<b>394.119</b>	<b>205.500</b>	341.039	174.226

	<b>2013</b>	2012
<b>The value of collateral on loans, which have writedowns</b>		
Collateral in real estate	<b>97.330</b>	105.798
Collateral in operating equipment	<b>38.990</b>	26.314
Collateral in securities and deposits	<b>1.821</b>	388
Collateral in mortgages	<b>37.843</b>	27.771
Collateral in sureties	<b>563</b>	3.885
Total	<b>176.547</b>	164.156

### Loans and advances with writedowns

Gross loans and advances with individual writedowns	<b>394.119</b>	341.039
Gross loans and advances with group writedowns	<b>3.167.870</b>	3.204.234
Total	<b>3.561.989</b>	3.545.273
Loans and writedowns before writedowns	<b>3.895.530</b>	3.793.566

## 10 Provisions regarding losses on guarantees

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

Guarantees with provisions	<b>2.644</b>	6.543
Provision on guarantees	<b>1.923</b>	6.462

## 11 Audit fees

Total fee to the accounting firm elected by the general meeting which perform the statutory audit

	<b>420</b>	410
By services		
Statutory audit	<b>383</b>	351
Other declarations with security	<b>25</b>	59
Other services	<b>12</b>	0
Total audit fee	<b>420</b>	410

The bank has an internal audit department

# Notes

(DKK 1,000)	2013	2012
<b>12 Tax</b>		
Calculated tax charge for the year	<b>12.860</b>	21.604
Deferred tax	<b>-1.887</b>	-7.647
Adjustment of tax rate	<b>338</b>	0
Adjustment of prior-year tax charge	<b>0</b>	53
Total tax	<b>11.311</b>	14.010
<b>Effective tax rate</b>		
Danish tax rate	<b>25,0%</b>	25,0%
Non-taxable income and non-deductible expenses	<b>-2,5%</b>	-2,0%
Change in tax percentage	<b>0,7%</b>	0,0%
Adjustment of prior-year tax charge	<b>0,0%</b>	0,1%
Others	<b>0,2%</b>	-0,2%
Effective tax rate	<b>23,4%</b>	22,9%
<p>The non-taxable income and non-deductible expenses are mainly depreciations on domicile properties, non-deductible part of the representative costs and gain on unlisted capital investments.</p>		
<b>13 Due from credit institutions and central banks</b>		
Claims on credit institutions	<b>94.126</b>	72.173
Total due from credit institutions and central banks	<b>94.126</b>	72.173
By residual maturity		
Up to 3 months	<b>92.530</b>	68.995
Over 5 years	<b>1.596</b>	3.178
Total due from credit institutions and central banks	<b>94.126</b>	72.173
<b>14 Loans and other amounts due and off-balance items</b>		
Loans and other amounts due	<b>3.679.973</b>	3.609.442
Total loans and other amounts due	<b>3.679.973</b>	3.609.442
By residual maturity		
Demand deposits	<b>473.083</b>	346.760
Up to 3 months	<b>278.393</b>	321.874
From 3 months to 1 year	<b>1.237.951</b>	1.227.702
From 1 to 5 years	<b>756.572</b>	771.231
Over 5 years	<b>933.974</b>	941.875
Total loans and other amounts due	<b>3.679.973</b>	3.609.442
<b>Specifikation of gross loans</b>		
Loans and other amounts due before write downs	<b>3.895.530</b>	3.793.566
Write downs	<b>-215.557</b>	-184.124
Total loans and other amount due	<b>3.679.973</b>	3.609.442
<b>Gross loans and off-balance items</b>		
Loans and other amounts due before write downs	<b>3.895.530</b>	3.793.566
Off-balance items	<b>848.656</b>	880.905
Total loans and off-balance items	<b>4.744.186</b>	4.674.471

# Notes

(DKK 1,000)

2013 2012

## 14 Loans and other amounts due and off-balance items (continued)

### Broken down by sectors and industry (in percentage)

Public sector	7,1	5,4
Business		
Agriculture, hunting, forestry and fishing	13,1	13,4
<i>Crop farming</i>	5,1	4,5
<i>Cattle farming</i>	5,4	5,1
<i>Pig farming</i>	1,0	1,1
<i>Other farming</i>	1,4	2,5
<i>Fishing</i>	0,2	0,2
Industry and raw materials extraction	2,1	2,0
Energy supply	1,9	2,2
Building and construction	5,7	6,2
Trade	5,3	4,8
Transport, hotels and restaurants	2,6	3,2
Information and communication	0,4	0,4
Financing and insurance	2,2	2,1
Real estate	12,4	12,4
Other businesses	10,0	11,1
Total business	55,7	57,8
Private	37,2	36,8
Total	100,0	100,0

## 15 Bonds at fair value

The Bank has deposited bonds at Nationalbanken and VP as collateral for clearing and settlement, etc.. for a total of t.DKK 180,442.

The bank has borrowed against t.DKK 300,000 at Nationalbanken.

## 16 Holdings in affiliated companies

Djurs-Invest ApS, Grenaa		
Part of shares	100%	100%
Equity	1.787	1.764
Profit for the financial year	23	26

The company's balance and activity are insignificant.

## 17 Assets under pooled schemes

Bonds at fair value	600.188	625.641
Shares	270.955	221.788
Total assets	871.143	847.429

## 18 Intercompany with affiliated companies

Deposits	591	595
----------	-----	-----

## 19 Investment property

Marked value beginning	2.565	2.665
Additions	1.740	0
Revaluation of marked value	0	-100
Marked value end	4.305	2.565

External experts have not been used in 2012 and 2013.

# Notes

(DKK 1,000)	<b>2013</b>	2012
<b>20 Domicile property</b>		
Marked value beginning	<b>77.921</b>	72.828
Additions	<b>5.829</b>	6.929
Disposals	<b>-2.012</b>	0
Depreciation	<b>-822</b>	-984
Value adjustments to current value for the year, recognized in total income	<b>-3.600</b>	6.450
Value adjustments to current value for the year, recognized in P&L	<b>-4.219</b>	-7.302
Marked value end	<b>73.097</b>	77.921

External experts have not been used in 2012 and 2013.

<b>21 Other tangible assets</b>		
Total cost at beginning	<b>32.200</b>	33.009
Additions	<b>3.421</b>	4.435
Disposals	<b>-1.982</b>	-5.244
Total cost at end	<b>33.639</b>	32.200
Depreciation and impairment beginning	<b>24.252</b>	24.094
Depreciation	<b>4.086</b>	5.402
Disposals	<b>-1.982</b>	-5.244
Depreciation and impairment end	<b>26.356</b>	24.252
<b>Book value at end</b>	<b>7.283</b>	7.948

<b>22 Deferred tax assets and tax liabilities</b>		
Deferred tax liabilities beginning	<b>1.863</b>	-6.143
Changes due to earlier years	<b>0</b>	359
Change in tax percentage	<b>-338</b>	0
Change in deferred tax due	<b>1.887</b>	7.647
Deferred tax assets and tax liabilities end	<b>3.412</b>	1.863

## 23 Split of deferred tax assets and tax liabilities

	<b>2013</b>	<b>2013</b>	2012	2012
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tangible assets	<b>915</b>	<b>247</b>	453	514
Cut of on fees and commissions	<b>3.134</b>	<b>0</b>	3.465	0
Provisions for commitments	<b>1.272</b>	<b>0</b>	1.476	0
Other	<b>1.370</b>	<b>3.032</b>	1.525	4.542
Total deferred tax	<b>6.691</b>	<b>3.279</b>	6.919	5.056

<b>24 Due to credit institutions and central banks</b>	<b>2013</b>	2012
Due to credit institutions	<b>772.203</b>	1.204.477
By residual maturity		
Amounts payable on demand	<b>472.203</b>	529.717
From 3 months to 1 year	<b>0</b>	324.920
From 1 to 5 years	<b>300.000</b>	349.840
Total due to credit institutions and central banks	<b>772.203</b>	1.204.477

# Notes

(DKK 1,000)	2013	2012
<b>25 Deposits and other amounts due</b>		
Amounts payable on demand	<b>3.023.741</b>	2.613.796
At notice	<b>113.760</b>	113.793
Time deposits	<b>406.967</b>	517.189
Special deposits	<b>363.125</b>	348.601
Total deposits and other amounts due	<b>3.907.593</b>	3.593.379
By residual maturity	<b>3.093.569</b>	2.687.375
Amounts payable on demand	<b>81.013</b>	130.696
Up to 3 months	<b>204.770</b>	303.038
From 3 months to 1 year	<b>281.823</b>	237.782
From 1 to 5 years	<b>246.419</b>	234.488
Over 5 years	<b>3.907.593</b>	3.593.379
<b>26 Provisions for pensions and similar obligations</b>		
Provision for pensions and similar commitments	<b>5.782</b>	5.905
Total provision for pensions	<b>5.782</b>	5.905
Paid to former members of the Executive Board	<b>1.268</b>	1.245
<b>27 Subordinated debt</b>		
Hybrid core capital		
Fixed rate loan in DKK (9,5%), issued in 2010	<b>50.000</b>	50.000
Total hybrid core capital	<b>50.000</b>	50.000
The hybrid core capital are with indefinite termination date but can be redeemed in 2015.		
The core capital remunerates until 27 may 2015 with an interest equal to the 5 year danish swap-interest rate with additional 6,3%.		
Signing fee payed this year	<b>0</b>	0
Part of capital base	<b>50.000</b>	50.000
<b>28 Equity - shares</b>		
Number of shares each of nom value kr. 10.	<b>2.700.000</b>	2.700.000
Share capital nom value DKK 27.000 (1.000 kr.)		
Number of own shares, beginning	<b>14.389</b>	2.974
Additions	<b>215.262</b>	140.481
Disposals	<b>-212.375</b>	-129.066
Number of own shares, end	<b>17.276</b>	14.389
Nom value of own shares, beginning	<b>144</b>	30
Net additions / disposals	<b>29</b>	114
Nom value of own shares, end	<b>173</b>	144
Part of own shares, beginning	<b>0,5%</b>	0,1%
Net additions / disposals	<b>0,1%</b>	0,4%
Part of own shares, end	<b>0,6%</b>	0,5%
Total purchase	<b>35.254</b>	18.776
Total sale	<b>34.039</b>	17.212
Own shares are bought and sold as part of the bank's common stock trading.		

# Notes

(DKK 1,000)

## 29 Derivative financial instruments

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

	2013	2013	2013	2013
	Nominal value	Net market value	Positive market value	Negative market value
<b>Foreign-exchange contracts, purchase</b>				
Up to 3 months	12.495	228	384	156
From 3 months to 1 year	38.240	-703	0	703
Market value	50.735	-475	384	859
<b>Foreign-exchange contracts, sale</b>				
Up to 3 months	52.913	607	797	190
From 3 months to 1 year	40.666	731	733	2
Market value	93.579	1.338	1.530	192
<b>Foreign-exchange swaps</b>				
From 3 months to 1 year	1.749	0	1.749	1.749
Market value	1.749	0	1.749	1.749
Foreign-exchange contracts and swaps	146.063	863	3.663	2.800
<b>Interestrate swaps</b>				
Up to 3 months	80.237	-96	298	394
From 3 months to 1 year	11.899	425	642	217
From 1 to 5 years	119.214	-733	3.635	4.368
Over 5 years	350.627	-4.097	22.010	26.107
Market value	561.977	-4.501	26.585	31.086
Interestrate contracts and swaps	561.977	-4.501	26.585	31.086
<b>Unsettled spot contracts</b>				
Foreign-exchange, purchase	12.012	-5	5	10
Foreign-exchange, sale	151	0	0	0
Interestrate contracts, purchase	4.446	-5	2	7
Interestrate contracts, sale	4.446	9	10	1
Sharecontracts, purchase	2.912	54	140	86
Sharecontracts, sale	2.924	-49	56	105
Market value	26.891	4	213	209
<b>Total</b>				
Foreign-exchange contracts and swaps, total	146.063	863	3.663	2.800
Interestcontracts and swaps, total	561.977	-4.501	26.585	31.086
Spot, total	26.891	4	213	209
Market value	734.931	-3.634	30.461	34.095

# Notes

(DKK 1,000)

## 29 Derivative financial instruments (continued)

	2012	2012	2012	2012
	Nominal value	Net market value	Positive market value	Negative market value
<b>Foreign-exchange contracts, purchase</b>				
Up to 3 months	33.238	62	381	319
From 3 months to 1 year	32.992	-153	214	367
Market value	66.230	-91	595	686
<b>Foreign-exchange contracts, sale</b>				
Up to 3 months	166.994	1.460	1.711	251
From 3 months to 1 year	38.468	239	382	143
Market value	205.462	1.699	2.093	394
<b>Foreign-exchange swaps</b>				
From 3 months to 1 year	13.477	0	1.888	1.888
Market value	13.477	0	1.888	1.888
Foreign-exchange contracts and swaps	285.169	1.608	4.576	2.968
<b>Interestrate contracts, purchase</b>				
Up to 3 months	807	1	1	0
Market value	807	1	1	0
<b>Interestrate swaps</b>				
From 3 months to 1 year	92.030	-1.716	550	2.266
From 1 to 5 years	177.509	-5.604	3.754	9.358
Over 5 years	368.557	-9.754	36.499	46.253
Market value	638.096	-17.074	40.803	57.877
Interestrate contracts and swaps	638.096	-17.074	40.803	57.877
<b>Unsettled spot contracts</b>				
Foreign-exchange, purchase	48.669	27	29	2
Foreign-exchange, sale	281	2	2	0
Interestrate contracts, purchase	10.225	10	19	9
Interestrate contracts, sale	10.215	0	13	13
Sharecontracts, purchase	7.691	-108	29	137
Sharecontracts, sale	7.692	111	138	27
Market value	84.773	42	230	188
<b>Total</b>				
Foreign-exchange contracts and swaps, total	285.169	1.608	4.576	2.968
Interestcontracts and swaps, total	638.096	-17.074	40.803	57.877
Spot, total	84.773	42	230	188
Market value	1.008.038	-15.424	45.609	61.033
			<b>2013</b>	2012
<b>Credit risk on derivative financial instruments</b>				
Credit institutions, etc. (with weighted risk 20%)			<b>4.280</b>	3.753
Customers (with weighted risk 100%)			<b>26.181</b>	41.856
			<b>30.461</b>	45.609

# Notes

(DKK 1,000)	2013	2012
<b>30 Off balance sheet items</b>		
Financial guarantees	<b>241.810</b>	316.667
Loss guarantees	<b>217.600</b>	208.582
Registration guarantees	<b>74.469</b>	77.123
Other guarantees	<b>314.777</b>	278.533
Total off balance sheet items	<b>848.656</b>	880.905

Like the other Danish banks, the bank is liable for losses sustained by the Bank Deposit Guarantee Fund. The last statement of the bank's share of the sector's surety constitute 0.43%.

The bank participates in a IT-cooperation with other banks via the IT-center Bankdata. An exit from this will result in payment of a withdrawal benefit of DKK 173 million as at 31.12.2013.

## 31 Foreign exchange exposure

Currencies breakdown for the main currencies (net)

EUR	<b>19.198</b>	26.444
GBP	<b>1.488</b>	274
CHF	<b>8.159</b>	255
NOK	<b>1.410</b>	462
Other currencies	<b>3.399</b>	2.573
Total	<b>33.654</b>	30.008

Exchange rate indicator 1 in % of core capital after deductions (positions)	<b>4,4%</b>	4,0%
Exchange rate indicator 2 in % of core capital after deductions (risk)	<b>0,0%</b>	0,0%

## 32 Financial risk and riskmanagement

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

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

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

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

The banks management of financial risk is described in the management reports section

"Risk management" page 11 to 14, further information can be found in this section.

## 33 Current value of financial instruments

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

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

# Notes

(DKK 1,000)

## 33 Current value of financial instruments (continued)

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

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

Issued bonds and subordinated debt are measured at amortised cost price. The difference between book and current values is calculated on the basis of prices on the market for own listed issues. The interest on issued bonds and subordinated debt is determined by the market interest fluctuation 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.

	<b>2013</b>	<b>2013</b>	2012	2012
	Book value	Market value	Book value	Market value
<b>Assets</b>				
Due from credit institutions and central banks	<b>94.126</b>	<b>94.126</b>	72.173	72.173
Loans and other amounts due	<b>3.679.973</b>	<b>3.711.888</b>	3.609.442	3.651.133
Bonds at fair value	<b>1.494.356</b>	<b>1.494.356</b>	1.686.030	1.686.030
Shares, etc.	<b>187.067</b>	<b>187.067</b>	189.690	189.690
Assets under pooled schemes	<b>871.143</b>	<b>871.143</b>	847.429	847.429
Total assets	<b>6.326.665</b>	<b>6.358.580</b>	6.404.764	6.446.455
<b>Liabilities</b>				
Deposits and other amounts due	<b>3.907.593</b>	<b>3.917.594</b>	3.593.379	3.607.936
Deposits under pooled schemes	<b>959.810</b>	<b>959.810</b>	909.707	909.707
Subordinated debt	<b>50.000</b>	<b>50.000</b>	50.000	50.000
Total liabilities	<b>4.917.403</b>	<b>4.927.404</b>	4.553.086	4.567.643
			<b>2013</b>	2012
<b>34 Interest rate risk</b>				
Total interest rate risk on liabilities, etc.			<b>6.257</b>	442
Interest rate risk by foreign currency with highest interest rate risk				
DKK			<b>6.256</b>	406
EUR			<b>0</b>	28
CHF			<b>0</b>	7
Other currencies			<b>1</b>	1

# Notes

(DKK 1,000)

2013 2012

## 35 Credit risk

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

In addition to the information in this note 35 and accompanying notes 36 and 37 refers to the general description of credit management in the management report page 11 under "creditrisk".

### Maximum credit exposure on claims on credit instituions and central banks, bonds and other assets

Due from credit instituions and central banks	<b>94.126</b>	72.173
Bonds at fair value	<b>1.494.356</b>	1.686.030
Other assets	<b>92.550</b>	82.472
Maximum credit risk	<b>1.681.032</b>	1.840.675

### Maximum credit exposure on loans, guarantees and credit commitments before securities

Loans and other amounts due at amortised cost	<b>3.895.530</b>	3.793.566
Guarantees	<b>848.656</b>	880.905
Credit commitments (credits)	<b>1.561.833</b>	1.616.053
Credit commitments (framework agreements)	<b>187.612</b>	279.908
Maximum credit exposure	<b>6.493.631</b>	6.570.432
Total maximum credit exposure	<b>8.174.663</b>	8.411.107

### Broken down by sector and industry, loans, gurantees and credit commitments

Public sector	<b>524.684</b>	536.740
Business		
Agriculture, hunting, forestry and fishing	<b>771.778</b>	785.667
Industry and raw materials extraction	<b>140.052</b>	139.686
Energiforsyning	<b>123.028</b>	139.988
Building and construction	<b>358.049</b>	367.412
Trade	<b>336.222</b>	322.898
Transport, hotels and restaurants	<b>215.526</b>	233.450
Information og kommunikation	<b>27.400</b>	26.684
Financing and insurance	<b>121.828</b>	120.830
Real estate	<b>682.225</b>	728.449
Other businesses	<b>626.295</b>	659.755
Total business	<b>3.402.403</b>	3.524.819
Private	<b>2.566.544</b>	2.508.873
Total	<b>6.493.631</b>	6.570.432

### Creditrisk on largest sector

Agriculture, hunting, forestry and fishing make up the largest single industry in the Bank's total lending, gurantees and credit commitments with 11,9%.

The allocation of loans, guarantees and credit commitments is

	2013	2013	2012	2012
Crops	<b>304.068</b>	<b>40%</b>	289.767	37%
Pig farming	<b>302.829</b>	<b>39%</b>	275.014	35%
Cattle farming	<b>55.713</b>	<b>7%</b>	65.104	8%
Other farming, hunting and forestry	<b>94.184</b>	<b>12%</b>	140.791	18%
Fishing	<b>14.984</b>	<b>2%</b>	14.991	2%
	<b>771.778</b>		<b>785.667</b>	

# Notes

(DKK 1,000)

## 35 Credit risk (continued)

### Description of securities

When the bank's credit risk is not minimal, it is generally a requirement that the customer makes full or partial security for the exposure.

The collateral is mainly by mortgage on properties, pledge in physical assets, debts, liquid securities and deposits and mortgages. As a general rule safety are also made in companies' shares, letter of subordination and surety. A large part of these sureties are provided by companies or persons with a group related to the debtor. For prudential reasons, the bank does not calculate with any independent value on these sureties.

The value of collateral is determined based on established assessment principles for any kind and type of securities.

	<b>2013</b>	2012
<b>Securities on loans and guarantees</b>		
Collateral in real estate	<b>1.623.185</b>	1.383.384
Collateral in operating equipment	<b>422.154</b>	469.008
Collateral in securities and deposits	<b>211.153</b>	223.571
Collateral in mortgages	<b>637.742</b>	709.758
Collateral in sureties	<b>40.290</b>	49.515
Total	<b><u>2.934.524</u></b>	<u>2.835.236</u>

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

Other tangible assets values are calculated on the basis of market price reduced by a percentage to cover the depreciation due to age.

Securities are measured at official exchange rates reduced by a percentage to cover unexpected sudden circumstances. Deposits in the bank are stated at nominal value

Mortgages, etc. consists mainly of indirect mortgages on properties where the bank on behalf of the client takes home mortgage against the guarantee to mortgage banks. These guarantees are secured by indirect mortgage on the property, and the valuation equivalent to the guaranteed amount.

# Notes

(DKK 1,000)

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

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

### Specification of the quality of exposures and loans

Private customers with commitment over DKK 1 m. and business customers with commitment over 1% of capital base (DKK 7.4 m.) is creditrated after the FSA model. In 2012 1% of capital base was equal to DKK 7,2 m.

	<b>2013</b>	<b>2013</b>	2012	2012
	<b>Exposure</b>	<b>Hereof loans</b>	Exposure	Hereof loans
<b>Public sector</b>				
High (grade 3 og 2A)	<b>524.684</b>	<b>332.444</b>	530.600	215.279
I alt	<b>524.684</b>	<b>332.444</b>	530.600	215.279
<b>Private</b>				
High (grade 3 og 2A)	<b>577.296</b>	<b>212.708</b>	610.728	209.714
Medium (grade 2B)	<b>115.514</b>	<b>47.908</b>	106.292	38.675
Low (grade 2C)	<b>37.084</b>	<b>29.705</b>	45.207	33.250
Total	<b>729.894</b>	<b>290.321</b>	762.227	281.639
<b>Business</b>				
High (grade 3 og 2A)	<b>880.610</b>	<b>536.390</b>	1.270.342	653.460
Medium (grade 2B)	<b>626.592</b>	<b>426.583</b>	375.633	300.902
Low (grade 2C)	<b>348.635</b>	<b>246.481</b>	447.284	373.443
Total	<b>1.855.837</b>	<b>1.209.454</b>	2.093.259	1.327.805
<b>Total public, private and business</b>	<b>3.110.415</b>	<b>1.832.219</b>	3.386.086	1.824.723

### Rating of minor exposures

For other exposures, the bank's internal rating model are used.

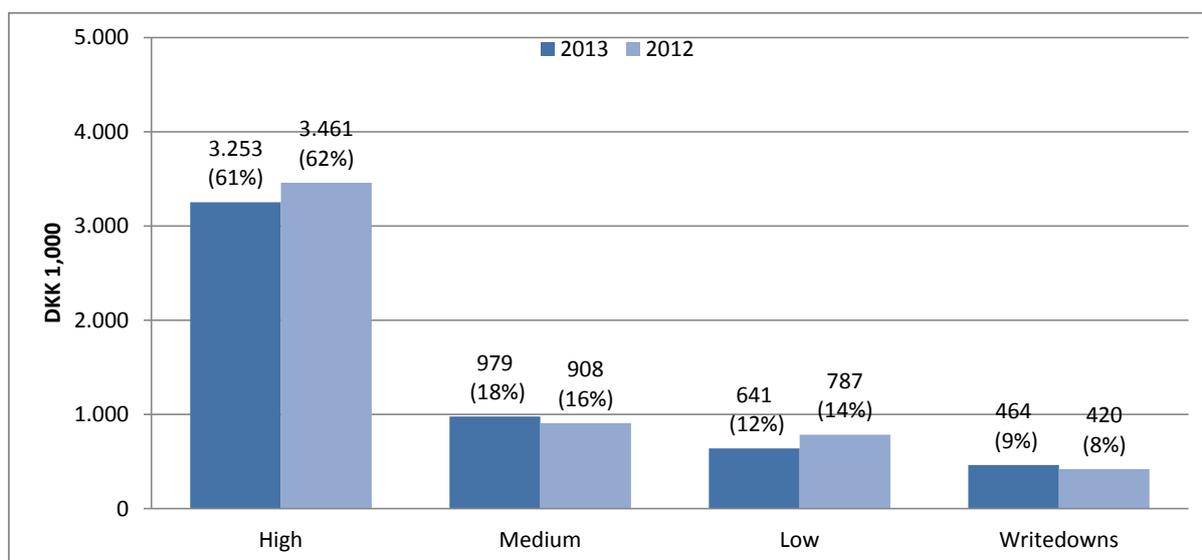
The rating is made on private customers exposures up to DKK 1 m. and business customers exposures between t.DKK 750 and 1% of capital base (DKK 7,4 m.).

	<b>2013</b>	2012
	<b>Exposure</b>	Exposure
<b>Private</b>		
High	<b>690.119</b>	700.405
Medium	<b>207.440</b>	203.436
Low	<b>115.183</b>	91.917
Total	<b>1.012.742</b>	995.758
<b>Business</b>		
High	<b>580.651</b>	349.161
Medium	<b>29.687</b>	222.631
Low	<b>139.651</b>	202.141
Total	<b>749.989</b>	773.933
Total private and business	<b>1.762.731</b>	1.769.691

# Notes

(DKK 1,000)

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



Non-rated exposures with private customers amounts to DKK 0.7 billion.

Non-rated engagements with small business customers / private amounts to DKK 0.5 billion.

### 37 Overdue loans, which have not been written down

**2013** 2012

Overdue loans, which have not been written down is specified as follows

0-90 days overdue

**23.021** 26.240

More than 90 days overdue

**3.510** 2.225

Total

**26.531** 28.465

#### Broken down by sector and industry

	<b>2013</b>	<b>2013</b>	2012	2012
	<b>0-90 days</b>	<b>More than</b>	0-90 days	More than
	<b>overdue</b>	<b>90 days</b>	overdue	90 days
		<b>overdue</b>		overdue
Public sector	<b>45</b>	<b>0</b>	23	0
Business				
Agriculture, hunting, forestry and fishing	<b>7.853</b>	<b>479</b>	7.948	17
Industry and raw materials extraction	<b>268</b>	<b>79</b>	440	16
Energy supply	<b>745</b>	<b>0</b>	189	0
Building and construction	<b>1.006</b>	<b>64</b>	916	21
Trade	<b>1.464</b>	<b>110</b>	1.266	142
Transport, hotels and restaurants	<b>209</b>	<b>11</b>	1.230	80
Information and communication	<b>325</b>	<b>117</b>	190	100
Financing and insurance	<b>361</b>	<b>2</b>	63	1
Real estate	<b>1.776</b>	<b>18</b>	5.217	0
Other businesses	<b>2.000</b>	<b>470</b>	1.968	122
Total business	<b>16.007</b>	<b>1.350</b>	19.427	499
Private	<b>6.969</b>	<b>2.160</b>	6.790	1.726
Total	<b>23.021</b>	<b>3.510</b>	26.240	2.225

Data regarding securities are not available.

# Notes

(DKK 1,000)

## 38 Sensitivity to each type of market risk

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

### Interest rate risk

The sensitivity calculation in relation to the bank's interest rate risk is based on the interest rate risk key figure, reported by the Danish FSA. This key figure shows the effect on core capital after deduction of a change in the interest rate of 1 percentage point, corresponding to 100 base point. The calculation shows that if the average interest rate had been 100 base point higher, at the end of 2013, the result for the year after tax and equity, all else being equal, would be DKK 4.7 m. lower (2012: DKK 0.3 m. lower). This change is primarily due to a current market value adjustment of the bank's fixed-interest bonds. The higher level of interest rate risk in 2013 compared with 2012 is due to an increase in the share of fixed-interest bonds.

### 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 target for the scope of the bank's positions in foreign currency and is calculated as the greatest of the sum of all the short foreign exchange positions and the sum off all the long foreign exchange positions. In the event of an increase in the exchange rate of 2,5% of Foreign Exchange Indicator 1 at the end of 2013, the result for the year after tax and equity, all else being equal, would be DKK 0.6 m. lower (2012: DKK 0.6 m. lower) mainly due to foreign exchange adjustments. The adjustment is immaterial.

### Share risk

Had the value of the bank's shareholding been 10% lower on the 31 December 2013, the result after tax for the year and equity, all else being equal, would be DKK 18.7 m. lower (2012: DKK 19.0 m. lower) due to a negative current value adjustment of the share portfolio. The share risk is evaluated as on the same level as in 2012.

### Risk on buildings

Had the value of the bank's buildings been 10% lower on the 31 December 2013, the result after tax for the year and equity, all else being equal, would be DKK 7.7 m. lower (2012: DKK 8.0 m. lower) - the main part comes from domicile buildings.

## 39 Liquidity reserve

	<b>2013</b>	2012
Cash in hand	<b>22.927</b>	29.420
Cash in hand and claims at call on central banks	<b>37.936</b>	43.317
Due from credit institutions and central banks	<b>73.029</b>	49.494
Bonds at fair value, uncollateralized	<b>988.989</b>	1.210.635
Bonds at fair value, pools, uncollateralized	<b>600.188</b>	625.641
Collateral value of shares	<b>130.264</b>	104.165
Total liquidity reserve acc. to FIL §152	<b><u>1.853.333</u></b>	<u>2.062.672</u>
Cover relative to statutory liquidity	<b><u>181,2</u></b>	<u>206,5</u>

# Notes

(DKK 1,000) **2013**      2012

## 40 Close parties

### Transaktions with close parties

Close parties covers the Board of Directors and the Board of Management. No transactions have been entered with these except those mentioned in note 7.

### Lån m.v. til direktion og bestyrelse

Loans etc to the management

Executive Board	<b>0</b>	0
Board of Directors	<b>14.775</b>	14.311

Interest rates

Executive Board	<b>8,8%</b>	8,8%
Board of Directors	<b>3,6-5,0%</b>	2,5-11,0%

Collaterals for engagements with

Executive Board		
Board of Directors	<b>180</b>	180
Board of Directors	<b>9.685</b>	16.936

## 41 Election of board of directors

	First election	Chosen again	On election
Erik Nymann (chairman since 2001)	1990	1992, and every 2 year.	2014
Uffe Vithen (deputy chairman since 2009)	2006	2007, and every 2 year.	2015
Helle Bærentsen	2006	2010	2014
Tina Klausen	1998	2002, and every 4 year.	2014
Peter Pedersen	2013		2014
Jan B. Poulsen	2002	2006, and every 4 year.	2014
Ejner Søby (chairman for the Audit Committee since 2009)	2009	2011	2015
Mikael Lykke Sørensen	2008	2010, and every 4 year.	2014
Peter Zacher Sørensen	2012	2013	2015

## 42 The board of directors and board of executives shareholdings, at the end of the year **2013**      2012

	shares	shares
<b>The board of directors</b>		
Erik Nymann	<b>6.240</b>	6.240
Uffe Vithen	<b>799</b>	496
Helle Bærentsen	<b>945</b>	945
Tina Klausen	<b>1.657</b>	1.657
Peter Pedersen	<b>382</b>	382
Jan B. Poulsen	<b>2.286</b>	2.286
Ejner Søby	<b>1.800</b>	1.800
Mikael Lykke Sørensen	<b>1.274</b>	1.274
Peter Zacher Sørensen	<b>955</b>	955
<b>The board of executives</b>		
Ole Bak	<b>6.469</b>	6.469

The holdings include also if any controlled companies stocks.

# Applied accounting policy

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

The Annual Report is presented in Danish currency and rounded to the nearest 1.000 DKK.

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

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

## Recognition and measurement in general

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

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

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

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

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

Financial instruments are included at the time of trading.

## Accounting estimates

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

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

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

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

Impairment losses on loans and other receivables are made to take account of the impairments that occurred after initial recognition. Write-downs are made as a combination of individual and grouped impairments and are associated with a number of estimates. There are estimates associated with the assessment of identification of loans, there is objective evidence of impairment, the determination of future cash flows and the value of collateral. The assumptions for the estimates may be incomplete, inaccurate. Moreover, unexpected future events can occur. Given these uncertainties, it may be necessary to modify the previous estimates, either because of new information, more experience or subsequent developments. A deterioration of the exposures will lead to further write downs. As a result of the above clarification of the accounting rules there has been an alteration of estimates.

Return method is used to measure the fair value of domicile properties. In connection with fair value measurement estimates are made of expected market rent, return requirements and maintenance costs. These estimates are subject to some uncertainty. Market rent and return requirements depend substantially on location. Market rent is in the range of DKK 600 - DKK 1,250 per. sqm. and the required return is in the range 6.3% - 8.0%.

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

Sensitivity calculation of shares and property are disclosed in note 38.

## Foreign currency

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

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

# Applied accounting policy

## **Profit and loss account**

### **Interest, fees and commission**

Interest income and interest expenses are recognised in the profit and loss account in the financial year to which they relate.

Fee and commission income which forms an integrated part of the effective return on a loan is recognised together with the yield to maturity for the loan concerned.

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

### **Staff costs and administrative expenses**

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

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

### **Tax**

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

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

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

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

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

## **Balance sheet**

### **Cash in hand and claims at call on central banks**

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

### **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.

Due to and from credit institutions are measured at amortized cost.

### **Loans**

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

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

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

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

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

Regardless of the size of the commitment, the endangered commitments are valued individually and the write-down is performed correspondingly.

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

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

Group assessments are made using a segmentation model developed by the 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

# Applied accounting policy

variables by a linear regression analysis. Such explanatory macro economic variables include unemployment, housing prices, interest rate, number of bankruptcies / compulsory sales etc.

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

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

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

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

## **Bonds**

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

## **Repo and reverse transactions**

Securities sold under agreements to repurchase the same remain on the balance sheet. Consideration received is recognised as a debt and the difference between selling and buying prices is recognised over the life as interest in the income statement.

Repo and reverse transactions are recognised and measured at fair value as they are regarded as an integral part of the trading portfolio and form part of ongoing risk management and determination of gains thereon.

## **Shares**

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

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

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

## **Shareholdings in 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.

## **Assets under pooled schemes**

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

## **Land and buildings**

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

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

Domicile property is measured at revaluated amount, which is the marked value less deducted depreciations and impairments. Yield and yield percentage is dependent of place and condition. Revaluations are carried out with sufficient regularity so that the carrying amount does not differ significantly from the amount that would be determined using fair value at the balance sheet date.

Depreciations are calculated on the basis of an expected life time of 50 years.

The base for depreciation is revaluated value deducted with scrap value. Depreciations are booked in the profit and loss account, while rising in the revaluated value are booked in other comprehensive income as a part of revaluation reserves, unless it is depreciations, which earlier have been booked in the profit and loss account.

No external experts have evaluated the bank's properties during the year.

# Applied accounting policy

## Other tangible assets

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

## Derivatives

Derivatives are measured at marked value, which is generally based on observable market prices at the balance sheet date.

Derivatives are included in other assets or other liabilities. Changes in the market value of derivatives are recognized as part of value adjustments.

## Financial liabilities

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

## Provisions for liabilities

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

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

## Equity

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

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

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

## Cash flow statement

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

Cash flows from operating activities are determined as the net profit before tax for the year

adjusted for non-cash operating items, taxes paid as well as changes in working capital.

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

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

Cash comprise cash and balances on demand with central banks.

## Main- and key figures

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

# Signatures by the Board of Executives and Directors

The Board of Directors and the Board of Executives have today reviewed and approved the annual report 2013 of Djurslands Bank A/S

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

It is our opinion that the annual report includes a fair presentation of the bank's assets, liabilities and financial position of 31 December 2013 and of the result of the banks activities and cash flow for the financial year 1 January - 31 December 2013.

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

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

Grenaa, 19 February 2014

**Board of Executives**

**Ole Bak**

**/ Martin Ring Andersen**  
*Chief accountant*

Grenaa, 19 February 2014

**Board of Directors**

**Erik Nymann**  
*Chairman*

**Uffe Vithen**  
*Deputy chairman*

**Helle Bærentsen**

**Tina Klausen**

**Peter Pedersen**

**Jan B. Poulsen**

**Ejner Søby**

**Mikael Lykke Sørensen**

**Peter Zacher Sørensen**

# Internal auditor's report

## To capital owners in Djurslands Bank A / S

### Report on the Financial Statement

I have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January – 31 December 2013. The Financial statement includes the profit and loss account, comprehensive income, balance sheet, cash flow analysis, equity, notes, main and key figures and applied accounting policies. The Financial statement has been prepared in accordance with the Danish Financial Business Act.

### Basis of opinion

The audit is conducted in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. and International Standards on Auditing. Those standards require that the audit is planned and performed to obtain reasonable assurance whether the Annual Report do not contain material misstatement.

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

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

The audit has not resulted in any reservations.

### Conclusion

In my opinion, the procedures and internal controls established, including the risk management organised by Management relevant to the bank's reporting processes and significant business risks, are functioning satisfying.

Furthermore, in our opinion, the Annual Report gives a true and fair view of the bank's financial position at 31 December 2013 and of the bank's financial performance and cash flows for the financial year 1 January – 31 December 2013 in accordance with the Danish Financial Business Act.

### Statement on the management report

I have in accordance with the Financial Business Act read the management report. I have not performed any additional procedures in addition to the audit of the financial statements. It is in this context I believe that the information in the management report is consistent with the financial statement.

Grenaa, 19 February 2014

Internal audit

**Jens Reckweg**

Manager Internal audit

# The independent auditor's report

## To capital owners in Djurslands Bank A / S

### Report on the Financial Statement

We have audited the Annual Report of Djurslands Bank A/S for the financial year 1 January – 31 December 2013. The Financial statement includes the profit and loss account, comprehensive income, balance sheet, equity, cash flow analysis, key and main figures, notes and applied accounting policies. The Financial statement has been prepared in accordance with the Danish Financial Business Act.

### The Management's responsibility for the annual report

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

### Auditor's responsibility

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

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

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

Our audit did not result in any reservations.

### Conclusion

In our opinion, the annual report gives a true and fair view of the bank's financial position at 31 December 2013 and of the results of the bank's operations for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Business Act.

### Statement on the management report

We have in accordance with the Financial Business Act read the management report. We have not performed any additional procedures in addition to the audit of the financial statements. It is in this context we believe that the information in the management report is consistent with the financial statement.

Aarhus, 19 February 2014

### KPMG

Statsautoriseret Revisionspartnerselskab

**Jakob Nyborg**  
State Authorised  
Public Accountant

**Jon Midtgaard**  
State Authorised  
Public Accountant