Annual Report 2016

DJURSLANDS BANK

Table of Contents

Company information
Djurslands Bank, Torvet 5, DK-8500 Grenaa, Denmark
Reg.no. 7320
CVR-no. 40 71 38 16
LEI-code: 5299005QIT19WQ32N972
Telephone: 86 30 30 55
Mail: hovedkontoret@djurslandsbank.dk
Website: www.djurslandsbank.dk

Annual Report 2016

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's review

Financial overview

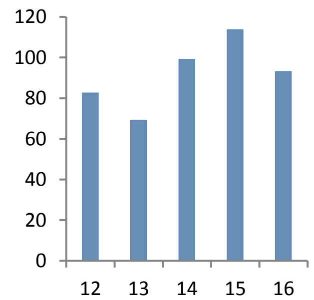
(DKK 1,000)		**2016**	2015	2014	2013	2012
Profit and loss account						
Net interest income		**165,189**	170,215	183,126	179,360	187,570
Net interest and fee income		**303,751**	314,851	294,229	269,070	277,896
Operational expenditure *		**211,488**	201,515	195,288	200,038	197,336
hereof staff and administrative expenses		**205,826**	187,198	180,578	180,896	176,883
hereof payment to sector solutions		**357**	9,620	9,153	10,025	7,316
Core earnings *		**93,105**	113,707	99,096	69,275	82,588
Value adjustments		**19,675**	1,896	13,556	22,682	26,392
Impairment losses on loans and receivables		**20,861**	42,210	42,503	43,616	47,876
Profit from holdings in affiliated companies		**-18**	-14	2	23	26
Profit before tax of the financial year		**91,901**	73,379	70,151	48,364	61,130
Profit for the financial year		**74,382**	58,771	57,057	37,053	47,120
Selected asstes and liabilities						
Equity		**933,075**	874,751	832,647	783,628	757,656
Capital base		**759,714**	716,221	687,825	736,864	717,457
Total deposits		**6,242,687**	5,342,465	4,944,941	4,867,403	4,503,086
Loans and other amounts due		**3,665,212**	3,521,129	3,589,855	3,679,973	3,609,442
Total assets / liabilities		**7,544,456**	6,836,206	6,645,251	6,575,019	6,657,446
Off-balance sheet items		**1,587,398**	1,334,376	1,145,641	848,656	880,905
Selected keys figures						
Solvency ratio	pct.	**17.9**	17.5	16.7	17.3	16.6
Individual solvency demand ratio**	pct.	**11.3**	11.3	11.5	11.2	9.7
CET1 capital ratio	pct.	**17.9**	17.5	16.7	18.1	17.3
Profit on own funds before tax	pct.	**10.2**	8.6	8.7	6.3	8.4
Basic earning / costs		**1.44**	1.56	1.51	1.35	1.42
Extra cover in relation to the statutory liquidity requirement	pct.	**196.0**	153.9	130.4	181.2	206.5
The year's impairments losses	pct.	**0.4**	0.8	0.9	0.9	1.0
Loans/equity ratio		**3.9**	4.0	4.3	4.7	4.8
Stock value / book value per share		**0.67**	0.80	0.63	0.63	0.48
Dividend per share		**7.0**	6.0	5.5	3.0	2.5

* Definition disclosed in note 1.

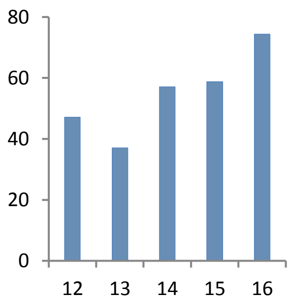
** The total capital ratio model has been changed to the 8+ model. Figures from 2012 are not comparable.

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

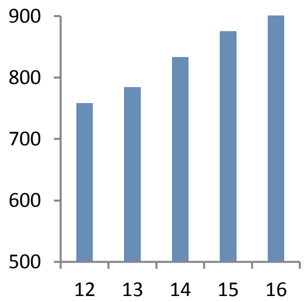
Core earnings
DKK m..



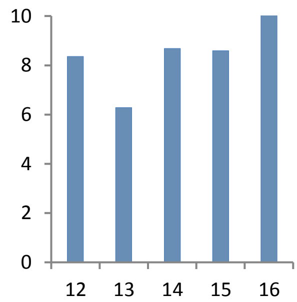
Profit for the financial year
DKK m.



Equity
DKK m..



Profit on own funds before tax
in %



Management's review

Highlights

Core earnings	DKK 93.1 million, exceeding the expected total of DKK 75-90 million at the start of the year.
Impairment losses	on lending amounts to DKK 20.9 million, corresponding to an impairment rate for the year of 0.4% (0.8% in 2015).
Market value adjustments	DKK 19.7 million is an improvement of DKK 17.8 compared with 2015.
Profit for the year before tax	DKK 91.9 million corresponds to a 25.2% increase compared with 2015.
Return on equity	10.2% in average return on equity p.a. before tax (8.6% in 2015).
Business volume	increases by 12.7% or DKK 1,297 million to a total of DKK 11,495 million. The business volume comprises total loans, deposits and guarantees at the end of 2016.
Lending	Growth in lending from year-end 2015 to year-end 2016 of 4.1%. Growth in average loan of 0.6%.
Deposits	Growth in deposits from year-end 2015 to year-end 2016 of 16.9%. Growth in average deposits of 6.9%.
Solvency ratio	17.9% – solvency requirement calculated as 11.3%. Capital consists entirely of equity.
Dividends	DKK 7 per share, corresponding to 25.4% of the Bank's net profit.

Financial review

Profit for the year – Third highest in the Bank's history.
Core earnings (before impairments on lending, market value adjustments and tax) amounted to DKK 93.1 million. The core earnings thereby exceed the Bank's previous guidance of DKK 75-90 million. The core earnings are at a satisfactory level, as a lower profit was expected in comparison with the record-high core earnings of 2015. The core earnings are DKK 20.6 million lower than in 2015.

The reasons for the lower core earnings are declining income and increasing costs. The bank's total interest income declined by DKK 5.0 million and the total income from dividends, fees and commissions declined by DKK 6.1, bringing the Bank's total decline in interest and fee income to DKK 11.1 million.
The banks total costs increased by DKK 10 million.

The year's impairment losses on lending totalled DKK 20.9 million, which is DKK 21.4 million lower than in 2015.

Positive market value adjustments totalled DKK 19.7 million, which is DKK 17.8 million higher than in 2015.

The profit before tax amounted to DKK 91.9 million, DKK 18.5 million higher than in 2015, corresponding to an increase of 25.2%. This profit, which is the third best in the Bank's history, represents a return on average equity of 10.2%, corresponding to a profit of DKK 34 per share (of DKK 10 each).

In relation to the current socio-economic situation with continued low growth in business investments and negative interest rates, Management considers the pre-tax profit of DKK 74.4 million very satisfactory.

Furthermore, Management is pleased to note that:
- the net increase in new customers in 2016 is double that of 2015.
- customer satisfaction among the Bank's customers is generally at a high and very satisfactory level.
- the Bank's base capital consists of equity alone.

Financial review (continued)

Background
Despite an expectation of increased economic growth in 2016 – and political incentives to achieve this goal – the Danish economy continues to see low growth rates around the level of 1%.

In 2016, the European Central Bank continued to inject large amounts of cheap liquidity into the market to boost economic growth and thereby employment. In Denmark, Danmarks Nationalbank continues to charge negative interest on banks' deposits in the national bank.

These initiatives have contributed to maintaining the historically low interest rates; combined with continued increasing employment, consumer confidence has gradually increased. This has contributed positively to increasing prices and higher turnover in the property market.

Despite the early signs of a turnaround in economic growth, 2016 did not see a significant change in attitude among the cautious and tentative. Thus, the year was characterised by continued reluctance to invest, combined with continued savings and debt settlement among private customers and especially among companies.

The general development has resulted in:
- Continued growth in deposits.
- Limited growth in lending.
- A declining interest margin.
- Increasing costs.
- A significantly lower level of losses and impairments.
- Positive value adjustment of the Bank's securities portfolio.

Business volume and Earnings
The Bank's average deposits were DKK 360 million higher than in 2015, corresponding to a 6.9% increase.
The increase in deposits is due to a general increase in savings by the Bank's private customers, a significant transfer of pension funds from other providers, and the inflow of new customers.
The increase in deposits is also impacted by a redistribution of customers' placement of savings funds from individual custody accounts to the bank's new pool schemes, which are included in the deposits statement.

The Bank's average lending was DKK 23 million higher than in 2015, corresponding to a 0.6% increase. The demand for lending remains low, but in comparison with previous years the trend has now turned towards positive growth in lending.

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

The number of private customers at the end of 2016 is 42,700, an increase of 3,200 compared to 2015. The number of commercial customers has increased by 275. The total increase is thereby double of 2015, a very satisfactory level.

The Bank's significantly higher increase in new private customers and generally higher activity in the housing market has led to growth of more than 13% in the Bank's private lending.

However, the low socio-economic growth rates have led to continued restraint on the part of the Bank's commercial customers in terms of investment. The Bank's lending to commercial customers thus shows a continued downward trend, which largely offsets the growth in private lending.

The Bank's interest margin showed a downward trend throughout 2016 as a result of very low interest rates and strong competition between banks. There is also a shift in the Bank's product mix, where a larger share of the Bank's lending is comprised of private customers' mortgage financing, with good security but relatively lower margins.

The Bank's net interest income declined by DKK 5.0 million to DKK 165.2 million as a result of the flat lending growth and continued decline in interest margin. The Bank's interest rates on loans are impacted by the very low money market interest rates, which has resulted in a decline in income that is not offset by the decline interest on deposits.
The negative money market interest rates have also resulted in declining earnings on the Bank's surplus liquidity, and a lower interest yield on the Bank's bond portfolio.

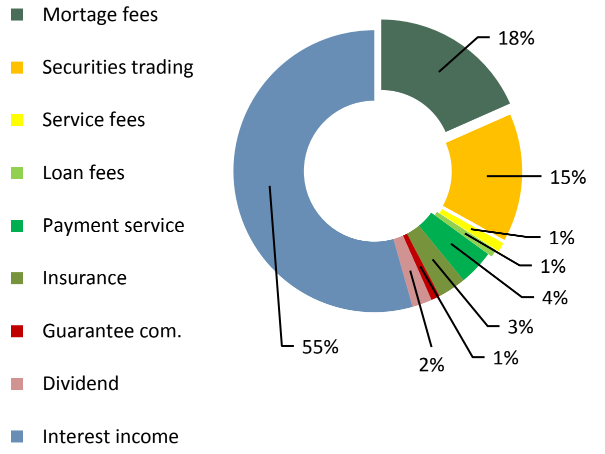
Fee and commission income amounted to DKK 139.2 million, a decrease of DKK 1.9 million compared with 2015.
The decline can be primarily attributed to lower earnings on capital management and securities trading, while the overall mortgage credit earnings show a large increase as a result of increased activity, particularly in the second half, in the areas of mortgage refinancing, home sales and the increasing number of private customers with mortgages in the Bank. The Bank cooperates with Totalkredit and, over the years, has built up a significant portfolio of Totalkredit loans amounting to approximately DKK 8.7 billion. In 2016 alone, the portfolio grew by more than 10% as a result of high activity and the influx of new customers. Income from the bank's brokerage of insurance also showed an increase of DKK 1.9 million.

Financial review (continued)

Finally, the dividend payment from the Bank's equity portfolio was DKK 4.4 million lower than in 2015, due to changes in the composition of the Bank's portfolio of stocks.

The Bank's total interest and fee income amounted to DKK 303.8 million, which is DKK 11.1 million less than in 2015.

Breakdown of the Bank's earnings



Costs
The Bank's total operating costs amounted to DKK 211.5 million, representing an increase of DKK 10.0 million compared to 2015.

The main reasons for the increase are as follows:

- Increased personnel costs of DKK 10.8 million, as the number of employees in the Bank increased by approximately 11 compared to the same period last year. The increase is primarily due to the opening of new branches in Løgten-Skødstrup and Hinnerup, and the addition of new employees in the Bank's branches that have seen largest growth in new customers.
- Increased payroll tax of DKK 2.7 million, primarily as a result of the increased tax rate.
- Extraordinary reversal of pension provisions of approximately DKK 5 million in 2015 concerning the Bank's former directors.
- Increased IT costs of DKK 4.0 million as a result of ever-increasing regulatory requirements and increased growth in digitised customer solutions and work processes.
- The total savings in other administration costs amounted to approximately DKK 3.2 million.
- Decline in costs of settlement assets / Deposit Guarantee Fund amounting to DKK 9.3 million.

Core earnings
Core earnings (before impairments on lending, market value adjustments and tax) amounted to DKK 93.1 million. The core earnings are thereby DKK 20.6 lower than in 2015 – but more than DKK 3 million above the stated expectations for 2016 of DKK 75-90 million.

Quarterly results 2016				
(DKK million)	Q4	Q3	Q2	Q1
Net interest and fee income	77.3	76.1	78.8	71.6
Operational expenditure	56.4	51.4	55.3	48.4
Basic result	21.3	24.9	23.7	23.2
Writedowns on loans	0.2	6.7	6.2	7.8
Profit before tax	26.3	26.9	21.7	17.0

Impairments and losses
The year's impairment losses on lending totalled DKK 20.9 million, which is DKK 21.4 million lower than in 2015, and thus half of the DKK 42.2 figure for 2015.
The year's impairment losses on lending and provisions for guarantees correspond to 0.4% of lending and guarantees, which is a very satisfactory level.

The significant decline can be primarily attributed to a drop in new impairments and increased reversals of previously impaired exposures whose economic results and credit quality have improved.

The total impairment losses are comprised of:

- New individual impairment losses on lending of DKK 65.2 million.
- Reversal of previous impairment losses and provisions of DKK 34.5 million.
- An increase of DKK 1.9 million in collective impairment losses.
- Interest income of DKK 11.7 million on impaired lending.

The drop in new impairments is primarily due to a reduced level of new impairments among agriculture customers.
Lending and guarantees to agriculture corresponds to 11.6% of the Bank's total lending and guarantees. The distribution of the Bank's agriculture customers is: approximately 40% in crops, nearly 40% in pig farming and nearly 10% in dairy farming. The total impairments on agriculture at year-end amount to DKK 75.4 million, with DKK 64.0 million relating to pig farming and DKK 9.5 million relating to dairy farming.
In the commercial sector, the credit portfolio to the agricultural industry, as well as property and construction, is where the Bank has recognised the most significant impairment losses.

Financial review (continued)

Similar to the previous nine years, the calculation of collective impairments was made in 2016 on the basis of a standard model developed by the trade organisation “Lokale Pengeinstitutter”, based on segmentation of the Bank’s customers. The collective impairments for 2016 amount to DKK 1.9 million.

At year-end, impairment losses on lending and guarantee provisions totalled DKK 277.0 million, or 5.0% of the Bank’s lending and guarantee portfolio.

In 2016, realised credit losses totalled DKK 18.3 million, which is DKK 18.4 million lower than 2015.
Only DKK 0.5 million of the losses realised in 2016 had not previously been written down.
At year-end, receivables with reduced interest rates were DKK 91.9 million, i.e. 23.8 million higher than in 2015.

Large exposures
The creditworthiness of the Bank’s credit portfolio is generally good as a result of constant and long-term focus on credit quality, combined with good and aware risk diversification among private and commercial customers, as well as industries.
Please refer to the separate section on credit risk management, as well as notes 32, 33 and 34, which contain a summary of the credit portfolio.

Please see note 8 for further specification of impairment losses on lending and guarantees.

The financial ratio of the Bank’s largest exposures at year-end was 80%, compared to 62% in 2015. The financial ratio thus exceeds the Bank’s overall maximum target of 70%. The primary reason for this increase in 2016 is that the bank provided new large and temporary construction loans to social housing associations.

The calculation of the financial ratio of the Bank’s largest exposures includes six exposures spread over four different industries (public authorities, building and construction, agriculture and real property). All major exposures with commercial customers are individually below the Bank’s maximum limit of DKK 150 million per exposure.

Market value adjustments
Positive market value adjustments totalled DKK 19.7 million, which is DKK 17.8 million higher than in 2015. The most significant contributors to the increase in value are a DKK 3.2 million increase in the bond portfolio, a DKK 14.4 million increase in the equity portfolio and a DKK 2.5 million increase in currency value.
The positive market value adjustment on the equity portfolio is primarily a result of Bank’s portfolio of sector equities from the Bank’s business partners.

Profit
Profit before tax for the year amounted to DKK 91.9 million, which is DKK 18.5 million better than in 2015, corresponding to an increase of 25.2%.

The profit represents a return on the average equity before tax of 10.2%, an increase compared to the 8.6% in 2015.

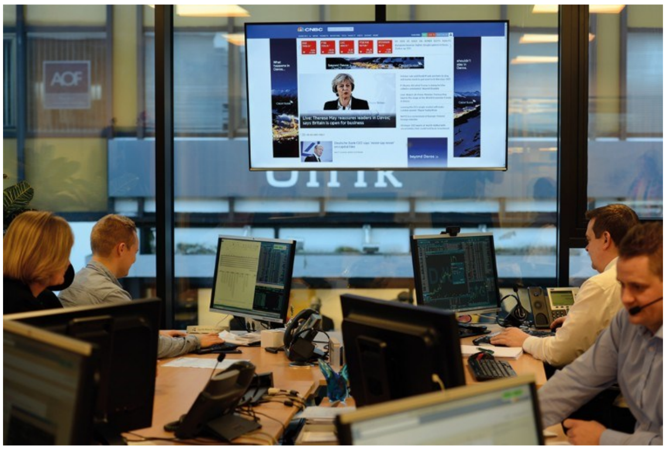
Earnings per DKK 1 in costs amounted to 1.40 in 2016, up from 1.30 in 2015.

After taxes of DKK 17.5 million, the profit for the year totalled DKK 74.4 million.

Balance sheet
The Bank’s balance sheet increased by DKK 708 million, amounting to DKK 7,544 million at year-end, corresponding to an increase of 10.4%.

The most significant increases in the Bank’s assets come from the bond portfolio of DKK 455 million, assets under the Bank’s pool schemes of DKK 247 million and an increase in lending of DKK 144 million.

The most significant increases in the Bank’s liabilities come from increased deposits of DKK 638 million and growth in pools of DKK 262 million.



Pension pools
In Q4 of 2016, the Bank chose to expand the number of pension pools by three pools, giving the Bank a total of four pension pools that
match the customers’ individual investment profiles. Customers have welcomed the new pools, leading to an increase in the pension pools of DKK 262 million to DKK 1,090 million at year-end.

The pension pools have realised an annual return of:

- NemInvest Pool 10 8.4% (Start-up 1/10-2016)
- NemInvest Pool 30 4.9% (Formerly Mix Pool)
- NemInvest Pool 50 24.1% (Start-up 1/11-2016)
- NemInvest Pool 70 35.0% (Start-up 1/11-2016)

Management's review

Financial review (continued)

Contingent liabilities
The Bank's contingent liabilities (primarily guarantees) increased by DKK 253 million to DKK 1,585, corresponding to an increase of 19% compared with 2015. The increase can be primarily attributed to an increase in guarantees resulting from greater activity in the housing sector.

Market risks
The Bank's total interest rate risk in 2016 amounted to between 1.5% and 2.4% of the Bank's core capital after deductions.

At year-end, the interest rate risk was 2.4% of the core capital after consolidation. The Bank's bond portfolio at year-end 2016 amounted to DKK 2.1 billion; the demand for even a modest positive direct interest return would result in an interest risk, which may not exceed 3.0% of the Bank's core capital after deductions.

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

Proposed distribution of profit and consolidation

After taxes of DKK 17.5 million, the profit for the year was DKK 74.4 million.

The Board of Directors wants the Bank to have a solid economic foundation in the form of real core capital to meet the increasing capital requirements of the future and a potential expansion of the business scope.

Dividend policy

Based on a current assessment of the Bank's capital situation, the Bank's goal is to distribute at least 25% of the net profit in the form of dividends.

Ongoing assessment of the Bank's capital situation includes:
Ensuring that the capital ratio at least meets the total regulatory capital requirements plus 2 percentage points.

- **To ensure that as much as possible of the Bank's capital ratio is made up of real core capital. (CET1)**
- **Assessment of current capital requirements in relation to the known future regulatory requirements in this regard.**

The Bank's Management is very aware that the phasing-in of increased capital requirements up to 2019 and the potential future capital requirements as a result of Basel IV should already be incorporated into the Bank's capital planning.

In addition, the Management expects that the upcoming NEP requirements (requirements on impairment-suited liabilities) will also result in a significant increase in the Bank's current capital requirements, and that the Bank should take this into account in connection with the decision on the year's dividend.

Based on the Bank's dividend policy, the Board of Directors will therefore propose at the Bank's general assembly:

- the distribution of a dividend of DKK 7 per share (of DKK 10 each), corresponding to a total dividend distribution of DKK 18.9 million, representing 25.4% of the net profit, and
- the allocation of the remaining profit of DKK 55.5 million to reserves.

After distribution of dividend from 2015, the Bank's equity will amount to DKK 933.1 million, an increase of 6.6%. Further details are included in the statement of changes in equity.

Management's review

Financial review (continued)

Capital

At year-end, the Bank's capital base is DKK 759.6 million and the solvency ratio is 17.9%.
The Bank's own capital requirement is calculated at 11.3% in accordance with the Danish FSA's directions. In addition to this is the requirement from the phasing-in of the capital conservation buffer of 0.625%. The Bank thus has a very satisfactory surplus, amounting to 6.0 percentage points, corresponding to DKK 255 million.

The Bank continuously assesses its capital requirement by means of stress tests, etc. For further information and details, see djurslandsbank.dk/ombanken/risikorapport2016 (in Danish), which contains the full report on the Bank's capital requirement.

At the Bank's general assembly on 16 March 2016, the Board of Directors was mandated by the general assembly to raise additional capital in the form of hybrid and or additional capital up to DKK 100 million.

The mandate has not been exercised, since the Bank has had no need for additional capital.
At the general assembly on 15 March 2017, the Bank will ask to have the mandate extended by another year.

According to the Bank's articles of association, the Board of Directors is authorised, up until 1 March 2021, to increase the share capital by up to DKK 27 million to a total of DKK 54 million through one or more issues.

At the general assembly on 15 March 2017, the Bank will therefore table a motion for an amendment to the articles of association to extend the mandate to 1 March 2022 in accordance with applicable statutory rules.

The Bank's share capital of nominally DKK 27 million is held by approximately 16,700 shareholders.

In 2011, Henrik Østenkjær Lind, Aarhus, and companies owned by Lind announced to the Bank an equity investment of more than 5% of the Bank's share capital.

Liquidity

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

(DKK million)	2016	2015
Deposits	5,153	4,515
Lending	3,665	3,521
Deposit surplus	1,488	994

The bank has a significant deposit surplus and liquidity statements throughout 2016 have shown a very satisfactory level.

At year-end 2016, the Bank had excess liquidity cover of 196% relative to the liquidity requirements of section 152 of the Danish Financial Business Act, corresponding to more than DKK 1,600 million.

The liquidity requirement of section 152 will be fully replaced in 2017 by the LCR (Liquidity Coverage Ratio) requirement. The ratio shows how banks, under various forms of market stress, are able to meet their payment obligations within a 30-day period without access to market funding. The ratio is calculated by comparing the bank's cash reserves and liquid assets to the bank's payment obligations in the next 30 days, as calculated according to specific rules. The LCR requirement is be gradually phased-in until full implementation in 2018, when the requirement will be 100%. The LCR requirement has been 70% in 2016, but will increase to 80% in 2017.
The Bank's liquidity in relation to the LCR requirement at year-end 2016 amounted to 202%, which is significantly above the current legal requirements and the fully implemented LCR requirement in 2018.

For further information on liquidity management, refer to the separate section on this topic.

Management's review

Financial review (continued)

Business development

The Bank regularly assesses the opportunities to expand the Bank's volume of business through new customers within the Bank's natural market segment in Eastern Jutland.
In Q1 of 2016, this resulted in the opening of a new branch in Hinnerup, which has been well-received by the local community.

The new branch and the branch in Løgten-Skødstrup that opened in 2015 have both seen a strong influx of new customers.

In 2016, the Bank established a commercial department at the Risskov branch to accommodate the influx of commercial customers in the northern part of Aarhus.

In addition to the physical branches, the Bank is continuously expanding and developing the digital solutions available to customers, including online meetings. The Bank's profile on the social media was also further developed in 2016.

In 2016, the Bank's Management launched a process to update the Bank's overall strategy for the period up to 2025. The strategy is not intended to result in significant changes to the Bank's current business model.
The aim is that the strategy provide a number of milestones for the Bank's future development, which the annual plans can be designed to achieve.

Outlook for 2017

The Bank expects growth in the national economy in 2017 to improve relative to 2016. A significant improvement is not expected, but rather a continuation of the positive trends seen in 2016, in the form of greater consumer optimism, higher employment, better sale prices in agriculture and higher turnover in the housing market.

Low interest rates are expected to continue throughout 2017, as both the European Central Bank and Danmarks Nationalbank are expected to continue supporting growth initiatives with buying programmes and negative money market interest rates.

With increased economic growth, the Bank expected to further increase its business volume, particularly in terms of lending. In 2016 the Bank already saw positive growth in private customers' demand for lending; in 2017, this trend is expected to continued, and commercial customers are also expected to increase their investments in future growth.

Therefore, the Management expects that the Bank's lending, after some years of stagnation, will show growth of over 5%, thus making a positive contribution to the Bank's earnings with increased interest income.

The extremely low interest rates are expected to continue to cause a reduction in the Bank's interest margin, which will have a negative impact on earnings. Furthermore, the very low bond yields mean that the Bank's return on its securities portfolio of securities will remain at a low level.

Financial review (continued)

Outlook for 2017 (continued)

However, low interest rates will benefit revenue and activity in the housing market, and therefore increased earnings are expected in this area in 2017.
In 2016, the Bank saw a significant increase in new customers, which is expected to continue at the same high level in 2017.
The Bank's business model, which combines Active Customer Advising with local visibility of the banks, is attracting many new customers – in part because the Bank has a high rate of recommendation by current satisfied customers.

In addition, the Bank's newly-opened branches are expected to once again contribute to a high influx of new customers. The large addition of new customers will increase the Bank's business volume and generally contribute to increased earnings in most of the Bank's income items.

The increased level of activity and the opening of new branches has led to an increase in employees in 2016, with associated increases in costs. In 2017, the number of employees is expected to remain unchanged, while costs are expected to continue to increase as a result of contractual wage increases and higher payroll taxes.

The Bank's IT costs are expected to significantly increase by approximately 15% as a result of increased investments in digital solutions. The increased IT expenses are partly aimed towards customers and partly internal measures to streamline work processes. In addition, a growing share of IT costs relate to handling the significantly increasing regulatory requirements.

Profit forecast for 2017
Based on the Bank's expectations of increased growth in the economy, as well as the Bank's approach and activities in 2017, the Management's 2017 forecast of core earnings (before impairment losses, market value adjustments and taxes) is DKK 70-85 million.

Losses and impairments on lending are expected to be around 0.5% of the bank's loans and guarantees, compared with the realised 0.4% in 2016.

Company announcements issued in 2016

In 2016, the Bank issued the following company announcements via Nasdaq Copenhagen:

18.01.2016	Management changes May 2016
16.02.2016	Annual report for 2015
18.02.2016	Notice of general meeting
18.02.2016	Proposed amendments to the articles of association
15.03.2016	Upcoming changes in the Board of Directors
16.03.2016	Report on annual general meeting
16.03.2016	Approved articles of association
16.03.2016	Management changes
18.03.2016	New Chairman and Deputy Chairman in Djurslands Bank
13.05.2016	Quarterly report, Q1 2016
12.08.2016	Interim report – First half 2016
04.11.2016	Interim Report Q1-Q3 2016
19.12.2016	Financial calendar for 2017

Management's review

Financial review (continued)

Financial calendar 2017

15.03.2017	Annual general meeting
10.05.2017	Quarterly Report for Q1 2017
11.08.2017	Interim report – First half 2017
03.11.2017	Interim Report Q1-Q3 2017

Other information

Accounting policies
This annual report has been prepared in accordance with applicable legislation and relevant rules and directions. The accounting policies used are unchanged in relation to the annual report for 2015. Additional information on accounting policies can be found on page 56.

Events after the balance sheet date
After the balance sheet date, no events have occurred that have a significant impact on the Bank's annual report or its financial position.

Management's review

Business foundation

The local bank

Djurslands Bank was founded in 1965 through a merger of three smaller banks from Auning/Allingåbro, Kolind/Ryomgaard and Grenaa, whose roots date back to 1906.

Since its establishment, the Bank's network of branches in Djursland has continuously expanded, including the addition of branches in Syddjurs from 1983 to 1991.
In the Aarhus area, the first branch opened in 1995; with the latest branch opening in Løgten-Skødstrup in 2015, the Bank now has six branches in the area.
In 2016, the Bank opened a new branch in Hinnerup, which is the first in Favrskov Municipality.

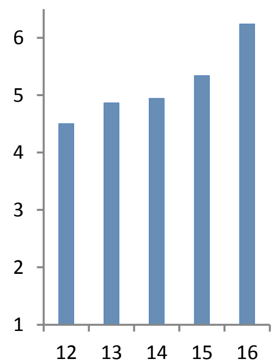
With Eastern Jutland as its primary market, the Bank's vision is to be a strong and attractive partner for financially stable private individuals and businesses.

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

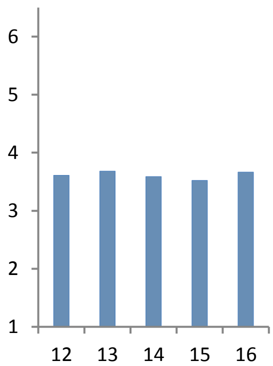
The basis of the Bank's principal objectives is to be a competitive, professional and locally-oriented business at all times.
Steady development, optimum resource utilisation, responsible risk management and controlled growth are therefore keywords for the management of the Bank.

The Bank's values are detailed on the back page of the annual report.

Deposits (incl. pools) DKKbn



Lending DKKbn



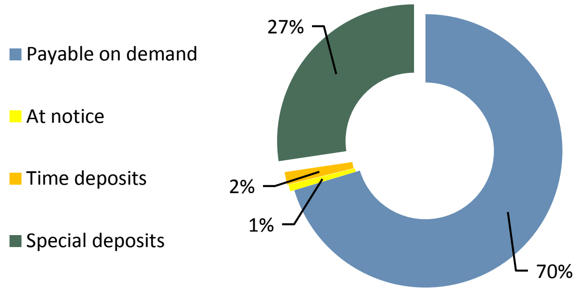
Business foundation

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

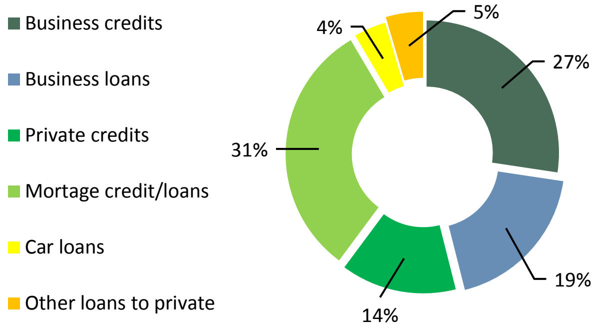
The Bank's primary business partners within these lines of business are:

- Totalkredit
- DLR Kredit
- BankInvest
- Privatsikring
- Letpension

Deposits, by main product



Lending, by main product



Customers

The bank advises and serves approximately 42,700 private customers, 3,600 businesses and public institutions, and 1,950 clubs and associations.

The Bank's customer base continues to grow within the desired customer segments, which combine healthy economic standing and a desire for a holistic customer relationship as the bearing elements. In recent years, the Bank has enjoyed solid customer growth, thereby increasing its market share, particularly in Aarhus.

Management's review

Business foundation (continued)

Customer development – 5-year overview

	Private customers	Growth per year	Business customers	Growth per year
2012	34,700		3,025	
2013	36,400	5%	3,175	5%
2014	37,800	4%	3,275	3%
2015	39,500	4%	3,325	2%
2016	42,700	8%	3,600	8%

The Bank prioritises a local presence and personal dialogue with its customers.

The Bank understands the importance of familiarity with its customers and their financial situation; customers' individual needs and wishes are the foundation of all the Bank's advice and services.

The Bank's advisory services concept, which includes active and personalised customer advice, supports the Bank's business goal: ensuring tangible financial benefits for customers who choose to place all their financial business in the Bank.
This ensures the best foundation for providing qualified and comprehensive advisory services to customers.
The Bank's local branches play a central role in providing personalised and individual advice.
We call it Active Customer Advice, and we strive to be the best in Denmark in this area.

In addition to this, the Bank offers its customers all relevant types of self-service products.
A very significant share of the Bank's commercial and private customers have electronic access to the Bank via NetBank, MobilBank or NetBank Erhverv.

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

Employees
Djurslands Bank aims to be an attractive workplace where professional competence development and employee well-being form the foundation for the Bank's continued growth.

The Bank's personnel initiatives aim to attract, develop and retain professionally competent, loyal and dedicated employees.

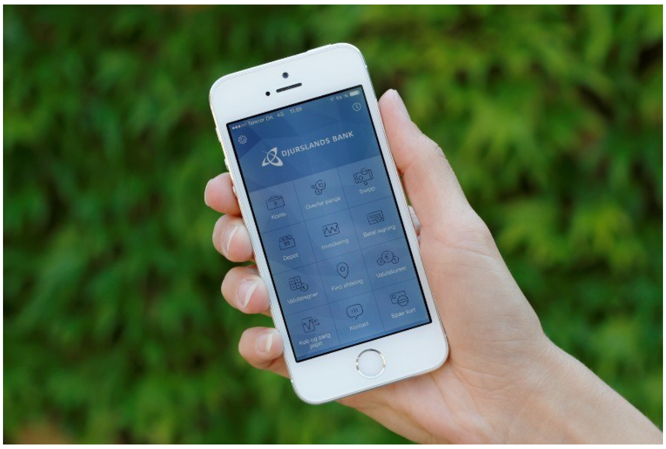
The Bank works systematically to develop each individual employee's professional and personal skills. The Bank has defined job descriptions and job profiles; any gaps between skills and job requirements are discussed at the annual performance and development reviews. On the basis of these review, personal development plans are designed to maintain and strengthen each employee's skills and to ensure optimal utilisation of employee resources.

After conducting internal satisfaction surveys for a number of years, the satisfaction survey in 2016 was conducted in collaboration with Danmarks Bedste Arbejdsplads (Denmark's Best Workplace) for the first time. The Bank achieved a ranking as ninth nationwide – and the next-best ranked bank – among the 128 participating companies in the category of medium-sized workplaces with 50-499 employees. Participation in Danmarks Bedste Arbejdsplads also includes the preparation of a Culture Profile comprising input from all employees describing Djurslands Bank as a workplace.
For more information, refer to the Bank's CSR report (in Danish) at djurslandsbank/ombanken/samfundsansvar2016.

Employees of Djurslands Bank typically remain with the Bank for a long time and personnel turnover is generally low. In 2016, personnel turnover was 7.3%, of which three resignations were due to retirement.

In 2016, the Bank increased its total staff by 11 persons, primarily as a result of the opening of the Bank's new branch in Hinnerup and additional appointments in branches with strong customer growth.

Technology and working processes
The Bank has outsourced the most important IT functions to the IT central Bankdata, which the Bank owns together with 11 other banks. The Bank's IT operations are further outsourced to JN Data.



The use of technology and digital solutions will become increasingly important to the Bank's competitiveness, both in relation to customer-oriented applications and streamlining of the Bank's work processes. Additionally, a not insignificant and substantial share of IT resources are dedicated to meeting increased regulatory requirements.

The Bank's IT development in Bankdata takes place in cooperation among the 11 banks in Bankdata, the largest of which are Jyske Bank and Sydbank. This ensures the Bank the necessary development capacity to meet the growing IT requirements of the future.
In the coming years, the Bank will further expand its portfolio of digital solutions for customers, including new payment systems and a wider range of self-service solutions.

Management's review

Corporate management

Corporate Governance
Djurslands Bank's Management continuously monitors developments in Corporate Governance and the Management Code of Conduct issued by the Danish Bankers Association in 2013.

The Bank has published the statutory report on Corporate Governance on its website.

At djurslandsbank.dk/ombanken/godselskabsledelse2016 (in Danish), the Bank's shareholders and other stakeholders can read more about Djurslands Bank's response to the full set of recommendations on Corporate Governance and the Danish Bankers Association's Management Code of Conduct.

The Bank complies with the vast majority of the recommendations, and for those with which it does not comply, the Bank's Management has provided a detailed explanation of the reasons in accordance with the so-called "comply or explain" principle.

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

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

Shareholders
The Bank is owned by approximately 16,700 shareholders, one of which owns more than 5% of the share capital. Please see page 7 in the Management's review.

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

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

- Customers
- Shareholders
- Employees and
- The local community

Information for the Bank's shareholders is regularly posted on www.djurslandsbank.dk, and Management also aims to improve the level of information in its ongoing notifications and reports.

A large majority of the Bank's shareholders decided at the general assembly in 1990 to introduce ownership restrictions into the Bank's articles of association, by way of an ownership ceiling of 10% of the share capital.
This change was in direct response to the fact that two other banks owned relatively large shareholdings in the Bank, thus representing a risk of becoming a dominant influence over the Bank.

Amendments to the articles of association may be proposed by the Bank's shareholders for consideration at the annual general meeting. Amendments are adopted in accordance with the Bank's articles of association, which are published on the Bank's website.

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

Shares owned	Votes
1 - 50	1
51 - 100	2
101 - 200	3
201 - 400	4
401 - 800	5
801 or more	6

Shareholders may not cast more than a total of six votes on their own behalf.

The Bank's Management remains of the view that the ownership and voting right restrictions in the articles of association provide the best basis for realising the Bank's vision and its principal objectives.
In the view of the Management, optimising returns to shareholders in the short term by lifting the restrictions is not in harmony with the best interests of the customers, the employees and the local community.

Corporate management (continued)

The Management

After the Bank's annual general meeting of 16 March 2016, the Bank's former Chairman of the Board Erik Nymann resigned due to the age restriction in the Bank's articles of association.

The Bank's Board of Representatives then elected Vice President Bente Østergaard Høg as a new member of the Bank's Board of Directors.

On 18 March 2016, the Board of Directors appointed then Deputy Chairman, lawyer Peter Zacher Sørensen as the new Chairman. CFO Ejner Søby was appointed as the new Deputy Chairman.

At the beginning of the year, the Bank's CEO Ole Bak expressed his wish to retire from the Bank at the end of April 2016.

Bank Director Lars Møller Kristensen was appointed new CEO for the Bank, effective 1 May 2016. Lars Møller Kristensen is 56 years old and has been employed at the Bank since 2003, first as deputy director and since 2014 as a member of the Bank's Executive Board. In connection with the retirement of Ole Bak and appointment of deputy director Jesper Vernegard, the Bank's Executive Board was changed to a one-person Executive Board.

There were no other changes in the Bank's Management in 2016; please refer to the separate section on this topic for more details.

The Board of Directors

The Bank's Board of Directors consists of six members who are elected by the 50-member Board of Representatives.
The Bank's employees have also elected three members to the Board of Directors.
The composition of the Board of Representatives and the Board of Directors is shown on pages 65-66 of the annual report.

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

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

Board meetings are held at intervals of 3-4 weeks or as required. A total of 16 board meetings were held in 2016. The Board of Directors also has the options of holding digital board meetings, primarily for clarification of individual cases that cannot wait until the next scheduled board meeting.
According to an established process, the Board of Directors evaluates its own competences in relation to the Bank's business model and overall risks, for the purpose of identifying and addressing any competence gaps.
The members of the Board of Directors who are elected by the Board of Representatives are regarded as being independent of the Bank.

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

Peter Zacher Sørensen, born in 1958

Chairman of the Board of Directors since 2016
Member of the Board of Directors since 2012
Up for election in 2017

Profession
Lawyer with right of audience before the Danish Supreme Court, Zacher Advokater

Education
Master of Laws

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

Specialist competences
Commercial and company law
Company transfers
Generational changes
Contractual issues
Lawsuits
Housing consulting

Corporate management (continued)

Ejner Søby, born in 1966

Deputy Chairman of the Board of Directors since 2016
Member of the Board of Directors since 2009
Chairman of the Audit Committee since 2009
Up for election in 2017

Profession
CFO, Danish Crown

Education
B.Sc. Economics, Graduate Diploma in Business Administration, Realtor

Other directorships
Chairman of the Board of Directors of OL Grafik

Specialist competences
Financial education in banking and theoretical training.
Head of finance for Danish Crown's own insurance company under the supervision of the Danish FSA.
Head of operations for Danish Crown's finance department.

Tina Klausen, born in 1960

Employee-elected member of the Board of Directors since 1998
Up for election in 2018

Profession
Head of department, Djurslands Bank

Education
Financial training

Other directorships
Member of the Board of Directors of Djurs Invest

Specialist competences
Theoretical training for board members through the Bank
Theoretical training for board members through Financial Services Union Denmark

Helle Bærentsen, born in 1966

Employee-elected member of the Board of Directors since 2006
Up for election in 2018

Profession
Financial advisor and deputy manager, Djurslands Bank

Education
Financial training

Specialist competences
Theoretical training for board members through the Bank
Theoretical training for board members through Financial Services Union Denmark

Peter Pedersen, born in 1955

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

Profession
Farm owner, independent pig farmer

Education
Farmer

Specialist competences
Extensive experience within agriculture as a pig farmer and in agriculture trade organisations

Corporate management (continued)

Bente Østergaard Høg, born in 1965

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

Profession
Vice President Global Procurement, Vestas Wind Systems

Education
Bachelor in language
Graduate Diploma in Business Administration

Specialist competences
Training in organisation and management
Responsible for strategy and business development
Extensive experience in international compliance and risk management at Vestas

Jan B. Poulsen, born in 1961

Employee-elected member of the Board of Directors since 2002
Up for election in 2018

Profession
Administrative staff, Djurslands Bank

Education
Financial training

Specialist competences
Theoretical training for board members through the Bank
Theoretical training for board members through Financial Services Union Denmark

Uffe Vithen, born in 1961

Member of the Board of Directors since 2006
Up for election in 2017

Profession
Managing Director of the housing organisation DOMI Bolig

Education
All-round office training

Other directorships
Member of the Board of Directors of Djurs Invest
Chairman of the Board of Directors of Malling Varmeværk (Heating Plant)

Specialist competences
Theoretical training for board members through the Bank
Six years as Deputy Chairman of the Bank's Board of Directors
Extensive experience as head of a housing association under the supervision of the public authorities

Mikael Lykke Sørensen, born in 1963

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

Profession
Owner, Nybolig Jeppesen & Sørensen

Education
Financial training with experience as an investment and business advisor, realtor, MDE

Other directorships
Managing Director of Djurs Invest

Specialist competences
Considerable experience as a business manager and business owner
Theoretical training for board members through the Bank
Home sales
Investment
Credit

Corporate management (continued)

Executive Board

Lars Møller Kristensen, born in 1960

Member of the Executive Board since 2014

Profession
Managing Director, Djurslands Bank

Education
Financial training, Graduate Diploma in Business Administration

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

Audit committee
The Board of Directors has appointed a separate audit committee. The committee monitors accounting- and auditing-related matters and ensures that these matters are considered by the full Board of Directors.
The audit committee consists of the full Board of Directors, with CFO Ejner Søby as Chairman. The committee ordinarily holds two meetings per year.

Risk committee
The Board of Directors has appointed a separate risk committee, which is tasked with considering and advising the Board of Directors regarding the Bank's risk profile and risk strategy, as well as ensuring implementation of the risk strategy in the Bank's organisation.
The risk committee consists of the full Board of Directors, with Managing Director Uffe Vithen as Chairman. The committee ordinarily holds two meetings per year.

Nomination and pay committee
The Board of Directors has appointed a nomination and pay committee to assess and advise the Board of Directors on its competences, diversity and composition, as well as future requirements in these respects. The committee is also responsible for the preparatory and monitoring work in connection with the Bank's pay policy.
The committee is chaired by lawyer Peter Zacher Sorensen. The committee ordinarily holds two meetings per year.

Details on the three committees and the tasks of these committees can be found on the Bank's website (in Danish) at djurslandsbank.dk/ombanken/udvalg.

Pay policy
The purpose of the Bank's pay policy is to ensure that the principles for allocation of pay are aligned with and promote sound and effective risk management of the Bank.
The Bank's pay policy is based on current legislation and the Financial Sector's code on pay policy.

The pay policy for the Board of Directors and Executive Board, as well as for other employees, is designed so that pay is provided as a fixed amount, without incentive-dependent components.

The Board of Directors' pay is determined by the Board of Representatives and the Board of Representatives' pay is determined by the annual general meeting. The Board of Directors determines the pay of the Executive Board.

The Bank's pay policy is determined by the Board of Directors, with final approval by the Bank's annual general meeting.

Information on the Bank's pay policy is available on the Bank's website (in Danish) at
djurslandsbank.dk/ombanken/loenpolitik2016

Policy for the underrepresented gender in management bodies
The Board of Directors
The gender distribution of the Bank's Board of Directors in 2016, which was five men and one woman, corresponds to 83% men and 17% women. The number of members of the underrepresented gender thus increased by one in 2016.

It is the Board of Directors' target to increase the proportion of female board members who are elected by the Board of Representatives to 33% by the end of 2019, corresponding to two out of six board members.

For the full Board of Directors, including employee-elected board members, the gender distribution is six men and three women, whereby the underrepresented gender comprises 33% of members.

The Board of Directors is appointed by the Board of Representatives based on an overall assessment of competences and diversity. The possible fulfilment of the target thus depends on whether gender, competences and other diversity can be matched in connection with new appointments to the Board of Directors and the competences represented in the Board of Representatives.

Board of Representatives
The Bank has an extraordinary focus on increasing the number of potential female candidates for the Board of Representatives, and one of the targets is to increase the proportion of female members to 25% by the end of 2017. During 2016, the share increased from 16% to 20%.

Corporate management (continued)

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

The overall objective of the policy is to establish an appropriately equal distribution of men and women in the Management. The Bank appoints managers on the principle that the most suitable employee for the position is appointed regardless of gender. The Bank promotes an open and unbiased culture with a focus on expertise rather than gender. The Bank's employees, regardless of gender, must have access to equal career and management positions. The Bank systematically supports this process with annual performance reviews, as well as the HR department's efforts to promote manager development. The Bank has a stated goal of increasing the share of female managers to 35% by the end of 2016 and to 40% by the end of 2018. In 2016, the share of female managers was 20%, compared with 19% in 2015. The low personnel turnover and thus limited need for potential replacements among managers has prevented the Bank from reaching its target for 2016.

Risk management

In all major risk areas, the Bank's Board of Directors has prepared and established policies in accordance with relevant legislation and the rules and instructions of the FSA.

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

Through regular reports from the Bank's Executive Board, risk manager, compliance officer, internal and external audits, the Bank's audit committee and regular supervision by the FSA, the Board of Directors is fully aware of the risk management of the bank.

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

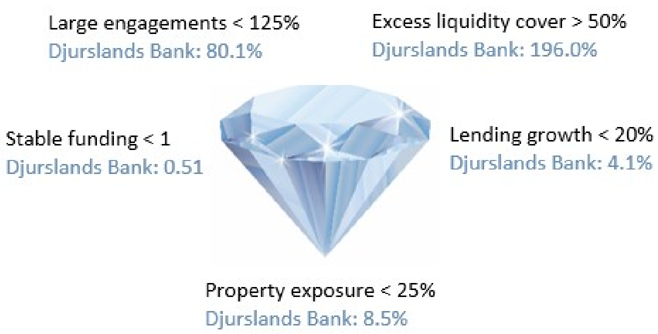
Refer to the complete risk report (in Danish) at djurslandsbank.dk/ombanken/risikorapport2016.

General information
The Bank has focused for many years on the development and composition of its balance sheet, and growth has been achieved within the natural framework dictated by the overall economic trends in society.

Therefore, once again this year, the Bank complies with all threshold values in the FSA's Supervisory Diamond.

The FSA's Supervisory Diamond stipulates threshold values in five designated areas of risk, which banks should general observe.

Supervisory Diamond at 31 December 2016



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

Tools used to control and calculate the sufficient capital base and solvency requirement include stress tests involving all relevant risk areas, and the use of five-year capital plans.

Due to its size, the Bank has not been rated by any international rating agency.
Therefore, the Bank's Board of Directors has established the following capital ratio target. The capital ratio must at least meet the combined regulatory capital requirements plus 2 percentage points.
The Bank uses the standard method to calculate the capital adequacy.

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

Credit risks
Credit management and risk constitute a significant part 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 decisions close to customers, i.e. in the individual branches.
The authority to make decisions is therefore delegated to customer advisers and branch managers so that most credit decisions are made locally.
Powers are delegated to individual employees based on an assessment of their expertise and according to need.

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

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

Risk management (continued)

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

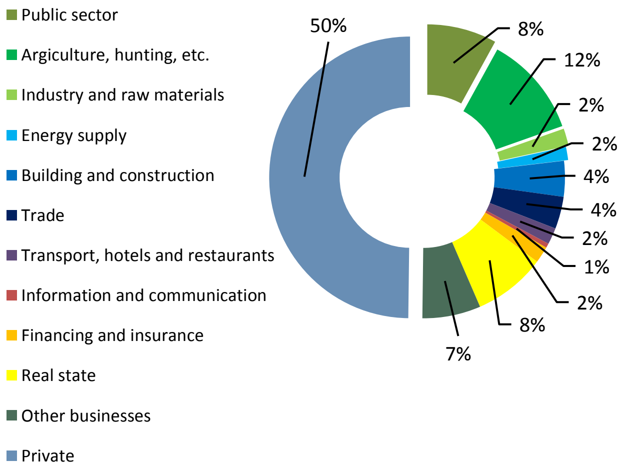
The Bank accepts credit risks on the basis of a defined credit policy.

The Bank's credit policy has a critical emphasis on risk diversification.

Diversification across
- customers
- segments
- industries

is part of credit management, thus ensuring that no individual exposure or industry puts the Bank's survival at risk.

Breakdown of exposures by sector and industry



(See industry breakdown in note 32)

The credit policy also stipulates that:
- Exposures on a consolidated basis must not exceed DKK 150 million, and that any unsecured element must not exceed DKK 100 million, except for those relating to public institutions.
- In accordance with the Danish FSA's order, large exposures must not account for more than 70% of the Bank's adjusted base capital.
- Efforts must be taken to ensure that no single industry represents more than 15% of the Bank's total credit portfolio.

The foundation of the Bank's lending policy is that all lending exposures must be based on a sound financial basis.

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

A credit segmentation based on factual financial information regarding the individual commercial or private customer is used to manage the Bank's credit portfolio.
To limit the Bank's risk of losses, each individual credit application is evaluated to determine if the exposure needs to be backed by security.
Where the credit risk is not minimal, it is a general requirement that the customer lodges full or partial security for the exposure.
The value of security lodged is assessed according to defined valuation principles for each kind and type of security. This includes changes in the market and deterioration as a consequence of age.

All exposures are assessed individually to determine whether there is objective evidence of impairment due to events already occurred.
If there is objective evidence of impairment impacting the expected future cash flows, an impairment loss is recognised.
In this case, the loan is written down by the difference between the carrying amount before impairment and the present value of expected future payments.

Loans and receivables not subject to individual impairment are evaluated collectively to assess any objective grounds for impairment.
Collective assessments are made for groups of loans and receivables with uniform credit risk characteristics. There are 17 groups: 1 group of public authorities, 1 group of private customers and 15 groups of commercial customers subdivided into industry groups.

Collective assessments are performed using a segment model developed by an association of local banks (Lokale Pengeinstitutter), which maintains and develops the model on a regular basis. The segment model determines the link in the individual groups between recorded losses and a number of significant explanatory macroeconomic variables through linear regression analysis. The explanatory macroeconomic variables include unemployment, housing prices, interest rates, number of bankruptcies, forced sales, etc.

The macroeconomic 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 reflect the credit risk in the Bank's own lending portfolio.

Risk management (continued)

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

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

In this area, the policy that the Bank does not undertake risks which may have a significant influence on its financial situation also applies.

The Bank's total interest risk is quantified and must lie between -1% and +3% of the Bank's core capital after deductions.

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

The management of the Bank's equities risk is quantified as a maximum percentage of investments in relation to the Bank's core capital after deductions.

Individual limits have been defined for investments in Danish, foreign or individual equities, as well as equities in the Bank's financial partners.

The Bank uses financial instruments only to hedge risks.

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

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

As the Bank's primary source of funding is customers' deposits, the Bank strives to maintain, at minimum, a balance between deposits and lending.
As the Bank also endeavours to avoid dependency on large fixed-term deposits, the Bank's deposits base includes only minimal fixed-term deposits from customers who are not also customers in other business areas of the Bank.

In addition to deposits, the Bank utilises credit facilities through financial partners and Danmarks Nationalbank.

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

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

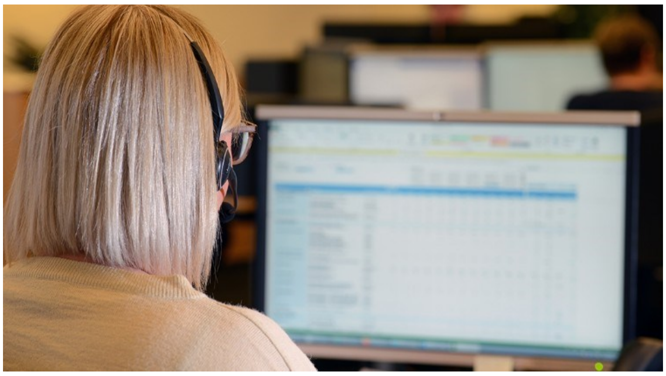
Reporting is also delivered to the Board of Directors on a monthly basis.

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

The Bank's most significant IT partner is Bankdata, to which most operational and development activities have been outsourced. IT operations have further been outsourced to JN Data.
The division of responsibilities and tasks between Bankdata and the Bank is clearly defined and described, in addition to regular assessments of Bankdata's compliance with the Bank's IT security policy.

Risk management (continued)

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



Operational risks
Operational risks can be defined as the potential losses that the Bank may incur as a result of errors and incidents caused by people, processes, systems or external events.
These risks may be caused by inappropriate employee behaviour, system breakdowns, breach of policies, failure to comply with business procedures, laws and regulations, etc.

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

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

The Bank seeks to minimise this risk through systematic identification and development of employee skills in all advisory services, including certification or competence testing of employees in relation to advisory services regarding pensions, investments and housing loans.
Wherever possible, the Bank uses technical, standardised advisory procedures to have the highest possible guarantee that all elements in a given case are identified and addressed.

Reports regarding current and new customer complaints are submitted to the Executive Board on a rolling basis, in addition to periodic reporting to the Board of Directors on such matters.

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

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

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

Audit
On the basis of a recommendation from the Bank's Audit Committee and Board of Directors, the Bank's annual general meeting appoints the external auditors for the coming year as well as alternates.

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

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

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

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

Corporate Social Responsibility

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

The five values

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

The five values form the foundation on which the Bank's Management and employees are expected to base their daily work and decisions; these values are described in connection with the four significant stakeholder categories to which the Bank's social responsibility primarily relates:

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

At Djurslands Bank, we believe that the greatest CSR contribution is achieved when the Bank's core business is in line with society's general interests and expectations as to proper and honest conduct, thus making CSR an integral part of the Bank's everyday work.

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

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

As a business entity, the Bank primarily implements the policy in the areas of energy, technology and buildings by continuously acting with the intent to apply solutions which minimise natural resource consumption in the most environmentally friendly way.
As a workplace, the Bank implements the policy through employee policies and the values "Team, well-being and safety" as well as through constructive cooperation in the Bank's working environment organisation.

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

The Bank's economic social contribution
The Bank contributes financially - as a local business in Eastern Jutland - both directly and indirectly to creating value for society.

The Bank contributes indirectly by tying investments and financing together for 42,700 private customers and 3,600 commercial customers in the market area.
Some of the Bank's operating expenses are settled as revenue in a number of local businesses, and the Bank's 200 employees also help generate revenue and growth in the local area.

The Bank's direct financial contributions in terms of public payments for 2016 are calculated at:

22% corporate income tax	**17.7**
13.6% payroll tax	**13.7**
Property tax	**0.3**
Total (DKK million)	**31.7**

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

For 2016, the direct effect of the Bank as a workplace is calculated at:

Employee's total payment of income tax	**30.4**
Labour market contributions	**7.9**
Total (DKK million)	**38.3**

The Bank has published the statutory CSR report on its website.
The goals, status and trends in each area are described annually (in Danish) in an appendix to the Bank's annual report, which all of the Bank's stakeholders can access at
djurslandsbank.dk/ombanken/samfundsansvar2016.

Profit and Loss Account and comprehensive income

(DKK 1,000)	Note	2016	2015
Profit and Loss Account			
Interest income	*2*	**176,804**	185,311
Interest expenses	*3*	**11,615**	15,096
Net interest income		**165,189**	170,215
Dividend from share etc.		**6,912**	11,269
Fees and commission income	*4*	**139,180**	141,100
Fees and commission expenses		**7,530**	7,733
Net interest and fee income		**303,751**	314,851
Value adjustments	*5*	**19,675**	1,896
Other ordinary income		**842**	371
Staff costs and administrative expenses	*6*	**205,826**	187,198
Depreciation and impairment of tangible assets		**5,305**	4,697
Other operational expenditures		**357**	9,620
Impairment losses on loans and receivables	*8*	**20,861**	42,210
Profit from holdings in associated and affiliated companies	*7*	**-18**	-14
Profit before tax for the financial year		**91,901**	73,379
Tax	*11*	**17,519**	14,608
Profit for the financial year		**74,382**	58,771
Comprehensive income			
Profit for the financial year i.e. profit and loss account		**74,382**	58,771
Other comprehensive income		**0**	0
Other comprehensive income after tax		**0**	0
Total comprehensive income for the financial year		**74,382**	58,771
Allocation of profit			
Legal reserves		**-18**	-14
Proposed dividend		**18,900**	16,200
Retained profit		**55,500**	42,585
Total allocated		**74,382**	58,771

Balance Sheet at 31. december

(DKK 1,000)	Note	2016	2015
Assets			
Cash in hand and claims at call on central banks		**141,027**	282,111
Due from credit institutions and central banks	*12*	**109,383**	139,354
Loans and other amounts due at amortised cost	*13*	**3,665,212**	3,521,129
Bonds at fair value	*14*	**2,120,925**	1,665,961
Shares, etc.		**241,859**	226,121
Holdings in affiliated companies	*15*	**1,757**	1,775
Assets under pooled schemes	*16*	**1,064,083**	817,528
Tangible assets		**72,210**	74,763
Investment properties	*18*	*3,190*	*4,305*
Domicile properties	*19*	*69,020*	*70,458*
Other tangible assets	*20*	**10,908**	8,754
Tax assets		**0**	1,112
Deferred tax assets	*21, 22*	**3,153**	3,212
Other assets		**108,157**	89,823
Cut-off assets		**5,782**	4,563
Total assets		**7,544,456**	6,836,206
Liabilities			
Due to credit institutions and central banks	*23*	**266,429**	527,439
Deposits and other amounts due	*24*	**5,152,943**	4,514,818
Deposits under pooled schemes		**1,089,744**	827,647
Tax liabilities		**1,074**	0
Other liabilities		**94,537**	86,820
Cut-off liabilities		**3,771**	3,580
Gæld i alt		**6,608,498**	5,960,304
Provisions regarding losses on guarantees	*9*	**2,883**	1,151
Total provisions for commitments		**2,883**	1,151
Share capital	*25*	**27,000**	27,000
Revaluation reserves		**6,918**	6,918
Legal reserves		**757**	775
Retained profit		**879,500**	823,858
Proposed dividend		**18,900**	16,200
Total equity		**933,075**	874,751
Total liabilities		**7,544,456**	6,836,206

Equity

(DKK 1,000)

	Share capital	Revaluation reserves *	Legal reserves**	Proposed dividend	Retained profit	Total
Equity 31.12.2014	**27,000**	**6,918**	**789**	**14,850**	**783,090**	**832,647**
Net purchase of own shares					-1,817	-1,817
Paid out dividend				-14,850		-14,850
Profit for the financial year			-14	16,200	42,585	58,771
Equity 31.12.2015	**27,000**	**6,918**	**775**	**16,200**	**823,858**	**874,751**
Net purchase of own shares					142	142
Paid out dividend				-16,200		-16,200
Profit for the financial year			-18	18,900	55,500	74,382
Equity 31.12.2016	**27,000**	**6,918**	**757**	**18,900**	**879,500**	**933,075**

* Revaluation reserve relates to revaluation of domicile properties.

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

Share capital

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

	2016	2015
Own shares		
Bookvalue of own shares	**0.0**	0
Number of own shares	**25,195.0**	25,248
Stock value per share	**232.5**	263
Total stock value	**5,857.8**	6,628
Percentage of own shares	**0.9**	0.9

Shareholders

Shareholders who owns more than 5% of the sharevalue:

- Henrik Østenkjær Lind personally and through the companies Lind Invest ApS,

Cash Flow Analysis

(DKK 1,000)	Note	2016	2015
Operational activities			
Profit for the financial year		**91,901**	73,379
Impairment losses on loans and receivables	*8*	**20,861**	42,210
Depreciation and writedowns of tangible assets		**5,305**	4,697
Profit on holding in affiliated companies	*7*	**18**	14
Tax		**-15,274**	25,336
		102,811	145,636
Change in loans and other amounts before writedowns		**29,971**	5,182
Change in assets under pooled schemes		**-164,944**	26,516
Change in bonds		**-454,964**	-145,136
Change in shares		**-15,738**	-9,458
Change in temporary assets		**-246,555**	67,921
Change in other assets		**-19,553**	4,113
Change in due to credit institutions		**-261,010**	-215,768
Change in deposits and other amounts due		**900,222**	397,524
Change in other liabilities		**7,908**	-25,916
Change in provisions for liabilities excl. deferrred tax		**1,732**	-6,989
Cash flows from operation activities		**-120,120**	243,625
Investments activities			
Purchase of tangible assets	*18, 19, 20*	**-6,263**	-6,421
Sales of tangible assets	*18, 19, 20*	**1,357**	108
Cash flows from investing activities		**-4,906**	-6,313
Financing activities			
Purchase / sale and revaluation of own shares		**142**	-1,817
Paid out dividend		**-16,200**	-14,850
Cash flow from financing activities		**-16,058**	-16,667
Cash flows for the year		**-141,084**	220,645
Cash, end		**141,027**	282,111
Cash, beginning		**282,111**	61,466
Cash flows for the year		**-141,084**	220,645

Solvency

(DKK 1,000)	2016	2015
Solvency ratio	**17.9%**	17.5%
Tier 1 capital ratio	**17.9%**	17.5%
CET1 capital ratio	**17.9%**	17.5%
Own funds requirements (8%)	**339,498**	327,930
Equity	**933,075**	874,751
Herof proposed dividend	**-18,900**	-16,200
Deferred tax assets	**-3,153**	-3,212
Deduction of trading frame for own shares	**-12,555**	-14,175
Actual utilization of the trading frame for own shares	**5,858**	6,628
Other deductions	**-2,363**	-1,892
Immaterial holdings in the financial sector	**-142,248**	-129,679
Core capital (CET 1)	**759,714**	716,221
Tier 1 capital	**0**	0
Core capital before deductions	**759,714**	716,221
Immaterial holdings in the financial sector	**0**	0
Core capital after deductions	**759,714**	716,221
Revaluation reserves	**0**	0
Immaterial holdings in the financial sector	**0**	0
Capital base after deductions	**759,714**	716,221
Risk exposures		
Weighted values with credit risk	**3,242,886**	3,148,394
Weighted values with marked risk	**443,821**	401,713
Operational risk	**557,014**	549,014
Total risk exposure amount	**4,243,721**	4,099,121

Note overview

Notes

(DKK 1,000)	**2016**	2015	2014	2013	2012
1 Main- and key figures					
Profit and Loss account					
Net interest income	**165,189**	170,215	183,126	179,360	187,570
Net interest and fee income	**303,751**	314,851	294,229	269,070	277,896
Value adjustments	**19,675**	1,896	13,556	22,682	26,392
Operational expenditure	**211,488**	201,515	195,288	200,038	197,336
herof staff and administrative expenses	**205,826**	187,198	180,578	180,896	176,883
herof payment to sector solutions	**357**	9,620	9,153	10,025	7,316
Impairment losses on loans and receivables	**20,861**	42,210	42,503	43,616	47,876
Profit from holdings in affiliated companies	**-18**	-14	2	23	26
Profit before tax for the financial year	**91,901**	73,379	70,151	48,364	61,130
Profit for the financial year	**74,382**	58,771	57,057	37,053	47,120
Balance sheet					
Assets					
Cash in hand and claims on credit institutions, etc.	**250,410**	421,465	206,002	154,989	144,911
Loans and other amounts due	**3,665,212**	3,521,129	3,589,855	3,679,973	3,609,442
Bonds and shares etc.	**2,362,784**	1,892,082	1,737,488	1,681,423	1,875,720
Assets under pooled schemes	**1,064,083**	817,528	885,449	871,143	847,429
Other assets	**201,967**	184,002	226,457	187,491	179,944
Total assets	**7,544,456**	6,836,206	6,645,251	6,575,019	6,657,446
Liabilities					
Due to credit institutions and central banks	**266,429**	527,439	743,207	772,203	1,204,477
Deposits and other amounts due	**5,152,943**	4,514,818	4,045,308	3,907,593	3,593,379
Deposits under pooled schemes	**1,089,744**	827,647	899,633	959,810	909,707
Other debt	**102,265**	91,551	124,456	101,785	142,227
Subordinated debt	**0**	0	0	50,000	50,000
Equity	**933,075**	874,751	832,421	783,628	757,656
Total liabilities	**7,544,456**	6,836,206	6,645,025	6,575,019	6,657,446
Off-balance sheet items					
Off-balance sheet items	**1,587,398**	1,334,376	1,145,641	848,656	880,905

Notes

(DKK 1,000)		**2016**	2015	2014	2013	2012
1 Main- and key figures (continued)						
Solvency and capital ratio						
Solvency ratio *	pct.	**17.9**	17.5	16.7	17.3	16.6
CET1 capital ratio *	pct.	**17.9**	17.5	16.7	18.1	17.3
Earning ratios						
Profit on own funds before tax	pct.	**10.2**	8.6	8.7	6.3	8.4
Profit on own funds after tax	pct.	**8.2**	6.9	7.1	4.8	6.4
Return on assets	pct.	**1.2**	1.1	1.1	0.7	0.9
Earning/costs		**1.40**	1.30	1.30	1.20	1.25
Basic earning / costs		**1.44**	1.56	1.51	1.35	1.42
Market risk ratios						
Interest rate risk	pct.	**2.4**	2.0	1.0	0.8	0.1
Foreign exchange standing - pos 1	pct.	**7.0**	7.1	1.9	4.4	4.0
Foreign exchange standing - pos 2	pct.	**0.0**	0.0	0.0	0.0	0.0
Liquidity risk ratio						
Lendings plus provisions on loans in relation to deposits	pct.	**63.1**	70.8	77.5	80.0	84.2
Extra cover in relation to the statutory liquidity requirement	pct.	**196.0**	153.9	130.4	181.2	206.5
Credit risk ratios						
The sum of large exposures	pct.	**80.1**	61.8	79.8	59.8	71.5
Receivables at reduced interest	pct.	**1.7**	1.3	0.9	1.2	0.7
Accumulated impairment losses	pct.	**5.0**	5.1	4.9	4.6	4.1
The year's impairment losses	pct.	**0.4**	0.8	0.9	0.9	1.0
The year's growth in lending	pct.	**4.1**	-1.9	-2.4	2.0	-8.6
Loans/Equity ratio		**3.9**	4.0	4.3	4.7	4.8
Return on share						
Earnings per share	kr.	**28**	22	21	14	17
Book value per share **	kr.	**349**	327	310	292	282
Dividend per share	kr.	**7.0**	6.0	5.5	3.0	2.5
Stock value/earnings per share		**8.4**	12.1	9.3	13.3	7.8
Stock value/book value per share		**0.67**	0.80	0.63	0.63	0.48
Stock value per share	kr.	**233**	263	197	183	136

* The rules for the calculation of the solvency- and core capital ratio is changed with the incorporation of the CRD IV rules per. 31/03/2014. Comparative figures for 2010-2013 are not adapted to this change.

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

Notes

1 Main- and key figures (continued)

Formula overview

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

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

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

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

Noter

1 Main- and key figures (continued)

Formula overview

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

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

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

Definitions

Operating expenses (2016: T.DKK 211,488)	Staff and administration costs (2016: T.DKK 205,826) + Depreciation andr writedowns of tangible assets (2016: T.DKK 5,305) + Other operational costs (2016: T.DKK 357)
Core earnings (2016: T.DKK 93,105)	Profit before tax (2016: T.DKK 91,901) - Value adjustments (2016: T.DKK 19,675) + Impairment losses (2016: T.DKK 20,861) - Profit from holdings in affiliated companies (2016: T.DKK -18)

Notes

(DKK 1,000)	2016	2015
2 Interest income		
Claims on credit institutions, etc.	**1,747**	1,849
Loans and advances	**158,373**	169,721
Bonds	**19,300**	16,014
Total derivative financial instruments	**-3,090**	-3,332
hereof		
Currency contracts	**-18**	16
Interest rate contracts	**-3,072**	-3,348
Other interest income	**474**	1,059
Total interest income	**176,804**	185,311
Of which income from genuine purchase and resale transactions represent	**0**	0
3 Interest expenses		
Credit institutions and central banks	**-122**	-152
Deposits	**11,689**	15,086
Other interest expenses	**48**	162
Total interest expenses	**11,615**	15,096
Of which expenses from genuine purchase and resale transactions represent	**0**	0
4 Fee and commission income		
Securities trading and custody account fees	**46,427**	53,493
Payment services fees	**14,717**	13,976
Loan fees	**55,246**	55,613
Guarantee commissions	**8,065**	5,421
Other fees and commissions	**14,725**	12,597
Total fee and commission income	**139,180**	141,100
Payed fee and commissions are not decucted in the above.		
5 Value adjustments		
Bonds	**3,172**	-10,612
Shares, etc.	**14,356**	9,114
Currency	**2,536**	3,319
Derivatives	**-175**	243
Assets under pooled schemes	**22,791**	-21,032
Deposits under pooled schemes	**-23,005**	20,864
Total value adjustments	**19,675**	1,896

Notes

(DKK 1,000)	2016	2015
6 Staff costs and administrative expenses		
Remuneration of Executive Board, board of Directors and Representatives	**4,717**	5,599
Staff costs	**125,331**	106,797
Administrative expenses	**75,778**	74,802
Total staff and administrative costs	**205,826**	187,198
Staff costs		
Salaries	**98,250**	88,454
Pensions	**11,001**	4,942
Social security expenses	**1,060**	1,032
Taxes	**15,020**	12,369
Total	**125,331**	106,797
Salary equals the accrued remuneration.		
Number of full-time equivalent staff (avg.) in the financial year		
Calculated according to the ATP-method	**203.8**	191.0
Calculated according to work-time percentages	**196.5**	185.3
Salaries and remuneration of Executive Board, Board of Directors and Board of Representatives		
Fixed payment		
Board of Directors	**1,156**	1,022
Board of Representatives	**255**	166
Board of Executives, wage, free car, holiday payment	**2,884**	3,845
Board of Executives, pension	**422**	566
Total	**4,717**	5,599
There is no variable payment, or pension obligations		
Number of board of executive members	**1.0**	2.0
Number of board of directors members	**9.0**	9.0
Specification of remuneration to the board of directors members		
Peter Zacher Sørensen, chairmann	**225**	122
Ejner Søby, deputy chairmann and chaimann of audit committee	**194**	133
Erik Nymann, (resigned chairmann)	**62**	222
Helle Bærentsen	**100**	89
Mikael Lykke Sørensen	**100**	89
Uffe Vithen	**100**	100
Bente Østergaard Høg, (elected 16.03.2016)	**75**	0
Tina Klausen	**100**	89
Peter Pedersen	**100**	89
Jan B. Poulsen	**100**	89

Notes

(DKK 1,000)		2016	2015
6	**Staff costs and administrative expenses (continued)**		
	Specification of saleries for the Representatives		
	Chairmann	**10**	6
	Other members	**5**	3
	Specification of saleries for the executives		
	Lars Møller Kristensen		
	Wage, free car, holiday payment	**2,083**	1,821
	Pension	**237**	203
	Total	**2,320**	2,024
	Ole Bak		
	Wage, free car, holiday payment	**801**	2,024
	Pension	**185**	363
	Total	**986**	2,387

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

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

		2016	2015
	Other employees with significant influence on the bank's risk profile		
	Fixed payment		
	Saleries, company car, pension etc.	**6,487**	5,900
	Total payment to employees with significant influence on the risk profile	**6,487**	5,900
	Number of employees with significant influence on the risk profile	**7**	6
7	**Profit of holdings in affiliated companies**		
	Total profit on holdings in affiliated companies	**-18**	-14

Notes

(DKK 1,000)	2016	2015
8 Impairment losses on loans and advances		
Individual impairment losses		
Impairment losses beginning of the year	**243,447**	228,953
Impairment losses in the financial year	**63,341**	77,501
Changes in impairment losses regarding earlier years	**-34,311**	-26,706
Finally lost regarding earlier impairment losses	**-17,793**	-36,301
Individual impairment losses at year end	**254,684**	243,447
Group impairment losses		
Impairment losses beginning of the year	**17,523**	14,822
Impairment losses in the financial year	**1,923**	2,701
Group Impairment losses year end	**19,446**	17,523
Total impairment losses on loans and advances	**274,130**	260,970
Expenses in the financial year from impairment losses on loans and advances		
Impairment losses in the financial year from loans and advances	**65,264**	80,202
Impairment losses in the financial year from provisions	**1,732**	-546
Reversal of impairment losses in ealier financial years	**-34,311**	-26,706
Realized losses, impairment losses in earlier financial years	**-17,793**	-36,301
Realized losses	**17,617**	36,189
Interest from debitors with impairment losses	**-11,648**	-10,628
Impairment losses	**20,861**	42,210

Reasons for individual Impairment losses	**2016** Loans before impairment losses	**2016** Impairment losses	2015 Loans before impairment losses	2015 Impairment losses
Bankruptcy / liquidation	**32,214**	**23,673**	40,331	26,513
Suspension of payments / granted	**467**	**521**	1,457	1,470
Debt restructuring initiated / granted	**0**	**0**	718	708
Engagement terminated	**12,822**	**12,291**	10,637	10,113
Other causes	**346,466**	**218,199**	355,037	204,643
Total	**391,969**	**254,684**	408,180	243,447

Notes

(DKK 1,000)

8 Impairment losses on loans and advances (Continued)

Loans with individuel impairment losses by sectors	2016 Loans before impairment losses	2016 Impairment losses	2015 Loans before impairment losses	2015 Impairment losses
Public sector	**0**	**0**	0	0
Business				
Agriculture, hunting, forestry and fishing	**97,406**	**75,417**	114,433	80,192
Industry and raw materials extraction	**7,240**	**4,694**	1,242	1,015
Building and construction	**25,149**	**19,285**	28,063	18,411
Trade	**21,323**	**11,934**	10,727	6,862
Transport, hotels and restaurants	**25,428**	**15,005**	25,768	13,751
Information and communication	**573**	**521**	603	555
Financing and insurance	**8,075**	**8,043**	7,932	7,898
Real estate	**66,772**	**12,154**	86,039	20,134
Other businesses	**19,756**	**14,825**	16,874	12,710
Total business	**271,722**	**161,878**	291,681	161,528
Private	**120,248**	**92,806**	116,499	81,919
Total	**391,969**	**254,684**	408,180	243,447

	2016	2015
The value of collateral on loans, which have impairment losses		
Collateral in real estate	**73,971**	109,821
Collateral in operating equipment	**45,397**	34,712
Collateral in securities and deposits	**3,630**	1,675
Collateral in mortages	**13,961**	17,062
Collateral in sureties	**326**	1,463
Total	**137,285**	164,733
Loans and advances with impairment losses		
Gross loans and advances with individual writedowns	**391,969**	408,180
Gross loans and advances with group writedowns	**3,104,864**	2,954,943
Total	**3,496,833**	3,363,123
Loans and advances without impairment losses	**442,509**	418,976
Total loans and advances		
Loans and advance before impairment losses	**3,939,342**	3,782,099

9 Provisions regarding losses on guarantees

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

	2016	2015
Guarantees with provisions	**3,284**	1,207
Provision on guarantees	**2,883**	1,151

Notes

(DKK 1,000)		2016	2015
10	**Audit fees**		
	Total fee to the accounting firm elected by the general meeting which perform the statutory audit	**503**	456
	By services		
	Statutory audit	**392**	399
	Other declarations with security	**73**	34
	Other services	**38**	23
	Total audit fee	**503**	456

The bank has an internal audit department.

		2016	2015
11	**Tax**		
	Calculated tax charge for the year	**17,738**	14,094
	Deferred tax	**59**	713
	Adjustment of prior-year tax charge	**-278**	-199
	Total tax	**17,519**	14,608
	Effective tax rate		
	Danish tax rate	**22.0%**	23.5%
	Non-taxable income and non-deductible expenses	**-2.6%**	-3.2%
	Adjustment of prior-year tax charge	**-0.3%**	-0.3%
	Others	**0.0%**	-0.1%
	Effective tax rate	**19.1%**	19.9%

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.

		2016	2015
12	**Due from credit institutions and central banks**		
	Claims on central banks	**54,107**	0
	Claims on credit institutions	**55,276**	139,354
	Total due from credit institutions and central banks	**109,383**	139,354
	By residual maturity		
	Up to 3 months	**89,883**	119,854
	Between 3 months and 1 year	**17,000**	17,000
	Between 1 year and 5 year	**2,500**	0
	Over 5 years	**0**	2,500
	Total due from credit institutions and central banks	**109,383**	139,354

Notes

(DKK 1,000)	**2016**	2015
13 Loans and other amounts due and off-balance items		
Loans and other amounts due	**3,665,212**	3,521,129
Total loans and other amounts due	**3,665,212**	3,521,129
By residual maturity		
Demand deposits	**542,381**	597,642
Up to 3 months	**190,478**	306,832
From 3 months to 1 year	**1,024,137**	961,354
From 1 to 5 years	**936,593**	784,168
Over 5 years	**971,623**	871,133
Total loans and other amounts due	**3,665,212**	3,521,129
Specifikation of gross loans		
Loans and other amounts due before write downs	**3,939,342**	3,782,099
Write downs	**-274,130**	-260,970
Total loans and other amount due	**3,665,212**	3,521,129
Gross loans and off-balance items		
Loans and other amounts due before impairment losses	**3,939,342**	3,782,099
Off-balance items	**1,587,398**	1,334,376
Total loans and off-balance items	**5,526,740**	5,116,475
Broken down by sectors and industry (in percentage)		
Public sector	**8.0**	8.2
Business		
Agriculture, hunting, forestry and fishing	**11.6**	12.3
Crop farming	*4.2*	*4.3*
Cattle farming	*4.1*	*5.0*
Pig farming	*1.1*	*1.0*
Other farming	*2.2*	*1.9*
Fishing	*0.0*	*0.1*
Industry and raw materials extraction	**2.0**	0.9
Energy supply	**1.5**	1.7
Building and construction	**4.1**	4.9
Trade	**3.7**	4.8
Transport, hotels and restaurants	**1.9**	2.1
Information and communication	**0.5**	0.5
Financing and insurance	**1.9**	2.4
Real estate	**8.3**	9.9
Other businesses	**6.6**	7.1
Total business	**42.1**	46.6
Private	**49.9**	45.2
Total	**100.0**	100.0

Notes

(DKK 1,000)	2016	2015

14 Bonds at fair value

	2016	2015
Mortgage bonds	**1,178,381**	920,747
Other bonds	**942,544**	745,214
Total	**2,120,925**	1,665,961

The Bank has deposited bonds at Nationalbanken and VP as collateral for clearing and settlement, etc. for a total of t.DKK 214,585 (2015: t.DKK 661,952)

15 Holdings in affiliated companies

	2016	2015
Djurs-Invest ApS, Grenaa		
Part of shares	**100%**	100%
Equity	**1,757**	1,775
Profit for the financial year	**-18**	-14

The company's balance and activity are insignificant.

16 Assets under pooled schemes

	2016	2015
Bonds at fair value	**414,333**	520,760
Shares	**649,750**	296,768
Total assets	**1,064,083**	817,528

17 Intercompany with affiliated companies

	2016	2015
Deposits	**569**	581

18 Investment property

	2016	2015
Marked value beginning	**4,305**	4,305
Additions	**-1,115**	0
Marked value end	**3,190**	4,305

External experts have not been used.

19 Domicile property

	2016	2015
Marked value beginning	**70,458**	71,433
Disposals	**-242**	0
Depreciation	**-1,196**	-975
Marked value end	**69,020**	70,458

External experts have not been used.

Notes

(DKK 1,000)	2016	2015
20 Other tangible assets		
Total cost at beginning	**33,790**	27,833
Additions	**6,263**	6,421
Disposals	**-11,600**	-464
Total cost at end	**28,453**	33,790
Depreciation and impairment beginning	**25,036**	21,670
Depreciation	**4,109**	3,721
Disposals	**-11,600**	-355
Depreciation and impairment end	**17,545**	25,036
Book value at end	**10,908**	8,754

21 Deferred tax assets and tax liabilities

	2016	2015
Deferred tax liabilities beginning	**3,212**	3,925
Change in deferred tax due	**-59**	-713
Deferred tax assets and tax liabilities end	**3,153**	3,212

22 Split of deferred tax assets and tax liabilities

	2016 Deferred tax assets	**2016** Deferred tax liabilities	2015 Deferred tax assets	2015 Deferred tax liabilities
Tangible assets	**249**	**231**	577	255
Cut of on fees and commissions	**3,994**	**0**	3,609	0
Other	**1,084**	**1,943**	1,157	1,876
Total deferred tax	**5,327**	**2,174**	5,343	2,131

23 Due to credit institutions and central banks	**2016**	2015
Due to credit institutions	**266,429**	527,439
By residual maturity		
Amounts payable on demand	**266,429**	527,439
Total due to credit institutions and central banks	**266,429**	527,439

Notes

(DKK 1,000)	2016	2015
24 Deposits and other amounts due		
Amounts payable on demand	**4,464,206**	4,005,471
At notice	**50,054**	127,251
Time deposits	**20,472**	9,401
Special deposits	**618,211**	372,695
Total deposits and other amounts due	**5,152,943**	4,514,818
By residual maturity		
Amounts payable on demand	**4,529,499**	4,081,841
Up to 3 months	**78,475**	116,507
From 3 months to 1 year	**11,431**	10,668
From 1 to 5 years	**71,572**	49,481
Over 5 years	**461,966**	256,321
Total deposits and other amounts due	**5,152,943**	4,514,818
25 Equity - shares		
Number of shares each of nom value kr. 10.	**2,700,000**	2,700,000
Share capital nom value DKK 27,000 (1,000 kr.)		
Number of own shares, beginning	**25,248**	17,212
Additions	**183,007**	226,201
Disposals	**-183,060**	-218,165
Number of own shares, end	**25,195**	25,248
Net additions / disposals		
Nom value of own shares, beginning	**252**	172
Net additions / disposals	**0**	80
Nom value of own shares, end	**252**	252
Part of own shares, beginning	**0.9%**	0.6%
Net additions / disposals	**0.0%**	0.3%
Part of own shares, end	**0.9%**	0.9%
Total purchase	**40,489**	57,228
Total sale	**39,736**	53,988

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

Notes

(DKK 1,000)

26 Derivative financial instruments

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

	2016 Nominal value	2016 Net market value	2016 Positive market value	2016 Negative market value
Foreign-exchange contracts, purchase				
Up to 3 months	34,699	2,149	2,170	21
From 3 months to 1 year	7,216	437	437	0
Market value	41,915	2,586	2,607	21
Foreign-exchange contracts, sale				
Up to 3 months	47,339	-1,683	217	1,900
From 3 months to 1 year	7,216	-417	0	417
Market value	54,555	-2,100	217	2,317
Foreign-exchange contracts and swaps	96,470	486	2,824	2,338
Interestrate swaps				
Up to 3 months	592	-8	0	8
From 3 months to 1 year	20,651	-146	393	539
From 1 to 5 years	102,734	-1,924	3,327	5,251
Over 5 years	293,585	-7,168	36,784	43,952
Market value	417,562	-9,246	40,504	49,750
Interestrate contracts and swaps	417,562	-9,246	40,504	49,750
Unsettled spot contracts				
Foreign-exchange, purchase	700	1	2	1
Foreign-exchange, sale	141	0	0	0
Futures, purchase	20,007	426	426	0
Futures, sale	20,007	-368	0	368
Interestrate contracts, purchase	3,794	12	13	1
Interestrate contracts, sale	3,794	-6	2	8
Sharecontracts, purchase	2,213	32	63	31
Sharecontracts, sale	2,213	-31	31	62
Market value	52,869	66	537	471
Total				
Foreign-exchange contracts and swaps, total	96,470	486	2,824	2,338
Interestcontracts and swaps, total	417,562	-9,246	40,504	49,750
Spot, total	52,869	66	537	471
Market value	566,901	-8,694	43,865	52,559

Notes

(DKK 1,000)

26 Derivative financial instruments (continued)

	2015 Nominal value	2015 Net market value	2015 Positive market value	2015 Negative market value
Foreign-exchange contracts, purchase				
Up to 3 months	18,740	184	197	13
From 3 months to 1 year	6,865	-10	16	26
Market value	25,605	174	213	39
Foreign-exchange contracts, sale				
Up to 3 months	34,432	66	196	130
From 3 months to 1 year	6,866	92	105	13
Market value	41,298	158	301	143
Foreign-exchange contracts and swaps	66,903	332	514	182
Interestrate swaps				
From 3 months to 1 year	10,904	-348	0	348
From 1 to 5 years	69,293	-982	2,765	3,747
Over 5 years	337,378	-7,755	34,384	42,139
Market value	417,575	-9,085	37,149	46,234
Interestrate contracts and swaps	417,575	-9,085	37,149	46,234
Unsettled spot contracts				
Foreign-exchange, purchase	26,576	-54	25	79
Foreign-exchange, sale	27,350	118	118	0
Futures, purchase	7,877	53	53	0
Futures, sale	7,877	-37	3	40
Interestrate contracts, purchase	106,152	219	223	4
Interestrate contracts, sale	6,152	6	7	1
Sharecontracts, purchase	5,947	24	73	49
Sharecontracts, sale	5,947	-22	50	72
Market value	193,878	307	552	245
Total				
Foreign-exchange contracts and swaps, total	66,903	332	514	182
Interestcontracts and swaps, total	417,575	-9,085	37,149	46,234
Spot, total	193,878	307	552	245
Market value	678,356	-8,446	38,215	46,661

Notes

(DKK 1,000)	2016	2015

27 Off balance sheet items

	2016	2015
Financial guarantees	**394,606**	441,686
Loss guarantees	**509,010**	371,138
Registration guarantees	**104,631**	118,811
Other guarantees	**579,151**	402,741
Total off balance sheet items	**1,587,398**	1,334,376

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

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

28 Foreign exchange exposure

	2016	2015
Currencies breakdown for the main currencies (net)		
EUR	**46,303**	42,015
GBP	**1,445**	1,982
CHF	**1,080**	463
NOK	**664**	563
USD	**1,486**	1,203
Other currencies	**2,545**	4,901
Total	**53,523**	51,127
Exchange rate indicator 1 in % of core capital after deductions (positions)	**7.0%**	7.1%
Exchange rate indicator 2 in % of core capital after deductions (risk)	**0.0%**	0.0%

Valutaindikator 1 opgøres som summen af den største numeriske værdi af aktiver (lang position) eller nettogæld. Indikator 1 viser et mål for den samlede valutarisiko.
Valutaindikator 2 er baseret på en statistisk metode, der er udtryk for den samlede tabsrisiko.

29 Financial risk and riskmanagement

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

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

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

Liquidity risk: The risk of loss due to unusual high increase in financial costs. The risk of loss if the bank is cut of from entering into new businesscontracts due to lacking financing, or the risk regarding the banks lacking ability to fulfilling business contracts when dued because of lacking financing. The banks management of financial risk is described in the management reports section "Risk management" page 19 to 22, further information can be found in this section.

Notes

(DKK 1,000)

30 Current value of financial instruments

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

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

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

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

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

	2016	**2016**	2015	2015
	Book value	Market value	Book value	Market value
Financial assets				
Cash in hand and claims at call on central banks	**141,027**	**141,027**	282,111	282,111
Due from credit institutuions and central banks	**109,383**	**109,383**	139,354	139,354
Loans and other amounts due	**3,665,212**	**3,707,090**	3,521,129	3,555,642
Bonds at fair value	**2,120,925**	**2,120,925**	1,665,961	1,665,961
Shares, etc.	**241,859**	**241,859**	226,121	226,121
Assets under pooled schemes	**1,064,083**	**1,064,083**	817,528	817,528
Afledte finansielle instrumenter	**43,865**	**43,865**	38,215	38,215
Total assets	**7,386,354**	**7,428,232**	6,690,419	6,724,932
Liabilities				
Deposits and other amounts due	**5,152,943**	**5,154,276**	4,514,818	4,517,517
Deposits under pooled schemes	**1,089,744**	**1,089,744**	827,647	827,647
Afledte finansielle instrumenter	**52,559**	**52,559**	46,661	46,661
Total liabilities	**6,295,246**	**6,296,579**	5,389,126	5,391,825

Notes

(DKK 1,000)	2016	2015

31 Interest rate risk

Total interest rate risk on liabilities, etc.	**17,922**	14,401
Interest rate risk by foreign currency with highest interest rate risk		
DKK	**17,481**	13,639
EUR	**441**	762
Other currencies	**0**	0

32 Credit risk

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

Maximum credit exposure on claims on credit institutuions and central banks, bonds and other assets		
Due from credit institutuions and central banks	**109,383**	139,354
Bonds at fair value	**2,120,925**	1,665,961
Other assets	**108,157**	89,823
Maximum credit risk	**2,338,465**	1,895,138
Maximum credit exposure on loans, guarantees and credit commitments before securities		
Loans and other amounts due at amortised cost	**3,939,342**	3,782,099
Guarantees	**1,587,398**	1,334,376
Credit commitments (credits)	**1,982,245**	1,688,864
Credit commitments (framework agreements)	**466,327**	260,333
Maximum credit exposure	**7,975,312**	7,065,672
Total maximum credit exposure	**10,313,777**	8,960,810
Broken down by sector and industry, loans, gurantees and credit commitments		
Public sector	**653,735**	681,460
Business		
Agriculture, hunting, forestry and fishing	**861,681**	813,863
Industry and raw materials extraction	**192,835**	110,341
Energiforsyning	**136,554**	113,848
Building and construction	**361,622**	326,382
Trade	**365,440**	348,908
Transport, hotels and restaurants	**280,180**	185,267
Information og kommunikation	**38,230**	33,509
Financing and insurance	**70,377**	132,720
Real estate	**799,563**	601,648
Other businesses	**541,037**	505,973
Total business	**3,647,519**	3,172,459
Private	**3,674,059**	3,211,753
Total	**7,975,312**	7,065,672

Notes

(DKK 1,000)

32 Credit risk (continued)

Creditrisk on largest sector

Agriculture, hunting, forestry and fishing make up the largest single industry in the Bank's total lending, gurantees and credit commitments with 11.6%.

The allocation of loans, guarantees and credit commitments is

	2016	**2016**	2015	2015
Crops	330,430	38%	306,955	38%
Pig farming	309,858	36%	295,596	36%
Cattle farming	72,794	8%	62,611	8%
Other farming, hunting and forestry	142,843	17%	139,336	17%
Fishing	5,756	1%	9,366	1%
Total	861,681	100%	813,863	100%
Impairment losses by				
Pig farming	64,029	85%	72,653	91%
Cattle farming	9,469	13%	5,762	7%
Other farming, hunting and forestry	1,643	2%	0	0%
Fishing	276	0%	1,777	2%
Total	75,417	100%	80,192	100%

Describtion of securities

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

Securities on loans and guarantees *)	**2016**	2015
Collateral in real estate	**1,990,540**	1,696,970
Collateral in operating equipment	**385,516**	389,413
Collateral in securities and deposits	**249,160**	274,169
Collateral in mortages	**889,587**	838,584
Collateral in sureties	**40,599**	39,155
Total	**3,555,402**	3,238,291

*) Securities is calculated without excess securities.

Notes

(DKK 1,000)

32 Credit risk (continued)

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

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

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

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

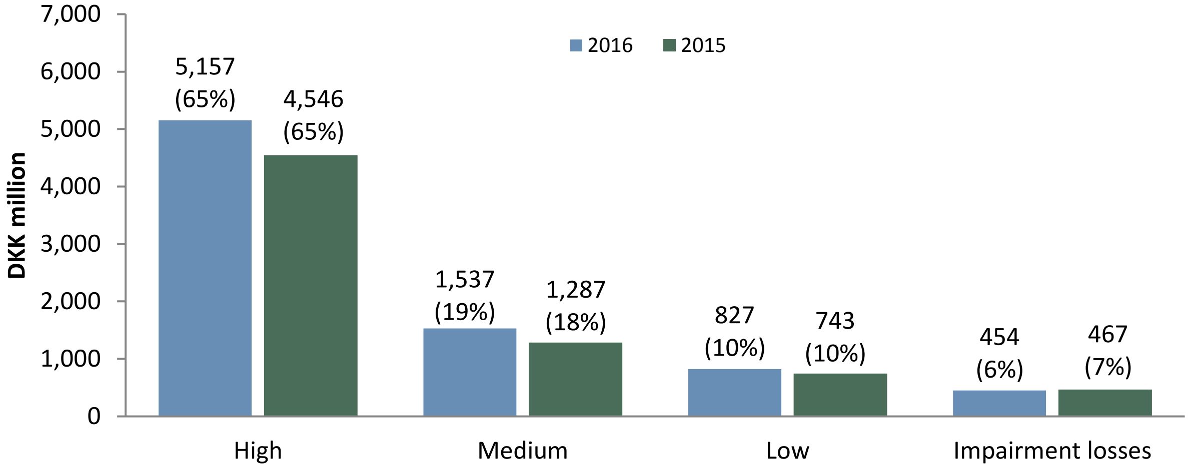
	2016	**2016**	2015	2015
	Exposure	**Hereof loans**	Exposure	Hereof loans
Public sector				
High (grade 3 og 2A)	**653,735**	**442,509**	681,460	418,976
I alt	**653,735**	**442,509**	681,460	418,976
Private				
High (grade 3 og 2A)	**2,667,889**	**1,127,830**	2,317,272	921,047
Medium (grade 2B)	**724,273**	**378,589**	600,444	352,159
Low (grade 2C)	**153,696**	**96,428**	142,176	92,821
Total	**3,545,858**	**1,602,847**	3,059,892	1,366,027
Business				
High (grade 3 og 2A)	**1,835,791**	**758,919**	1,547,717	814,201
Medium (grade 2B)	**812,471**	**402,256**	686,903	383,724
Low (grade 2C)	**673,456**	**352,804**	600,490	400,647
Total	**3,321,718**	**1,513,979**	2,835,110	1,598,572
Total public, private and business	**7,521,311**	**3,559,335**	6,576,462	3,383,575

Notes

(DKK 1,000)

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

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



34 Overdued loans, without individuel impairment losses	**2016**	2015
Overdued loans, which have not been written down is specified as follows		
0-90 days overdue	**11,848**	18,886
More than 90 days overdue	**2,106**	1,902
Total	**13,954**	20,788

Broken down by sector and industry*	**2016 0-90 days overdue**	**2016 More than 90 days overdue**	2015 0-90 days overdue	2015 More than 90 days overdue
Public sector	**0**	**0**	0	0
Business				
Agriculture, hunting, forestry and fishing	**452**	**9**	3,435	56
Industry and raw materials extraction	**175**	**10**	133	57
Energy supply	**0**	**0**	0	0
Building and construction	**485**	**9**	361	11
Trade	**729**	**86**	331	53
Transport, hotels and restaurants	**128**	**64**	441	24
Information and communication	**64**	**234**	90	29
Financing and insurance	**61**	**8**	45	1
Real estate	**664**	**43**	799	46
Other businesses	**945**	**271**	2,369	220
Total business	**3,703**	**735**	8,004	497
Private	**8,145**	**1,371**	10,882	1,405
Total	**11,848**	**2,106**	18,886	1,902

*Data regarding securities are not available.

Notes

(DKK 1,000)

35 Sensitivity to each type of market risk

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

Interest rate risk
The sensitivity calculation in relation to the bank's interest rate risk is based on the interest rate risk key figure, reported by the Danish FSA. This key figure shows the effect on core capital after deduction of a change in the interest rate of 1 percentage point, corresponding to 100 base point. The calculation shows that if the average interest rate had been 100 base point higher, at the end of 2016, the result for the year after tax and equity, all else being equal, would be DKK 14.0 m. lower (2015: DKK 11.0 m. lower). This change is primarily due to acurrent market value adjustment of the bank's fixed-interest bonds. The higher level of interest rate risk in 2016 compared with 2015 is due to an increase in the base of core capital.

Foreign exchange risk
The sensitivity calculation in relation to the bank's foreign exchange risk is based on the Foreign exchange Indicator 1-key figure, reported by the Danish FSA. Foreign Exchange Indicator 1 expresses a simplified traget for the scope of the bank's positions in foreign currency and is calculated as the greatest of the sum of all the short foreign exchange positions and the sum off all the long foreign exchange positions. In the event of an increase in the exchange rate of 2,5% of Foreign Exchange Indicator 1 at the end of 2016, the result for the year after tax and equity, all else being equal, would be DKK 1.0 m. lower (2015: DKK 1.0 m. lower) mainly due to foreign exchange adjustments. The adjustment is immaterial.

Share risk
Had the value of the bank's shareholding been 10% lower on the 31 December 2016, the result after tax for the year and equity, all else being equal, would be DKK 24.2 m. lower (2015: DKK 22.6 m. lower) due to a negative current value adjustment of the share portfolio. The share risk is evaluated as on little higher level than in 2015.

Risk on buildings
Had the value of the bank's buildings been 10% lower on the 31 December 2016, the result after tax for the year and equity, all else being equal, would be DKK 7.2 m. lower (2015: DKK 7.5 m. lower) - the main part comes from domicile buildings.

36 Accounting estimates

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

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

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

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

Notes

(DKK 1,000)

36 Accounting estimates (continued)

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

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

The Return method is used to measure the fair value of domicile properties. In connection with fair value measurement estimates are made of expected market rent, return requirements and maintenance costs. These estimates are subject to some uncertainty. Market rent and return requirements depend substantially on location. Market rent is in the range of DKK 600 - DKK 1,250 per. sqm. and the required return is in the range 6.5% - 8.0%.

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

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

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

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

37 Liquidity reserve	**2016**	2015
Cash in hand	**41,225**	43,333
Cash in hand and claims at call on central banks	**80,803**	189,778
Due from credit institutions and central banks	**89,883**	119,854
Bonds at fair value, uncollateralized	**1,800,357**	979,009
Bonds at fair value, pools, uncollateralized	**414,333**	520,760
Total liquidity reserve acc. to FIL §152	**2,426,601**	1,852,734
Cover relative to statutory liquidity	**196.0**	153.9

Notes

(DKK 1,000)	2016	2015

38 Close parties

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

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

	2016	2015
Board of Management	**6**	19
Board of Directors	**10,329**	10,505
Interest rates		
Board of Management	**3.4-7.5%**	4.1-9.0%
Board of Directors	**2.9-9.5%**	3.3-9.5%

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

	2016	2015
Collaterals for engagements with		
Board of Management	**350**	350
Board of Directors	**16,185**	11,880

39 Election of board of directors

	Elected to the Board	Latest re-elected	On election
Peter Zacher Sørensen (chairmann since 2016)	2012	2015	2017
Ejner Søby (deputy chairmann since 2016)	2009	2015	2017
Uffe Vithen	2006	2015	2017
Helle Bærentsen (employee representative)	2006	2014	2018
Tina Klausen (employee representative)	1998	2014	2018
Peter Pedersen	2013	2016	2018
Jan B. Poulsen (employee representative)	2002	2014	2018
Mikael Lykke Sørensen	2008	2016	2018
Bente Østergaard Høg	2016		2018

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

Notes

(DKK 1,000)	2016	2015

40 The board of directors and board of executives shareholdings at the end of the year

The board of directors	**shares**	shares
Peter Zacher Sørensen	**1,905**	955
Ejner Søby	**1,800**	1,800
Uffe Vithen	**799**	799
Helle Bærentsen	**945**	945
Tina Klausen	**1,657**	1,657
Peter Pedersen	**775**	775
Jan B. Poulsen	**2,286**	2,286
Mikael Lykke Sørensen	**3,639**	3,639
Bente Østergaard Høg (since 16.03.2016)	**68**	
The board of executives		
Lars Møller Kristensen	**2,619**	2,619

The holdings include also if any controlled companies stocks.

Notes

41 Applied accounting policy

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

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

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

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

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

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

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

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

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

Financial instruments are included at the time of trading.

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

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

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

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

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

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

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

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

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

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

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

Balance sheet

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

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

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

41 Applied accounting policy (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes

41 Applied accounting policy (continued)

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

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

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

Domicile property is measured at revaluated amount, which is the marked value less deducted depreciations and impairments. Yield and yield percentage is dependent of place and condition. Revaluations are carried out with sufficient regularity so that the carrying amount does not differ significantly from the amount that would be determined using fair value at the balance sheet date.
Depreciations are calculated on the basis of an expected life time of 50 years.
The base for depreciation is revaluated value deducted with scrap value. Depreciations are booked in the profit and loss account, while rising in the revaluated value are booked in other comprehensive income as a part of revaluation reserves, unless it is depreciations, which earlier have been booked in the profit and loss account.
No external experts have evaluated the bank’s properties during the year.

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash comprise cash and balances on demand with central banks.

Notes

41 Applied accounting policy (continued)

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

Future accounting rules
At the date of the publication of this annual report, a number of provisions are in the process of being amended in the Danish statutory order on the adoption of IFRS by financial institutions subject to the Danish Financial Business Act. The reason is the international Financial Reporting Standard IFRS 9, Financial Instruments, which is mandatory to IFRS preparers on or after 1 January 2018.

The general provisions of IFRS 9 will similarly be incorporated in the Danish statutory order on the adoption of IFRS by financial institutions subject to the Danish Financial Business Act and supplemented by special Danish rules for impairment losses in Appendix 10 to the Danish statutory order on the adoption of IFRS by enterprises subject to the statutory order on the adoption of IFRS by financial institutions subject to the Danish Financial Business Act, which lives up to the general principles of IFRS 9.

The amended statutory order on the adoption of IFRS by financial institutions subject to the Danish Financial Business Act is expected to become effective for accounting periods commencing on 1 January 2018.

The financial reporting standard, IFRS 9, which is being incorporated in the Danish accounting rules changes the existing rules for impairment losses substantially.

IFRS 9 replaces the exiting impairment model, which is based on losses incurred, with an impairment model, which is based on expected losses. The new “expected loss” impairment model implies that at the date of initial recognition, a financial asset is written down by an amount that corresponds to the expected 12-months credit loss (stage 1). If subsequently, the credit risk increases considerably compared to the date of the initial recognition, the asset is written down by an amount that corresponds to the expected credit loss during the expected remaining term of the asset (stage 2). If the value of an asset is deemed to have been impaired (stage 3), the asset is still written down by an amount that corresponds to the expected credit loss in the remaining term of the asset; however based on an increased loss probability.

Together with the member institutions as well as the Bankdata, the Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark, the Bank has started development activities of Djurslands Bank’s IT central processor in order to develop an IFRS 9 compatible impairment model.

According to plan, the model, which is being developed, is going to be used for customers in stage 1 and to some extent, customers in stage 2. As to weak stage 2 and stage 3 customers, the impairment calculation is expected to be made manually based on an individual assessment of the financial assets instead of a model-based calculation.

At present, it is not possible to fairly assess the accounting effect of the first-time adoption of IFRS 9 as regards the impairment rules. However, the impairment rules for banking institutions are generally expected to increase the volume of impairment losses and thereby imply a higher corrective account as all loans and guarantees, according to the new rules, will be subject to impairment corresponding to the expected 12-months credit loss or the expected credit loss during the remaining term of the asset by means of a considerable increase in the credit risk.

Collective impairment losses, according to the existing rules, will not continue under the new rules, and this will, to some extent, lower the impact of IFRS 9. Moreover, the special Danish impairment rules laid down in Appendix 10 of the Danish statutory order on the adoption of IFRS by financial institutions subject to the Danish Financial Business Act will put forward impairment losses, and thereby partly take into account the effect of the future IFRS 9 impairment rules.

A negative accounting effect of the new “expected loss” IFRS impairment rules will basically have a corresponding effect on the capital base. In order to counter an unintentional effect on the capital base and thereby the financial institutions’ possibilities of supporting credit granting, the European Commission has, a part of a reform package, which the European Commission presented on 23 October 2016 (capital requirement package), suggested a five-year transition scheme, according to which, any negative effect of the new IFRS 9 impairment rules will not gain full effect on the capital base until after five years.

In the opinion of Djurslands Bank, the effect of IFRS 9 on the capital-based excess capital is deemed insignificant upon the inception of the rules in 2018, whereas the effect on the capital-based excess capital in future will be slightly negative as the effect of the transition scheme is phased out.

Endorsements

Management's statement

The Board of Directors and the Board of Executive have today reviewed and approved the annual report 2016 of Djurslands Bank A/S

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

It is our opionion that the annual report includes a fair presentation of the bank's assets, liabilities and financial position of 31 December 2016 and of the result of the banks activities and cash flow for the financial year 1 January - 31 December 2016.

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, 8 of feburary 2017

Board of Executive

Lars Møller Kristensen

Jonas Krogh Balslev
Chief accountant

Grenaa, 8 of feburary 2017

Board of Directors

Peter Zacher Sørensen *Chairman*	**Ejner Søby** *Deputy chairman*	**Helle Bærentsen**
Tina Klausen	**Peter Pedersen**	**Jan B. Poulsen**
Bente Østergaard Høg	**Mikael Lykke Sørensen**	**Uffe Vithen**

Endorsements

Independent auditor's report

To the shareholders of Djurslands Bank A/S

Opinion

We have audited the financial statements of Djurslands Bank A/S for the financial year 1 January – 31 December 2016, comprising income statement, statement of comprehensive income, balance sheet, statement of changes in equity , cash flow statement, solvency statement and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial institutions.

In our opinion, the financial statements give a true and fair view of the Bank's financial position at 31 December 2016 and of the results of the Bank's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial institutions.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

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

Measurement of loans and guarantees

- **Risk**: A major part of the Bank's assets consist in loans to the Bank's customers (48.6% of the Bank's total assets), which entail a risk of loss in case of the customer's inability to pay. Also, the bank offers guarantees and other financial products also implying a risk of loss.

  During our audit, we primarily focused on the Bank's statement of impairment losses on loans and provisions for losses on guarantees, etc., since this area involves significant amounts and management estimates. In particular, we focused on any evidence of impairment, the realisable value of collateral received as well as the customer's ability to pay in case of default.

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

- **Audit**: Our audit covered the Bank's procedures for follow-up on loans and advances and registration of evidence of impairment. By way of analysis and sample testing, we tested if impairment losses have been recognised in accordance with the accounting policies.

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

  Furthermore, we reviewed and tested if note disclosures relating to loans, impairment losses and credit risks meet the relevant accounting rules.

Endorsements

Independent auditor's report

Statement on the Management's review

Management is responsible for the Management's review.

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

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

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

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

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate whether the accounting policies used are appropriate and whether the accounting estimates and the related disclosures made by Management are reasonable.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including note disclosures, and whether the financial statements reflect the underlying transactions and events in a manner that gives a true and fair view.

Endorsements

Independent auditor's report

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

We also provide a statement to those charged with governance to the effect that we have complied with relevant ethical requirements related to independence and disclose to them all relations and other matters that could reasonably be expected to impact our independence and, if relevant, related safeguards.

Based on the matters communicated to those charged with governance, we determine which matters were of most importance in our audit of the financial statements for the current period and therefore are key audit matters. We describe such matters in our auditor's report unless law or other regulations rule out the publication thereof or, in the very rare cases where we determine that the matter should not be disclosed in our auditor's report, because the disadvantages of so doing could reasonably be expected to outweigh the advantages of disclosing such matters to the general public.

Aarhus, 8 February 2017

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

Jon Midtgaard
Stat Authorised
Public Accountant

Klaus Skovsen
State Authorised
Public Accountant

Endorsements

Internal auditor's report

To the shareholders of Djurslands Bank A/S

Opinion
In my opinion, the financial statements of Djurslands Bank A/S give a true and fair view of the the Banks financial position at 31 December 2016 and of the results of its operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Business Act.

Audit performed
I have audited the financial statements of Djurslands Bank A/S for the financial year 1 January – 31 December 2016, comprising income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement, solvency statement, accounting policies and notes, including a five-year summary of financial highlights.
The financial statements are prepared in accordance with the Danish Financial Business Act.

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

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

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

My audit has not resulted in any qualification.

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

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

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

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

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

Grenaa, 8 February 2017

Internal Audit

Jens Reckweg
Head of Audit

Management and audit

Management and audit

Board of representatives

Chairman			
Niels Ejnar Rytter Gårdejer, Allelev	Bo Ibsen Gårdejer, Pederstrup	Solveig Skov Nielsen Reg. revisor, Hornslet	Peder Svenstrup Skohandler, Grenaa
Vice deputy			
Uffe Vithen Direktør, Egå	Désirée Iuel Konsulent, Glesborg	Erik Pedersen Entreprenør, Ørsted	Ejner Søby Finanschef, Vivild
Britta Andersen Museumsdirektør, Randers	Gert Jakobsen Vognmand, Rodskov	Eva Bæk Pedersen Afdelingsleder, Grenaa	Eigil Bjørn Sørensen Slagtermester, Ebeltoft
Kaj Dahl Andersen Blikkenslagermester, Auning	Keld Hasle Jakobsen Statsaut. revisor, Tranbjerg	Finn Pedersen Boghandler, Kolind	Else Brask Sørensen Kommunikationsmedarbejder Grenaa
Kim Andersen Tidl. folketingsmedlem Skanderborg	Hans Ulrik Jensen Murermester, Auning	Kaj Pedersen Inspektør, Grenaa	Mikael Lykke Sørensen Ejendomsmægler, MDE Ebeltoft
Carsten Bach Murermester, Ryomgård	Werner Kaihøj Afdelingschef, Højbjerg	Ole Pedersen Direktør, Egå	Peter Zacher Sørensen Advokat, Gjerrild
Kirstine Bille Faglærer, Balle	Lars Møller Klemmensen Lagerchef, Nimtofte	Peter Pedersen Gårdejer, Nimtofte	Poul Erik Sørensen Autoforhandler, Grenaa
Jens Blach Proprietær, Trustrup	Benny Kristensen Direktør, Randers	Leo Holm Petersen Direktør, Allingåbro	Morten Therkildsen Direktør, Grenaa
Finn Brødløs Direktør, Ø. Bjerregrav	Bent Kristensen Direktør, Mørke	René Sønderby Povlsen Købmand, Ugelbølle	Kristian Juul Thorsen Direktør, Nimtofte
Hans Gæmelke Proprietær, Ørsted	Jakob Tolstrup Kristensen Associate partner, Risskov	Connie Rasmussen Senior consultant/CFO Risskov	Lise Torp Projektleder, Skanderborg
Peter Høegh Bygmester, Kolind	Hans Jørgen Laursen Projektleder, Grenaa	Jørn Schmidt Brugsuddeler, Kolind	Ole Tåsti Tømrermester, Allingåbro
Bente Østergaard Høg Vice President, Allingåbro	Lars Martinussen Møbelhandler, Auning	Carsten Siegumfeldt Proprietær, Tørslev	
Mads Høgh Direktør, Aarhus	Jonna Madsen Sygeplejerske, Alligåbro	Lars Stehouwer Entreprenør, Egå	

Management and audit (continued)

Board of Directors

Chairman			
Peter Zacher Sørensen Advokat, Gjerrild	Bente Østergaard Høg Vice president, Allingåbro	Peter Pedersen Gårdejer, Nimtofte	Mikael Lykke Sørensen Ejendomsmægler, MDE Ebeltoft
Vice deputy			
Ejner Søby Finanschef, Vivild	Tina Klausen Afdelingsleder, Grenaa*	Jan B. Poulsen Administrationsmedarbejder Grenaa*	Uffe Vithen Direktør, Egå
Helle Bærentsen Souschef, Egå*			

* (Employee representative)

Board of Executives

Lars Møller Kristensen
Managing director, CEO

Auditor

Ernst & Young
Approved auditing company, Aarhus

Internal auditor

Cheif audit Executive
Jens Reckweg

DJURSLANDS BANK

Torvet 5 • DK-8500 Grenaa • Denmark • Telephone +45 8630 3055
CVR. no. 40 71 38 16