



Nordjyske Bank

NORDJYSKE BANK

Interim Report as at 30 June 2016

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Management Report

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Main points

1st half of 2016		The development in Nordjyske Bank is satisfactory
Core earnings		The expected core earnings of DKK 300-350 million are maintained
Operating costs		The bank's expenses are decreasing as expected
Write-downs		Write-downs amount to DKK 83 million and the expectations are adjusted
Business volume		Total business volume has increased to DKK 40.9 billion
Lending		Total lending has increased by DKK 100 million last year
Business		The bank's return on equity in the first 6 months is 7.2 percent per annum
Capital adequacy rate		Robust capital adequacy rate of 17.0 Solvency need of 10.4 percent

Management Report

Good core earnings in a market under pressure

Satisfactory development in basic earnings

Nordjyske Bank's basic earnings of DKK 172 million in the first six months of 2016 has been satisfactory.

Pre-tax result for the period is DKK 95 million, which pays interest on equity of 7.2 per cent per annum at the end of the half year. The bank estimates the result as satisfactory and maintains its expectations on core earnings for 2016.

Net interest income falls from DKK 267 million in the first six months of 2015 to DKK 240 million, while fee income decreases as a consequence of limited conversion activity and lower earnings on handling of unit trusts.

The bank's write-downs in the first six months of 2016 have increased to DKK 83 million compared with DKK 64 million in the same period last year. The relatively high level is to a great extent attributable to challenges for milk producers and pig farmers, who are under strong pressure by low settling prices.

Falling expenses

Total operating expenses, operating depreciations and merger costs fall by 43 million corresponding to a fall of 16 per cent compared with last year. The positive development is among other things attributable to synergy effects after the merger.

Operating expenses and operating depreciations exclusive of merger costs have decreased by DKK 7 million in the same period.

Expectations on the whole year

Nordjyske Bank expects continued pressure on the top line although the development in total business volume is positive in the first six months of 2016. The bank maintains its expectations of core earnings in the interval DKK 300-350 million in 2016.

As a consequence of the development in the agricultural sector, the bank adjusts its expectations on write-downs on lending and guaranties from DKK 145 million to the level of DKK 170 million, which is still connected to uncertainty in relation to the challenges of agriculture.

Pro forma statement

Reporting in this statement takes place based on pro forma statements for the purpose of increasing the information value and creating a better basis for assessment of the financial results and the development in the bank. This is further described on page 19.

Pro forma income statement summary (amounts in DKK million)	1st half 2016	1st half 2015	The year 2015
Interest income, net	240	267	513
Fees and commission income, net	163	198	359
Other operating income etc.	32	14	17
Core income	435	479	889
Operating costs and operating depreciation excl. merger costs	263	270	529
Core earnings before merger costs	172	209	360
Payments to the Resolution Fund and Guarantee Fund etc.	0	14	29
Write-downs on own lending etc.	83	64	206
Market Price regulations on securities, etc.	6	45	48
Pro forma result before merger costs	95	176	173
Merger costs	0	36	44
Pro forma pre-tax result	95	140	129
Pro forma regulations	-1	-52	-68
Pre-tax result according to the purchase method	94	88	61

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Development in business volume

Total business volume in Nordjyske Bank shows positive development. Deposits incl. pooled schemes, lending, and guarantees and the customers' safe custody values, amount to DKK 40.9 billion as at 30. June 2016.

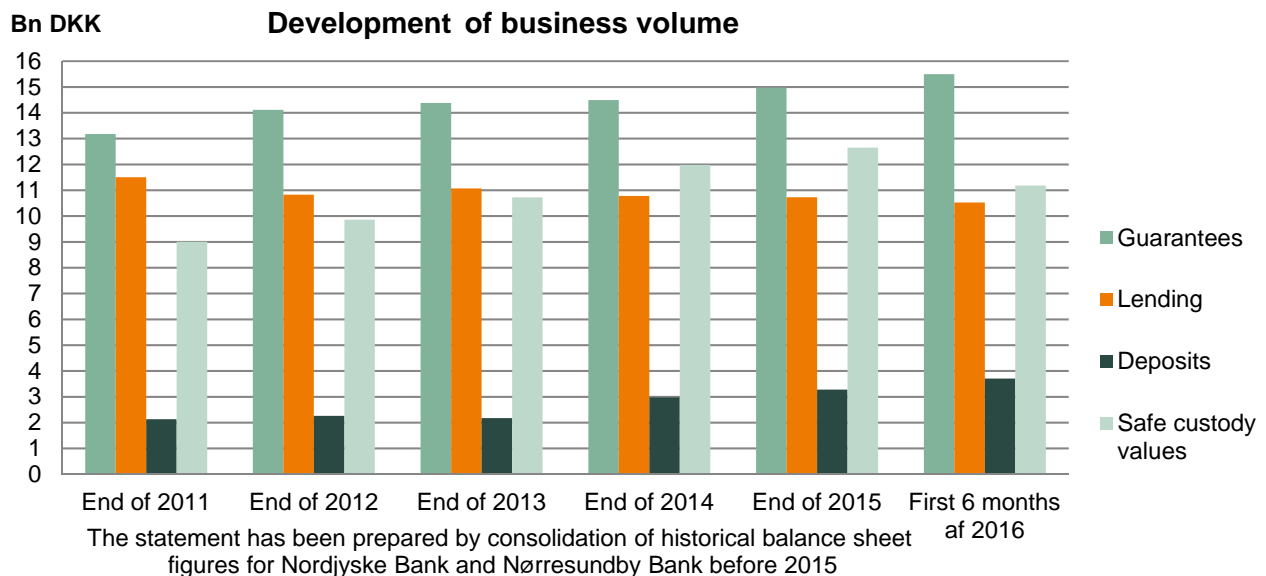
The 2nd quarter of 2016 in particular shows positive development in deposits and guarantees, whereas the customer safe custody market values are reduced as a consequence of market development.

It is positive to see that after the first six months of 2016, the bank's lending is just under DKK 100 million higher than the same period last year. This development should be seen in relation to an annual ordinary settlement of DKK 500-600 million.

Furthermore, it should be noticed that there are considerable unutilized credit facilities. First and foremost, these are commitments to building credits where the construction work has not yet begun. The building credits are primarily concentrated on the positive housing market in the Aalborg area, which the bank is an essential part of.

The activity in the provision of new loans via Totalkredit is also increasing in the 2nd quarter of 2016. This is positive and contributes to the considerable increase in guarantees.

Finally, the bank has focus on conversion of deposits to other investments with a view to ensuring better yield to the customers. However, the development in the share market has been negative in the 2nd quarter of 2016, which has contributed to a considerable fall in the customers' safe deposit values.



Selected balance sheet items (amounts in DKK million)	End of 2011	End of 2012	End of 2013	End of 2014	End of 2015	30 June 2016
Total assets	17,733	17,772	18,168	18,160	18,660	19,164
Lending	11,503	10,826	11,067	10,778	10,729	10,523
Guarantees	2,128	2,258	2,172	2,971	3,280	3,706
Deposits	13,177	14,115	14,379	14,488	14,975	15,494
Safe custody values	9,004	9,858	10,723	11,980	12,650	11,178

The historical balance sheet figures before 2015 are consolidated figures for Nordjyske Bank and Nørresundby Bank

Management Report

Development in North Jutland

Good development in North Jutland

Nordjyske Bank is primarily a local North Jutland bank and as such it is closely related to the development on the economy.

Happily, this very development is positive in many areas: unemployment in North Jutland is falling, housing prices are increasing and the North Jutland business life has positive expectation for the future.

Fall in unemployment in all North Jutland municipalities

The North Jutland labour market is prospering with a fall in unemployment in all North Jutland municipalities.

Unemployment in North Jutland is higher than on a national scale, but on the other hand the fall in unemployment is biggest in North Jutland. The result of the development is that now it begins to show signs of a shortage in particular of skilled workers, technicians and engineers in the region.

Increasing housing prices in North Jutland

Housing prices in Aalborg and the rest of North Jutland are still increasing. The price per square meter for houses has increased by 6.1 per cent, whereas the square meter price for flats has increased by 11.3 per cent in the past 12 months (cf. Boligsiden's calculations for June 2016). This means a considerable increase in the fortune of North Jutland homeowners resulting in more security and spending incitement.

Growth in population in several North Jutland municipalities

Aalborg Municipality has a continuous net growth in population of about 2,500 persons each year. This means an increase in demand for housing and contributes to a positive development in housing prices.

Several other North Jutland municipalities see an increase in the population, and this means increased optimism and activity, including trade and construction.

The population growth and the resulting shortage of housing boost the investment incitement in housing construction. Here we see a lot of construction work planned and in progress. At the same time there is a shortage of building sites for houses in Aalborg and other cities.

The building activities, which at the same time are positively affected by the new super hospital in Aalborg, create positive growth in several sectors.

Optimistic North Jutland business

Dansk Aktie Analyse has made a survey for Jyllands-Posten, which shows an increase in business of 41 per cent for the 50 largest North Jutland enterprises, corresponding to an increase of DKK 27 billion.

At the same time there are positive expectations for 2016 for smaller businesses, which among other things is shown by a survey made by the auditing firm BDO in Frederikshavn.

The optimistic signs and expectations are of great significance for the growth in the market area.

North Jutland agriculture still have great challenges

The animal production is still under pressure by low settling prices in the first six months of 2016. For parts of agriculture the combination of this with too much debt mean that it is very difficult to create reasonable operating results, whereas other farmers are able to create high efficiency and reasonable results.

The situation for agriculture is further discussed under credit and trade risks.

Management Report

Development in Nordjyske Bank and the expectations for 2016

Nordjyske Bank's business model and -principles build on a desire to service both private and business customers in an independent bank, where the power of decision is placed in the market area.

The bank offers individual consultancy to both private and business customers and expertise in all areas within payment handling, foreign business, credit handling, housing, funds, investment, pension and insurance. To do this, the bank has a number of competent collaborators.

At the end of the 1st half of 2016 Nordjyske Bank has 428 well-educated employees - recalculated into full-time employees.

Locally embedded banks' significance for growth

The Cevea think tank has analysed the locally embedded financial institutions' significance for growth in Denmark for The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark and Finansforbundet. The survey confirms that the local banks are a very significant partner when generating growth – in particular in the rural districts.

It has always been the opinion of Nordjyske Bank that it is of great significance that the power of decision and market insight are placed locally, which is to the benefit of customers and shareholders.

Merger synergies and implementation of strategy

Nordjyske Bank has used a lot of resources on finding the best solutions and processes on the merger of Nordjyske Bank and Nørresundby Bank and thereby ensuring that everybody work in the same direction. This process, in combination with the involvement of the entire organization in the implementation of a new strategy means that the bank has a good foundation for growth and efficiency.

The merger has resulted in good possibilities for handling larger commitments where Nordjyske Bank in particular is expecting good business opportunities in Aalborg and has committed itself to a number of larger projects.

A significant element in Nordjyske Bank's strategy is focus on growth, which is supported by a new business centre in Aalborg. In general, the bank estimates good prospects for growth in Aalborg, both in the business- and private segments.

*Decent
Dynamic
Competent*

At the same time, the bank wants focus on investment activities, where both the customers and the bank will obtain better earnings.

The strategy for 2016-2018 contains a strategic objective of return of equity of 9-11 per cent before tax in the strategy period.

Pressure is still on earnings

A continued pressure is still expected on the bank's top line. There is still limited demand for loans, which creates pressure on the interest rate margin. In addition, there is a pressure on the interest rate margin from the low market interest rates in general.

Limited conversion activity of mortgage loans is expected, and a reduction in earnings on provision of unit trust certificates is also expected.

Expectations for the result in 2016

Nordjyske Bank foresees unchanged core earnings in the interval DKK 300-350 million in 2016.

Core earnings have been calculated exclusive of value regulations on lending, before writing-downs on lending and guarantees, market price adjustments on securities and payment to the Resolution Fund. The total result will be influenced by the above items. The bank expects expenses to the Resolution Fund at the level of DKK one million.

Write-downs on lending and guarantees amount to a considerable uncertainty factor. As a consequence of the development in the agricultural sector, the bank is adjusting expectations on write-downs on lending and guarantees – calculated on a pro forma basis – from DKK 145 million to the level of DKK 170, which is still connected with uncertainty in relation to the challenges of agriculture.

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Pro forma result before tax

The pro forma calculated pre-tax result amounts to DKK 95 million in the first six months of 2016, which bears interest on equity as at 30 June 2016 of 7.2 per cent per annum.

The result for the first six months of 2015 amounted to DKK 140 million before tax and after merger costs to DKK 36 million.

Net interest and fee income and other operating income

Net interest income in the first six months of 2016 is affected by the market situation with a low interest rate level, limited demand for lending and competition in the lending area. Interest income from lending is DKK 34 million lower in the first six months of 2016 compared with the first six months of 2015, whereas interest expenses on deposits fall by DKK 12 million in the same period.

Interest income from bonds falls by DKK 7 million in the first six months of 2016 compared with the first six months of 2015.

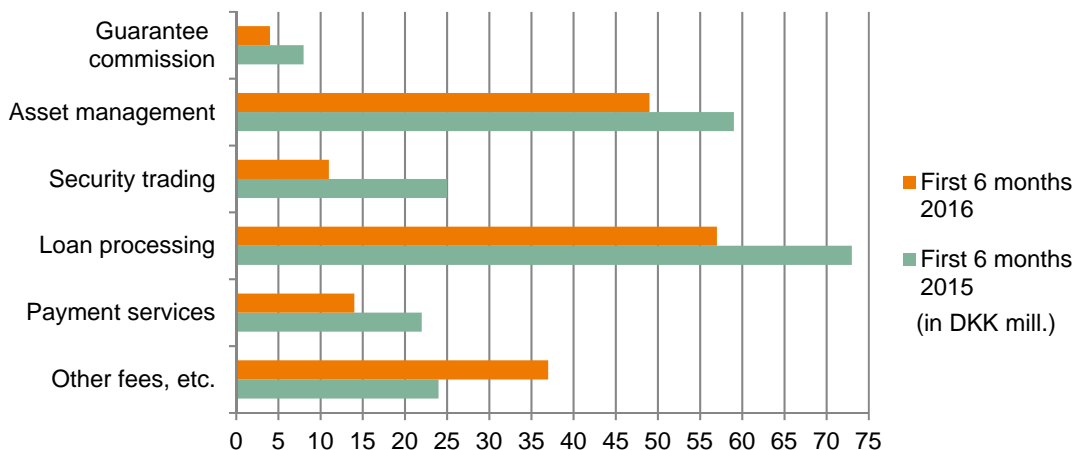
Net fee income amounts to DKK 163 million in the first six months of 2016 compared with DKK 198

million in the same period last year. The fall may be related to lower activity with conversion of mortgage loans, less income from establishing loans and less income from provision of unit trust certificates as a consequence of new MiFID II-rules.

The development should be seen in relation to the high activity level in the first six months of 2015 with conversion of mortgage loans and stock trade.

Under other operating income the bank has received dividend payments from sector companies in the 2nd quarter of 2016 as well as realised profit from property sale.

Development in fee income



Operating costs and depreciations

Operating costs and depreciations amount to DKK 263 million in the first six months of 2016, which is an amount saved of DKK 7 million compared with the first six months of 2015. In addition, there were merger costs of DKK 36 million in the first six months of 2015.

The bank has net savings on wages of DKK 14 million in the first six months of 2016 as a

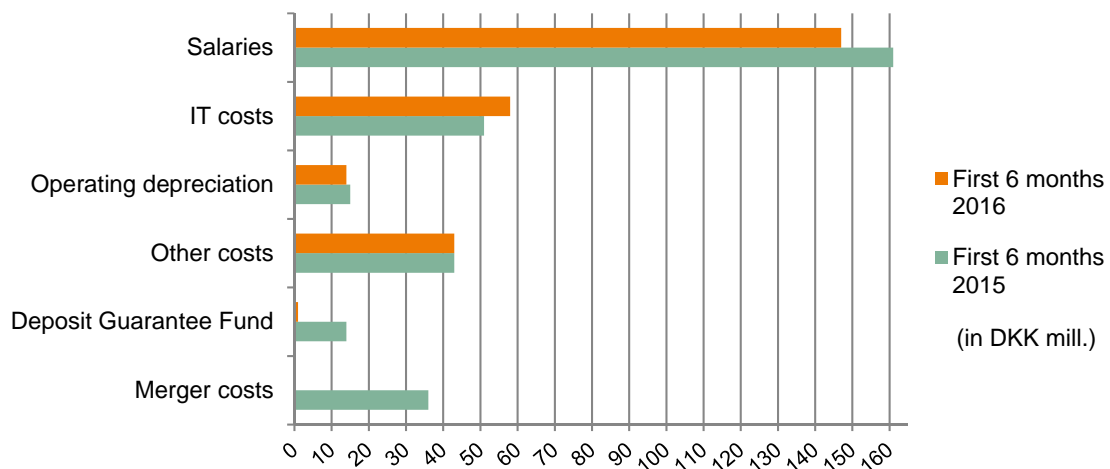
consequence of staff reductions, compared with the first six months of 2015.

In the savings an increase in the payroll tax as well as increase in wages are offset against the savings as a consequence of collective agreements and seniority.

There is an increase in IT costs in the first six months of 2016 compared with last year.

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Development in operating costs



Write-downs

Write-downs affect the interim accounts 2016 with DKK 83 million, corresponding to a write-down rate per annum of 1.1 of the bank's lending and guaranties.

The economic development in Danish commercial farming affects the bank's write-downs by DKK 69 million in the first six months of 2016, corresponding to 83 per cent. Agriculture's challenges are discussed under credit risks.

Accumulated write-downs, provisions and discounts amount to a total of DKK 1,192 million.

Write-downs on lending and guaranties – pro forma calculated (amounts in DKK mill.)	1st half 2016	1st half 2015
Write-downs on lending etc. valuated individually.	102	98
Write-downs on lending etc. valuated on a group basis	5	-7
Total Write-downs	107	91
Received on previously depreciated debts	3	5
Final loss, not previously written-down individually	3	2
Interest on written-down debt booked as income	24	24
Total influence on operations	83	64

Market price adjustments

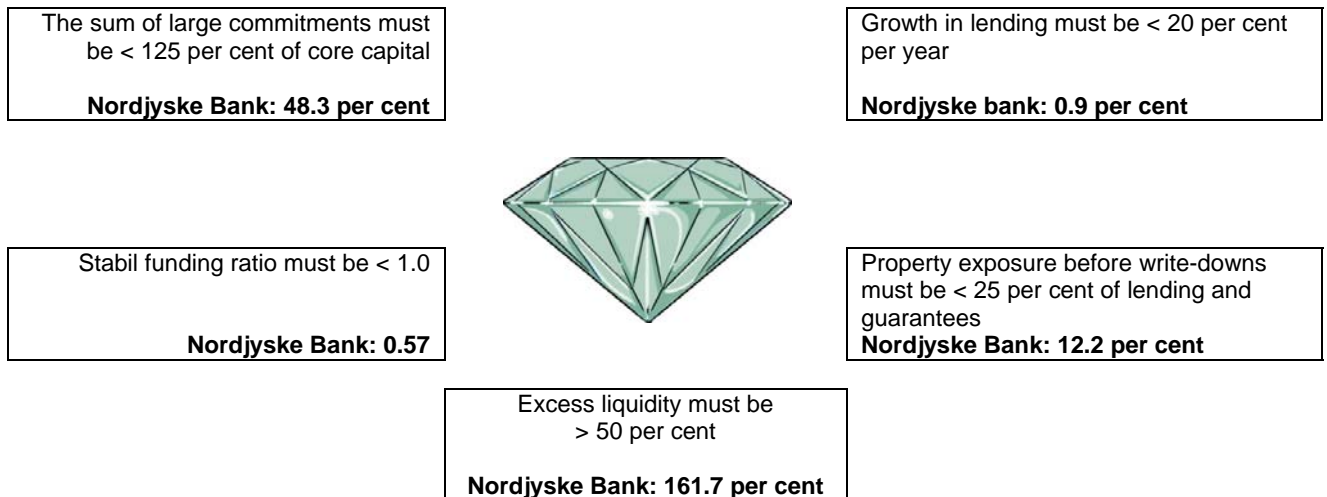
Market price adjustments contribute with DKK 6 million in the first six months of 2016.

The first six months of 2016 was a time of turbulence, with share crisis at the beginning of the year as a consequence of low oil prices and low expectations of growth and later as a consequence of Brexit. However, Nordjyske Bank's risks on shares are limited.

Market price adjustments on the share market has had a negative influence on the result by DKK 9 million, primarily as a consequence of payment of dividend on sector shares. Market price adjustments on bonds has contributed positively by DKK million.

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The Supervision Diamond



It appears from the above "Supervision Diamond" that Nordjyske Bank holds a good margin to the fixed limits.

The fixed limits are limits within five specific risk areas, where The Danish Financial Supervisory Authority has set the indicated limits. In principle the banks should in stay within these limits.

The Danish Financial Supervisory Authority has introduced a new limit which will be introduced as at 1 January 2018, where the purpose is to calculate the large scope of exposures that are below the current limit for large exposures. The sum of the 20 largest exposures in Nordjyske Bank in relation to the bank's actual core capital amounts to 157 per cent and consequently below the Danish Financial Supervisory Authority's limit of 175 per cent.

The Danish Financial Supervisory Authority

The Danish Financial Supervisory Authority performed an ordinary examination of Nordjyske Bank in June 2016. Both Nordjyske Bank and Nørresundby Bank had an ordinary examination in 2012 and it was expected that The Danish Financial Supervisory Authority would perform an ordinary examination in 2016.

Procurement of material for The Danish Financial Supervisory Authority as well as performance of the examination engaged a great deal of resources in the bank in the first six months of 2016.

The bank has not received the final conclusion of the examination, but based on the review the bank does not expect a need for further write-down and thus it will not affect the year's write-downs.

The Danish Financial Supervisory Authority's report is expected at the beginning of the fourth quarter of 2016.

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Capital

Nordjyske Bank's core capital primarily consist of equity of DKK 2,644 million and of subordinate capital at DKK 271 million, which was obtained in connection with the purchase of Nørresundby Bank.

The core capital of DKK 2,085 million is considerably affected by goodwill and customer relations as well as the ownership of sector shares, which in total involves a deduction in the core capital of DKK 771 million.

The bank's capital adequacy rate amounts to 17.0 as at 30 June 2016, whereas the core capital rate amounts to 14.8.

The bank's capital adequacy is calculated by means of the standard methods for the calculation of credit risks outside the trading portfolio and market risks. The operational risks are calculated by means of the so-called basic indicator method.

Pursuant to the provisions of the CRR regulations the bank shall publish detailed information about risks, capital structure, capital adequacy and risk management etc. This information appears from the risk report at the end of 2015 on the bank's homepage on www.nordjyskebank.dk.

The individual capital adequacy

Nordjyske Bank has calculated the individual capital adequacy at 10.4 per cent as at 30 June 2016 corresponding to adequate core capital of DKK 1,278 million.

Nordjyske Bank has used the credit reservation method – also called the 8+ method – in accordance with the instructions issued by the Danish Financial Supervisory Authority.

The bank's capital adequacy rate of 17.0 provides a capital adequacy rate of 165 per cent in relation to the individual solvency need, corresponding to excess solvency of 6.6 percentage points.

Interest risk

The bank's primary interest risk is attached to the bank's portfolio of bonds, which are related to the bank's cash management and liquidity management as well as fixed-interest deposits.

Most of the bank's lending and deposit activities as well as accounts with credit institutions have for most parts been entered into on a variable basis.

Core capital / risk-weighted items (amounts in million DKK)	30 June 2016	30 June 2015
Equity	2,644	2,650
Deduction of:		
- Calculated dividend and unused share of framework for purchase of own shares	52	57
- goodwill and customer relations	466	495
- cautious valuation	4	0
- investments in financial companies	305	311
- other investments in financial companies	3	0
Addition of subordinate capital	271	270
Core capital	2,085	2,057
Risk-weighted items	12,298	12,270
Capital adequacy rate	17.0	16.8
Core capital rate	14.8	14.6

[Information about the calculated individual capital adequacy is found in the solvency report on the bank's homepage \[www.nordjyskebank.dk\]\(http://www.nordjyskebank.dk\)](#)

Information about sufficient core capital and individual capital adequacy appears from the bank's appears from the bank's solvency report, which is available on the bank's homepage on www.nordjyskebank.dk.

Nordjyske Bank's interest risk amounts to 0.9 per cent as at 30 June 2016.

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Liquidity

The bank's liquidity goal is that ordinary deposits from customers and equity shall finance loans to customers.

Liquidity in the form deposits and equity, amounts to DKK 18,138 million as at 30 June 2016 resulting in excess liquidity of DKK 7,615 million compared with lending.

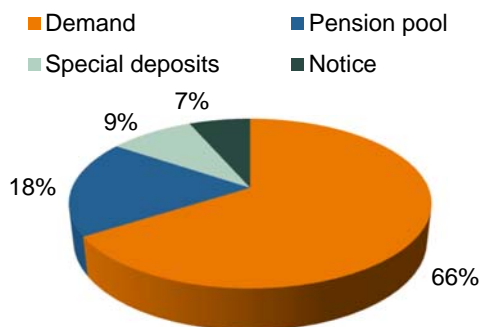
Nordjyske Bank's excess deposits in compared with lending, amount to DKK 4,971 million as at 30 June 2016, leading to a very comfortable liquidity situation.

Deposits / lending (amounts in million DKK)	30 June 2016	30 June 2015
Deposits	15,494	15,206
Lending	10,523	10,427
Excess deposits	4,971	4,779

Nordjyske Bank's deposits are stable and ordinary deposits. 82 per cent of the deposits are covered by the Guarantee Fund.

No deposits amount to more than 1 per cent of total deposits, and the 10 largest deposits amount to less than 5 per cent of total deposits. The bank is not dependent of expensive fixed-term deposits.

Deposits by category:



The bank's funding ratio – where subordinate capital infusion is included in addition to deposits and equity – amounts to 0.57.

Excess liquidity calculated pursuant to S. 152 of the Financial Business Act as at 30 June 2016 is 162 per cent, corresponding to DKK 3,227 million, which is very comfortable.

The liquidity key figure LCR covers a requirement that the bank shall have adequate highly liquid assets to be able to withstand 30 days' liquidity stress (outflow). There are gradual phasing-in rules which means that the bank shall cover 70 per cent as at 31 March 2016 increasing to 100 per cent at the beginning of 2018. LCR for the bank can be calculated to 477 per cent as at 30 June 2016.

It is the management's opinion that Nordjyske Bank has a very satisfactory liquidity situation.

Stable funding (amounts in million DKK)	30 June 2016	30 June 2015
Lending	10,523	10,427
Equity	2,644	2,650
Deposits	15,494	15,206
Subordinate capital infusion	271	270
Funding	18,409	18,126
Excess amount	7,886	7,699
Funding ratio	0.57	0.58

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Credit risks

Key credit figures	30/6 2016	30/6 2015
Lending in relation to equity	4.0	3.9
Period's loan growth as a percentage *)	-1.9	-3.3
Total large exposures as a percentage of adjusted capital base	48.3	15.8
Period's write-down percentage per annum *)	1.1	0.8
Accumulated write-down percentage *)	7.7	7.2

**) calculated on pro forma figures*

Nordjyske Bank has a lending gearing of 4.0 which provides good possibilities for growth in lending with the current capital.

Credit policy

The bank's business model and credit policy imply an adequately cautious risk profile in the credit area. The credit policy sets the framework for the bank's credit risks and ensures a balanced relation between revenue and risks. Credit processing shall ensure that the bank only takes calculated credit risks.

In the bank's guidelines and risk management there is great focus on concentration risks. In areas where the bank has chosen to have large concentrations, the bank has correspondingly great competences and long-time experience.

The risk profile of the credit policy is fixed with basis in the areas where the bank has physical representation.

As part of the bank's credit granting and credit management, a credit rating model is used which on an ongoing basis is adjusted to the guidelines from the Danish Financial Supervisory Authority.

In the bank's credit portfolio some credit and guarantees are challenged. At the same time, it is important to notice that 78 per cent of the bank's lending and guarantees are without weaknesses.

The bank performs tests of credit rating on an ongoing basis with a view to establishing the model's ability to still catch commitments threatened by loss and write-down. Furthermore, the bank performs on a quarterly basis, among other things, a stress test of the bank's lending and guarantee portfolio.

Trade risks

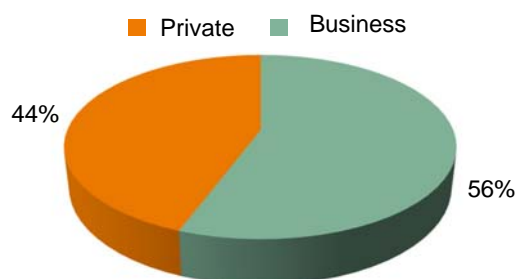
The bank's total lending is distributed with 59% to business and 41% to private customers and amounts to a total of DKK 10,523 million.

Lending shows a minor increase of DKK 96 million compared with 30 June 2015.

Lending by sector (amounts in DKK million)	30 June 2016	30 June 2015
Business	6,217	6,108
Private customers	4,304	4,315
Public authorities	2	4
Lending, total	10,523	10,427

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Distribution of lending and guarantees as at 30 June 2016



Nordjyske Bank's total loans and guarantees as at 30 June 2016 are distributed with 56 per cent to businesses and 44 per cent to private customers.

The bank's goal is a minimum of 35 per cent loan and guarantees to private customers which provides good possibilities for growth on both the business and private customer segments. The risk on the private segment is estimated to be smaller than on the business segment.

Private customers typically experience major financial challenges in case of unemployment or in situations which may force house sales, divorce, for example.

In general price fluctuations on properties have been smaller in North Jutland than other areas of the country both before and after the crisis, and the bank has had limited challenges with properties that are technically mortgaged beyond their value. The continued low interest rate is also positive for private customers' economy.

At the same time positive price development on the housing market is seen as mentioned under development in North Jutland.

The bank has a positive assessment of the credit risk on the portfolio of mortgage loans with Totalkredit. 84 per cent of the bank's share of loans with Totalkredit have mortgaging of less than 60 per cent of the technically calculated value of the properties and thereby have some equity. At the same time 50 per cent of the bank's customers pay instalments on the loans with Totalkredit and 52 per cent pay fixed interest. This is a higher share of loans with instalments and with fixed interest than average with Totalkredit.

Distribution as at 31 March 2016 (amounts in DKK million.)	Lending and guarantees before write-down	Accumulated write-downs and market value reductions	in %	Lending and guarantees after write-down	The year's operating write-downs
Plant growing	533	18	3 %	515	3
Cattle breeding	363	132	36 %	231	17
Pig breeding	725	255	35 %	470	48
Fur farming	100	3	3 %	97	1
Total, Danish commercial farming	1,721	408	24 %	1,313	69
Fishing, farming abroad (EU) etc.	815	13	2 %	802	0
Farming etc., total	2,536	421	17 %	2,115	69
Real property	1,869	164	9 %	1,705	12
Other lines of business	4,374	228	5 %	4,147	4
Business in total	8,779	813	9 %	7,967	85
Private customers	6,640	326	5 %	6,314	17
Public authorities	2	0	0 %	2	0
	15,421	1,139	7 %	14,283	102
Write-downs on a group basis		53		-53	5
Final loss, not previously individually written down					3
Paid into previously depreciated debt, interest etc.					27
Total	15,421	1,192	8 %	14,230	83

Nordjyske Bank's business model and credit policy set the framework for the bank's trade concentrations. It is the opinion of the management that as a local bank, Nordjyske Bank has a natural task in financing both the agriculture and property areas. The bank has a market area, where agriculture and property are of great significance.

At the same time the fishing industry is an important trade in the primary market area. The bank's lending and guarantees to the fishing industry amount to 2.2 per cent of the bank's total lending and guarantees. Exposure to Danish commercial farming and the property industry will be discussed later.

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Agriculture exposure

For some time, agriculture has been challenged with low settling prices on animal production, which for parts of agriculture has been unsustainable in combination with great debts. At the same time, the framework conditions have made the basis for farming operation difficult.

Milk producers and pig farmers still have the biggest financial challenges, whereas plant growers and fur farmers as a whole deliver reasonable operating results.

The low and dropping settling prices on milk are due to a combination of several conditions, including not least a large growth in the milk production in the EU after the milk quotas were discontinued as at 1 April 2015. In addition, export to the two important markets Russia and China has been struck by political disagreements with Russia with import ban as a consequence, and less import in China, where the Chinese stocks are being used.

Agriculture's knowledge center, SEGES, has adjusted the prognosis for the operating results for milk producers to bigger loss for the average full time farm in 2016 and zero-result in 2017 before payment to the farmer and any necessary investments.

Since the beginning of June 2016 there have been better settling prices on pigs, which in particular is due to large demand from China due to lower local production. However, Danish Crown anticipates that the demand from China may fall in 2017 as a consequence of plans for larger local production. On the other hand, Danish Agriculture and Food expects falling production in the EU.

It is decisive, in particular for milk producers and pig farmers that agriculture has a high degree of efficiency. SEGES expects the best third of all full-time farms will have a positive operating result of about DKK one million for 2015. Their prognosis for 2016 is an operating result for this group of DKK 0.4 million, whereas the prognosis for 2017 is DKK one million. This shows that in this period a number of farms will be able to create good results.

Therefore, the bank pays great attention to the efficiency of each farm when establishing agreements and action plans. In some cases, profitable operation may be created, but in other cases there is a need for us to help farmers out of the business

Lending and guarantees to Danish commercial farming amount to 9.2 per cent of total lending and guarantees as at 30 June 2016.

Nordjyske Bank has reserved write-downs and provisions and discounts for commitments with Danish commercial farming of DKK 408 million, corresponding to 24 per cent of lending and guarantees to Danish commercial farming.

The bank's lending and guarantees to the challenged animal production amount to 1.6 per cent to milk producers and 3.3 per cent to pig farmers of the total lending and guarantees. DKK 387 million are reserved to animal production, corresponding to 36 per cent of lending and guarantees.

Lending to plant growing in the EU

Nordjyske Bank has lending to plant growing in the EU of less than 3 per cent of the bank's lending and guarantees. These loans are assessed to be of a very limited risk of loss potential to the bank, as they are secured as priority lien and with regard to security supplemented by guarantee from the Danish Export Credit Fund. Furthermore, the debtors' soundness is more than 45 per cent.

Capital adequacy and stress test

When calculating the capital adequacy, the bank reserves provisions for any losses on commitments with material weaknesses but no OIV. Furthermore, provisions are made for additional losses from commitments through write-downs, provisions and market price adjustments.

In addition to the bank's write-downs etc. at DKK 408 million to Danish commercial farming, the bank has reserved capital to agriculture commitments for revaluation of securities and for loss as a consequence of general operating problems and the current agriculture crisis of DKK 287 million.

Nordjyske Bank performs stress tests on an ongoing basis on the bank's exposures. The stress test at the end of March 2016 on the bank's agriculture portfolio shows that the current difficulties for agriculture cannot threaten the bank. If the bank loses the entire unsecured part on all the agriculture commitment, the bank will still have a capital adequacy ratio above the capital adequacy. It is the bank's opinion that this scenario is not likely.

Management Report

Property exposure

Aalborg sees a great population growth. The growth, originating both from students, seniors and families, creates a need for a great number of new housing units. As a consequence of this there is great activity with building of new housing units of various types, both flats for seniors and students and other types of housing for families. At the same time there is a positive development in prices in North Jutland

It is satisfactory that the bank has contributed to a great extent to property financing in both the non-profit- and the private housing sectors, and during the past six months building credits amounting to half a billion DKK have been granted, but not yet utilized.

The property sector, including in particular the housing market in Aalborg, represents an essential sector in the bank's primary market area. Nordjyske Bank has lending and guarantees to the property sector of 12.0 per cent of total lending and guarantees. As a consequence of the concentration, the bank has a natural focus on the property sector and its exposure.

Out of the bank's property exposure, more than 30 per cent is related to lending etc. to the non-profit housing sector, where the risk image is estimated to be lower as a consequence of a special financing model.

Management Report

Subsidiary

Nordjyske Bank has a subsidiary as the bank owns the entire share capital of Sæbygård Skov A/S.

The result of the subsidiary for the first six months of 2016 is included in the bank's income statement under "result of investments in associated businesses and subsidiaries".

The shares have been included at DKK 11.5 million, which is the book value.

Group financial statements have not been prepared, as the activities of the subsidiary, both regarding balance sheet and result, are immaterial compared with those of the bank.

Uncertainty in relation to inclusion and calculation

The period's result has not been affected by unusual conditions – except for those already stated in the Management Report.

No events have occurred after the end of the financial year which will affect the bank's result for the first six months of 2016, the bank's assets and liabilities, and its financial position as at 30 June 2016.

Estimates have been made when calculating the book values. The estimates made are based on assumptions which the management finds reasonable.

The most significant estimates apply to

- write-downs on lending and receivables where quantification of the risk of missing future payments involves material estimates – not least in the agricultural area,
- valuation of intangible assets, regarding quantification of future earnings and the rate of interest used for the calculation,
- valuation of properties, regarding the interest rates used for calculations and the internal rental value, and

- valuation of unlisted sector shares, cf. below.

Unlisted shares in companies owned by the bank jointly with a number of other banks, etc. – the so-called sector shares – are valued at market price. Decision of the market value is based on available information about current trades, e.g. in connection with redistribution among the shareholders (corresponding to level 2-input cf. definition in IFRS 13). If no current market data is available, the market value is estimated on the basis of information from the companies' accounts, experience in trade in shares in the companies in question, and input from qualified external party (corresponding to level 3-input cf. definition in IFRS 13).

Other unlisted securities are valued as far as possible at market value according to similar principles. If it is not possible to perform reliable calculation at market value, the security is included at cost price less write-downs.

Management Report

Applied accounting methods

The bank presents a pro forma calculated operating result in the management report, and the comments in the report are based on the pro forma calculated results. The purpose of this is to show results corresponding to Nordjyske Bank and Nørresundby Bank having been one bank and thereby presenting the actual development.

Revaluation of the acquired loans, including loans from Nørresundby Bank, are included in write-downs on loans, etc., just like acquired loans that have been improved in quality, have been reversed under write-downs on lending etc.

In the pro forma calculation, interest income and write-downs are thus reduced and provide a more true and fair picture of the actual development in both items.

It is the opinion of the management that this provides the most adequate picture of the bank's performance – in part as a consequence of the fact that the figures for Nørresundby Bank are not included in the same way as Nordjyske Bank's figures in 2015, and in part as a consequence of the requirements of the accounting rules on processing of write-downs from Nørresundby Bank.

The merger between Nordjyske Bank and Nørresundby Bank took place on 31 March 2015, as Nordjyske Bank acquired Nørresundby Bank on 27 February 2015 and the banks merged on 31 March 2015.

The merger took place according to the so-called purchase method and the statement account, balance sheet, notes, etc. of the interim report as at 30 June 2016 are in the following prepared according to the current regulations pursuant to the purchase method. In the following section the income statement and balance sheet are commented on pursuant to the purchase method.

Comparative figures for account items for 2015 in the interim report do not include figures from Nørresundby Bank prior to the merger to their full extent, which limits the value of comparison. Nørresundby Bank's operating results for January and February 2015 are only included in the acquired values. Furthermore, Nørresundby Bank's realised operating result for the month of March 2015 is only included as a single amount under the item "result of investments in associated and group companies".

To some extent this affects key figures for 2015. Corrections on this have been made in the pro forma statement.

Income statement according to the purchase method in outline

- Net interest and fee income amount to DKK 474.8 mill. in the first six months of 2016 compared with DKK 378.6 mill. in the 1st half of 2015. The increase is primarily due to the fact that account figures for Nørresundby Bank are not included in the statement for 1st quarter of 2015. In addition, income is under pressure by low interest rates and increasing competition.
- The market price adjustments are positive with DKK 5.8 mill. The first six months of 2016 has a total positive market price adjustment on bonds of DKK 9.0 mill. and a negative market price adjustment on shares etc. of DKK 8.8 mill.
- Staff and administration costs amount to DKK 248.1 mill. in the first six months of 2016 compared with DKK 217.9 mill. in the first six months of 2015. The increase is due to the fact that operating income is not included for Nørresundby Bank for the 1st quarter of 2015. Included in the expenses for 2016 are wages etc. of DKK 146.6 mill. and other administration costs of DKK 101.5 mill.
- The result of investments in associated and group companies is negative by DKK 23,000 compared with last year's income in the same period of DKK 24.5 mill., which primarily reflected that the operating result for March 2015 in Nørresundby Bank was entered in the income statement as income on this item.
- Write-downs on lending etc. have been charged to the income statement with DKK 133.4 mill.
- Under the accounts item "Other operating costs" app. DKK 0.6 mill. have been charged to the income statement to the Resolution Fund.
- Pre-tax result amounts to DKK 93.9 mill. and after tax DKK 70.9 mill. in the first six months of 2016.

Management Report

Balance Sheet according to the purchase method in overview

- The total balance sheet as at 30 June 2016 amounts to DKK 19.2 bn. compared with DKK 19.3 bn. as at 30 June 2015.
- The bank's lending amounts to DKK 10.5 bn. and deposits amount to DKK 15.5 bn. as at 30 June 2016.
- Goodwill and customer relations in connection with the purchase of Nørresundby Bank are included under the item intangible assets with app. DKK 466 mill.
- Subordinate capital infusion (Tier 2) of DKK 271 mill has been raised as part of the financing of the purchase price for Nørresundby Bank.
- Nordjyske Bank's share capital amounts to DKK 183,645,150 and equity amounts to DKK 2.64 billion at the end of June 2016.
- Total contingent obligations amount to DKK 3.7 billion as at 30 June 2016.

Shareholders

The bank's share capital of DKK 183.6 million is divided into 18,364,515 shares of DKK 10 each. The shares have been adopted for listing at Nasdaq Copenhagen A/S.

The price for the Nordjyske Bank share was 88.00 per share as at 30 June 2016.

Large shareholder

Nordjyske Bank has one large shareholder as Jyske Bank A/S announced on 21 March 2016 that they own more than 33.3 per cent of the share capital in Nordjyske Bank A/S

In Nordjyske Banks' articles of association there is a ceiling of votes of 1,000 votes, which means that Jyske Bank's voting power has not been changed as a consequence of this.

Financial calendar 2016

15.11.2016

Publication of interim report as at 30 September 2016

Interim Accounts

As at 30 June 2016



Interim Report

Endorsements

We have today approved the interim report for the period 1 January - 30 June 2016 for Nordjyske Bank A/S.

The interim report has been prepared in accordance with the Danish Financial Activities Act and also in accordance with additional Danish disclosure requirements for interim reports for listed financial companies.

We consider the accounting policy chosen to be appropriate and that the financial statements for the period 1 January - 30 June 2016 provide a correct representation of the bank's assets and liabilities, its financial position and the result.

Frederikshavn, 11 August 2016

Executive Board

Claus Andersen
Managing Director

Carl Pedersen
Vice-managing Director

Mikael Jakobsen
Vice-managing Director

/Pia Foss Henriksen
Financial manager

Board of Directors

Mads Hvolby
Chairman

Hans Jørgen Kaptain
Deputy chairman

Per Lykkegaard Christensen

Morten Jensen

Poul Søe Jeppesen

Henrik Lintner

Sten Uggerhøj

John Chr. Aasted

Hanne Karlshøj

Helle Juul Lynge

Arne Ugilt

Finn Aaen

Interim Report

Income Statement

Amounts in DKK 1,000	note	1/1 - 30/6 2016	1/1 - 30/6 2015	1/1 - 31/12 2015
Interest earnings	3	315,688	251,845	582,217
Interest expenses	4	25,655	29,079	62,235
Net interest earnings		290,033	222,766	519,982
Dividend from shares, etc.		22,034	10,021	10,034
Fees and commission earnings	6	171,767	153,764	327,347
Fees and commission costs paid		9,058	7,995	19,851
Net interest and fee earnings		474,776	378,556	837,512
Market value adjustments	7	5,763	17,853	20,958
Other operating income		10,160	2,664	5,193
Staff and administration costs	8	248,078	217,919	466,039
Depreciation and write-downs on intangible and tangible assets	9	14,415	9,513	26,683
Other operating costs		882	11,196	27,673
Write-down on lending and receivables, etc.		133,386	97,388	307,077
Result of investments in associated and group companies	-	23	24,464	25,000
Pre-tax result		93,915	87,521	61,191
Tax	10	23,052	10,483	7,528
Result for the period		70,863	77,038	53,663

Total income statement

Amounts in DKK 1,000	note	1/1 - 30/6 2016	1/1 - 30/6 2015	1/1 - 31/12 2015
Result of the period		70,863	77,038	53,663
Increases in the reassessed value of headquarters property	-	415	0	8,775
Tax conc. increases in the reassessed value of headquarters property	9	9	0	334
Provisions for pension obligations		0	0	355
Tax conc. provisions for pension obligations		0	0	17
Total income for the period		70,457	77,038	44,216

Interim Report

Balance Sheet

Assets		As at 30/6	As at 30/6	As at 31/12
Amounts in DKK 1,000	note	2016	2015	2015
Cash and demand deposits with central banks		722,153	991,208	349,848
Receivables from financial institutions and central banks	11	981,124	1,549,616	755,836
Lending and other receivables at amortised cost price	12+13	10,523,049	10,426,590	10,729,109
Bonds at current value		2,665,837	2,158,182	2,556,847
Shares, etc.		556,240	561,372	580,850
Investments in associated companies		11,525	11,511	11,548
Assets related to pooled schemes		2,709,373	2,561,560	2,668,272
Intangible assets	14	466,064	495,204	477,079
Sites and buildings, total		271,287	298,612	303,003
- Investment properties		78,817	82,667	73,715
- Headquarters properties		192,470	215,945	229,288
Other tangible assets		10,712	7,051	8,548
Assets in temporary possession		17,802	10,722	45,119
Other assets		218,143	177,115	162,965
Accrued expenses and deferred income		10,728	23,216	10,999
Total assets		19,164,037	19,271,959	18,660,023

InterimReport

Balance Sheet

Liabilities		As at 30/6 2016	As at 30/6 2015	As at 31/12 2015
Amounts in DKK 1,000	note			
Debts				
Debt to financial institutions and central banks	15	440,594	695,862	454,118
Total deposits		15,493,531	15,205,998	14,975,173
- deposits and other debt	16	12,629,979	12,510,201	12,172,764
- deposits in pooled schemes		2,863,552	2,695,797	2,802,409
Current tax liabilities		30,333	25,284	13,741
Other liabilities		225,467	371,356	266,987
Accrued expenses and deferred income		6,479	4,247	185
Total debts		16,196,404	16,302,747	15,710,204
Provisions made				
Provisions for pensions and similar obligations		10,479	9,417	9,758
Provisions for deferred tax		25,561	27,563	29,158
Provisions for loss from guarantees		8,984	6,410	7,182
Other provisions		7,320	5,131	15,758
Total provisions		52,344	48,521	61,856
Subordinated capital investments	17	271,242	270,217	270,729
Equity				
Share capital		183,645	183,645	183,645
Share premium account		0	622,954	0
Provisions for appreciation		18,047	42,718	33,680
Other reserves				
- statutory provisions		3,279	3,265	3,303
Profits carried forward		2,439,076	1,797,892	2,352,531
Proposed dividend		0	0	44,075
Total equity		2,644,047	2,650,474	2,617,234
Total liabilities		19,164,037	19,271,959	18,660,023
Contingent liabilities	18	3,706,291	3,606,074	3,280,329

Interim Report

Equity Movements

Amounts in DKK 1,000	As at 30/6 2016	As at 30/6 2015	As at 31/12 2015
Share capital			
Share capital, start of the period	183,645	77,200	77,200
Increase from merger (4,229,911 shares)	0	42,299	42,299
Increase from merger (293,099 shares)	0	2,931	2,931
Increase from issue (6,121,505 shares)	0	61,215	61,215
Share capital, end of the period	<u>183,645</u>	<u>183,645</u>	<u>183,645</u>
Premium from issue (free reserves)			
Premium from issue, start of the period	0	0	0
Cancellation of own shares	0	0	- 2,966
Capital increase less costs	0	622,954	630,879
Transferred to transferred dividend	0	0	- 627,913
Premium from issue, end of the period	<u>0</u>	<u>622,954</u>	<u>0</u>
Provisions for appreciation			
Provisions for appreciation, start of the period	33,680	25,444	25,444
Additions from merger	0	18,860	18,860
Other total income			
- revaluation headquarters properties	- 415	0	- 8,775
- tax conc. revaluation headquarters properties	9	0	- 334
Disposals from sale or altered use	- 15,227	- 1,586	- 1,515
Provisions for appreciation, end of the period	<u>18,047</u>	<u>42,718</u>	<u>33,680</u>
Other reserves			
Statutory reserves, start of the period	3,303	3,137	3,137
Result for the period (result for the year)	- 24	128	166
Statutory reserves, end of the period	<u>3,279</u>	<u>3,265</u>	<u>3,303</u>
Profits carried forward			
Profits carried forward, start of the period	2,352,531	1,292,350	1,292,350
Addition from acquisition and merger	0	491,095	485,772
- transferred to increase of share capital	0	- 45,230	- 45,230
- transferred to provisions for appreciation	0	- 18,860	- 18,860
Transferred from premium at issue	0	0	627,913
Result for the period	70,863	77,038	9,588
Dividend from own shares	43	45	45
Purchase/sale of own shares	46	- 4	- 58
Transferred to other reserves	24	- 128	- 166
Revaluation reserve, realised	15,569	1,586	1,515
Other total income			
- Provisions for pension obligations	0	0	- 355
- Tax conc. Provisions for pension obligations	0	0	17
Profits carried forward, end of the period	<u>2,439,076</u>	<u>1,797,892</u>	<u>2,352,531</u>

Interim Report

Equity Movements (continued)

Amounts in DKK 1,000	As at 30/6 2016	As at 30/6 2015	As at 31/12 2015
Proposed dividend			
Proposed dividend, start of the year	44,075	23,160	23,160
Dividend paid	- 44,075	- 23,160	- 23,160
Proposed dividend, end of the year	0	0	44,075
	<u>0</u>	<u>0</u>	<u>44,075</u>
Equity, end of the period	<u>2,644,047</u>	<u>2,650,474</u>	<u>2,617,234</u>

Interim Report

Capital base (solvency)

Amounts in DKK 1,000	As at 30/6 2016	As at 30/6 2015	As at 31/12 2015
Equity	2,644,046	2,650,474	2,617,234
Deductions:			
Proposed dividend	0	0	44,075
Intangible assets	466,064	495,204	477,079
Insignificant investments in units in the financial sector	305,471	311,402	329,687
Conservative valuation	4,023	0	3,930
Other deductions	51,872	57,579	13,922
Actual core capital after deductions	1,816,616	1,786,289	1,748,541
Supplementary capital	271,242	270,217	270,729
Deductions:			
Insignificant investments in units in the financial sector	2,963	0	0
Core capital	2,084,895	2,056,506	2,019,270
Capital adequacy pursuant to Article 92 in the EU regulation no. 575/2013	983,863	981,602	991,102
Risk exposure			
Total risk exposure	12,298,284	12,270,023	12,388,777
Actual core capital rate	14.8	14.6	14.1
Core capital rate	14.8	14.6	14.1
Capital adequacy rate	17.0	16.8	16.3
Solvency needs	10.4	9.9	10.1

Capital and capital adequacy have been calculated according to regulation (EU) no. 575/2013 og directive 2013/36 EU of 26 June 2013 of the European Parliament and Council.

The bank uses the standard method for credit and market risks and the indicator approach for operational risks.

Interim Report

Accounting Policy

This interim report has been prepared in accordance with the Financial Business Act and the Danish FSA "Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.". The stipulations in the Danish FSA Executive Order are consistent with the stipulations about inclusion and calculation in the international accounting standards (IAS/IFRS), and Nasdaq OMXCopenhagen A/S's disclosure requirements for listed companies.

The accounting policy is unchanged compared with the most recent financial year. However, adjustments have been made in a few notes and statements, including adjustment of comparative figures. For further information regarding the accounting policy, please refer to Nordjyske Bank's Annual Report 2015 at www.nordjyskebank.dk/ombanken/investorrelations

Interim Report

Notes

1. Key figures - Presentation and key figure system of the Danish Financial Supervisory Authority (amounts in mill. DKK)	1/1 - 30/6 2016	1/1 - 30/6 2015	1/1 - 31/12 2015
Income statement			
Net interest earnings *)	290.0	222.8	520.0
Fees and commission earnings, net	162.7	145.8	307.5
Net interest and fee earnings	474.8	378.6	837.5
Market value adjustments	5.8	17.9	21.0
Staff and administration costs	248.1	217.9	466.0
Write-downs on lending and receivables, etc.	133.4	97.4	307.1
Result of investments in associated and group companies	0.0	24.5	25.0
Pre-tax result	93.9	87.5	61.2
Result for the period	70.9	77.0	53.7
Other comprehensive income	- 0.4	0.0	- 9.4
Total sales	497.6	408.3	914.8
	As at 30/6 2016	As at 30/6 2015	As at 31/12 2015
Balance Sheet:			
Lending	10,523	10,427	10,729
Bonds	2,666	2,158	2,557
Shares, etc	556	561	581
Investments in associated and group companies	12	12	12
Investment properties	79	83	74
Headquarters properties	192	216	229
Assets in temporary possession	18	11	45
Deposits, incl. pooled schemes	15,494	15,206	14,975
Subordinated capital investments	271	270	271
Equity	2,644	2,650	2,617
Total assets	19,164	19,272	18,660
Guarantees	3,706	3,606	3,280

*) Net interest income includes as at 30/6 2016 DKK 45.0 mill. (2015: DKK 18.6 mill. / DKK 58.6 mill.), which relate to the discount share booked as income on acquired commitments from Nørresundby Bank.

Interim Report

Notes

2. Key figures	1/1 - 30/6 2016	1/1 - 30/6 2015	1/1 - 31/12 2015
Capital adequacy			
Capital adequacy percentage	17.0	16.8	16.3
Core capital percentage	14.8	14.6	14.1
Earnings			
Result before tax / average equity % p.a.	7.1	8.6	3.0
Result after tax / average equity % p.a.	5.4	7.6	2.7
Earnings per cost krone	1.2	1.3	1.1
Return on net assets as a percentage after tax p.a.	0.7	0.8	0.3
Market risks			
Interest rate risk as a percentage of core capital	0.9	-	0.1
Currency position as a percentage of core capital	0.4	1.9	0.6
Currency risk as a percentage of core capital	0.0	0.0	0.0
Credit Risks			
Lending in relation to equity (Gearing)	4.0	3.9	4.1
Lending growth for the period as a percentage	-	1.9	89.6
Total large exposures as a percentage of capital base	48.3	15.8	27.5
Write-down percentage p.a. for the period	1.8	1.4	2.0
Accumulated write-down percentage	6.4	5.2	5.7
Accumulated write-down percentage incl. revaluation *)	7.8	7.4	7.5
Property exposure before write-downs	12.2	12.9	12.4
Liquidity risks			
Lending incl. write-downs in relation to deposits as a percentage	74.2	73.6	77.3
	161.7	200.0	142.0
Stable funding-ratio	0.57	0.58	0.60
The Nordjyske Bank share			
DKK per share at DKK 10			
Period's result after tax per share p.a.	7.7	13.4	4.1
Book value per share	144.0	144.5	142.7
Listed price	88.0	118.0	114.5
Dividend per share	0.0	0.0	2.4
List price/period's result per share	11.4	8.8	27.8
Listed price/book value per share	0.6	0.8	0.8

Interim Report

Notes

2. Key figures

*) The accumulated write-downs on lending amount to DKK 969 mill. at the end of June 2016, while provisions for loss on guarantees amount to DKK 9 mill. The accumulated write-down percentage then amounts to 6.4% as at 30 June 2016. Furthermore, the bank has acquired write-downs at DKK 214 mill. Nørresundby Bank, which with regard to accounting is included as revaluations and therefore are not included in the accumulated write-downs. Thus accumulated write-downs and revaluations total DKK 1,192 mill. corresponding to an adjusted accumulated write-down percentage of 7.8%.

Interim Report

Notes

3. Interest income	1/1 - 30/6	1/1 - 30/6	1/1 - 31/12
Amounts in DKK 1,000	2016	2015	2015
Receivables from financial institutions and central banks	344	300	653
Lending and other receivables	264,355	225,365	510,036
Discount concerning acquired loans from Nørresundby Bank, booked as income	44,984	18,923	58,559
Bonds	6,188	6,859	12,561
Derivative financial instruments, total	- 1,109	342	1,036
Other interest income	926	740	1,444
Total interest income	315,688	251,845	582,217

There is no interest income from genuine purchase and resale transactions

4. Interest expenses	1/1 - 30/6	1/1 - 30/6	1/1 - 31/12
Amounts in DKK 1,000	2016	2015	2015
Debt to financial institutions and central bank	2,759	5,003	9,270
Deposits and other debt	14,941	18,790	39,000
Subordinated capital investments	7,823	4,990	13,249
Other interest expenses	132	296	716
Total interest expenses	25,655	29,079	62,235

There are no interest expenses from genuine sale and repurchase transactions

5. Trade	1/1 - 30/6	1/1 - 30/6	1/1 - 31/12
Amounts in DKK 1,000	2016	2015	2015
Nordjyske Bank conducts traditional banking business in the North Denmark Region and the capital area with its headquarters in Nørresundby. No branches are established abroad, and no public grants have been received.			
Interest earnings	315,688	251,845	582,217
Fees and commission earnings	171,767	153,764	327,347
Other operating income	10,160	2,664	5,193
Total trade	497,615	408,273	914,757

Interim Report

Notes

6. Fees and commission earnings	1/1 - 30/6	1/1 - 30/6	1/1 - 31/12
Amounts in DKK 1,000	2016	2015	2015
Security transactions and custody accounts	59,698	60,531	131,204
Payment services	19,296	16,443	26,497
Fees on loans	56,634	50,557	93,434
Guarantee commission	4,205	7,087	18,634
Other fees and commission	31,934	19,146	57,578
Total fees and commission income	171,767	153,764	327,347

7. Market value adjustments	1/1 - 30/6	1/1 - 30/6	1/1 - 31/12
Amounts in DKK 1,000	2016	2015	2015
Other lending and receivables (hedge)	12,327	5,852	3,347
Bonds	8,952	10,616	16,149
Shares, etc.	- 8,834	24,612	34,726
Investment properties	- 2,977	0	6,075
Currencies	4,838	3,739	8,786
Derivative financial instruments	- 8,444	6,145	3,357
Assets related to pooled schemes	5,969	42,639	19,847
Deposits in pooled schemes	- 6,068	42,814	20,187
Total market value adjustments	5,763	17,853	20,958

8. Staff and administration costs	1/1 - 30/6	1/1 - 30/6	1/1 - 31/12
Amounts in DKK 1,000	2016	2015	2015
Salaries and remuneration for Board of Directors, Executive Board og Committee of Representatives			
Executive Board	4,642	3,814	8,466
Board of Directors	1,585	1,256	2,941
Committee of Representatives	556	297	859
	6,783	5,367	12,266
Staff costs:			
Salaries	108,483	105,367	208,985
Pension	11,807	9,847	24,884
Social security expenses, etc.	19,523	13,534	30,498
	139,813	128,748	264,367
Other administration costs	101,482	83,804	189,406
Total staff and administration costs	248,078	217,919	466,039
Average number of full-time employees	428	368	418
Number of employees	436	482	447

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9. Depreciations and write-downs on intangible and tangible assets Amounts in DKK 1,000	1/1 - 30/6 2016	1/1 - 30/6 2015	1/1 - 31/12 2015
Intangible assets			
Customer relations	11,015	6,710	18,674
Tangible assets			
Depreciations on headquarters properties	1,000	796	1,825
Depreciations and write-downs carried back on headquarters properties, net	0	0	1,541
Depreciations on other tangible assets	2,400	2,007	4,643
Total depreciations and write-downs	14,415	9,513	26,683

10. Tax Amounts in DKK 1,000	1/1 - 30/6 2016	1/1 - 30/6 2015	1/1 - 31/12 2015
The period's tax can be distributed like this:			
Tax of the period's result	23,052	10,483	7,528
Tax on other total income (equity movements)	0	0	316
Total tax	<u>23,052</u>	<u>10,483</u>	<u>7,844</u>
The tax charged to the income statement is specified like this:			
Current tax	26,300	12,293	16,155
Deferred tax	- 3,244	-1,476	9,066
Regulation of previous years' calculated tax	- 4	-334	439
Tax of the period's result	<u>23,052</u>	<u>10,483</u>	<u>7,528</u>
Current tax rate	22.0%	23.5%	23.5%
Non-taxable income and disallowed deductions etc.	2.5%	-11.1%	2.4%
Share of result in associated companies Regulation of previous years' tax	0.0%	0.0%	9.6%
Effective tax rate	<u>24.5%</u>	<u>12.0%</u>	<u>12.3%</u>

The effective tax rate is tax of the period's result relative to the pre-tax result .

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11. Receivables from financial institutions and central banks	As at 30/6 2016	As at 30/6 2015	As at 31/12 2015
Amounts in DKK 1,000			
Demand deposits	822,614	162,556	749,126
Remaining term			
- up to and incl. 3 months	150,000	1,376,087	0
- from 3 months up to and incl. 1 year	0	4,882	0
- from 1 year up to and incl. 5 years	5,000	0	5,000
- more than 5 years	3,510	6,091	1,710
Total receivables from financial institutions and central banks	<u>981,124</u>	<u>1,549,616</u>	<u>755,836</u>
Receivables at notice from central banks	723,013	1,376,087	678,127
Receivables from financial institutions	258,111	173,529	77,709
Total receivables from financial institutions and central banks	<u>981,124</u>	<u>1,549,616</u>	<u>755,836</u>
12. Write-downs on lending	As at 30/6 2016	As at 30/6 2015	As at 31/12 2015
Amounts in DKK 1,000			
Individual write-downs			
Start of the period	811,489	630,847	630,847
Write-downs during the period	192,687	126,876	352,287
Reversals of write-downs made in previous financial periods	65,740	31,161	45,895
Other movements	19,512	25,070	40,595
Final loss, previously written down individually	26,414	14,912	166,345
End of the period	<u>931,534</u>	<u>736,720</u>	<u>811,489</u>
Group write-downs			
Start of the period	31,029	26,704	26,704
Write-downs during the period	10,048	6,656	16,208
Reversals of write-downs made in previous financial periods	3,894	6,114	11,883
End of the period	<u>37,183</u>	<u>27,246</u>	<u>31,029</u>
Discount on loans taken over from Nørresundby Bank	214,154	309,435	267,237
Total write-downs and discount on loans	<u>1,182,871</u>	<u>1,073,401</u>	<u>1,109,755</u>

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13. Credit risks	As at 30/6	As at 30/6	As at 31/12
Amounts in DKK 1,000	2016	2015	2015
Loans and other guarantees by sector and industry			
Public authorities	0.0%	0.0%	0.0%
Agriculture, hunting, forestry and fishing:			
Agriculture	9.3%	9.6%	9.2%
Arable farming abroad (EU)	2.6%	2.2%	2.6%
Fur farming	0.7%	0.4%	0.6%
Fisheries	2.1%	2.6%	2.2%
Agriculture, hunting, forestry and fishing total	14.7%	14.8%	14.6%
Industry and raw material extraction	3.9%	2.8%	3.8%
Energy supply	0.4%	0.4%	0.3%
Building and construction	3.8%	3.4%	3.3%
Trade	6.3%	6.7%	6.7%
Transport, hotels and restaurants	2.3%	1.9%	2.6%
Information and communication	0.5%	0.5%	0.4%
Financing and insurance	6.9%	3.9%	5.9%
Real property	11.9%	12.9%	12.3%
Other lines of business	5.0%	4.4%	4.8%
	55.7%	51.7%	54.7%
Private customers	44.3%	48.3%	45.3%
Total	100.0%	100.0%	100.0%

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13. Credit risk continued	As at 30/6	As at 30/6	As at 31/12
Amounts in DKK 1,000	2016	2015	2015
Maximum credit exposure (primarily lending, guarantees, and credit promise) by industry			
Public authorities	0.0%	0.0%	0.0%
Agriculture, hunting, forestry and fishing:			
Agriculture	9.4%	10.0%	9.8%
Arable farming abroad (EU)	2.1%	1.7%	2.0%
Fur farming	0.6%	0.5%	0.6%
Fisheries	2.1%	2.1%	2.0%
Agriculture, hunting, forestry and fishing total	14.2%	14.3%	14.4%
Industry and raw material extraction	4.1%	3.8%	4.3%
Energy supply	0.4%	0.4%	0.4%
Building and construction	4.6%	3.5%	3.5%
Trade	6.8%	6.6%	6.6%
Transport, hotels and restaurants	2.2%	2.9%	2.7%
Information and communication	0.5%	0.5%	0.4%
Financing and insurance	6.0%	3.5%	4.7%
Real property	13.6%	13.0%	14.3%
Other lines of business	5.7%	5.0%	5.2%
	58.1%	53.5%	56.5%
Private customers	41.9%	46.5%	43.5%
Total	100.0%	100.0%	100.0%

14. Intangible assets	As at 30/6	As at 30/6	As at 31/12
Amounts in DKK 1,000	2016	2015	2015
Customer relations	179,811	202,790	190,826
Goodwill	286,253	292,414	286,253
Intangible assets, total	466,064	495,204	477,079

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15. Debt to financial institutions and central banks Amounts in DKK 1,000	As at 30/6 2016	As at 30/6 2015	As at 31/12 2015
Demand	422,028	436,419	423,880
Remaining term			
- up to and including 3 months	18,566	259,443	0
- more than 5 years	0	0	30,238
Total debt to financial institutions and central banks	440,594	695,862	454,118
The bank has unused longer-term credit facilities totalling	0	400,000	0

16. Deposits and other debt Amounts in DKK 1,000	As at 30/6 2016	As at 30/6 2015	As at 31/12 2015
Demand	10,278,270	9,126,834	9,463,239
Remaining term			
- up to and including 3 months	392,079	696,793	424,062
- from 3 months up to and incl. 1 year	193,275	574,411	341,599
- between 1 and 5 years (incl.)	847,925	928,805	1,040,488
- more than 5 years	918,430	1,183,358	903,376
Total deposits and other debt	12,629,979	12,510,201	12,172,764
By category			
- on demand	10,220,207	9,067,890	9,409,142
- at notice	973,361	1,808,202	1,312,844
- time deposits	37,155	82,385	54,559
- special deposits	1,399,256	1,551,724	1,396,219
Total deposits and other debt	12,629,979	12,510,201	12,172,764
Share of deposits incl. pooled schemes covered by the Deposit Guarantee Fund	82%	87%	83%

In addition it should be mentioned that the bank's 10 largest depositors amount to less than 5% of total deposits

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17. Subordinate capital investments Amounts in DKK 1,000	1/1 - 30/6 2016	1/1 - 30/6 2015	1/1 - 31/12 2015
Supplementary capital	271,242	270,217	270,729
Subordinate capital investments	271,242	270,217	270,729
Of this is included in the calculation of the capital base	271,242	270,217	270,729
Interest	7,823	1,328	13,249
Costs related to raising supplementary capital	0	5,125	5,125

In February 2015 DKK 275 million capital certificates issued at a price of 100.

The capital certificates have a term of 10 years and cannot be redeemed in full or in part until the day that falls 5 years after the issue date. The issue takes place at an interest rate calculated as the 5-year swap interest rate with an addition of 5.00%-points p.a. effective for 5 years from and including the issue date, corresponding to 5.341% p.a. After that the interest rate will be Cibar 6 months plus 5.00%-points p.a.

18. Contingent liabilities Amounts in DKK 1,000	As at 30/6 2016	As at 30/6 2015	As at 31/12 2015
Financial guarantees	1,883,943	2,404,458	1,955,567
Loss guarantees regarding mortgage loan	639,830	402,958	548,730
Registration and conversion guarantees	90,580	109,060	71,983
Other contingent liabilities	1,091,938	689,598	704,049
Total	3,706,291	3,606,074	3,280,329
Mortgaging			
As security for clearing etc. on the Danish Central Bank bonds mortgaged at a market price of	88,259	806,982	88,384
As security for loss towards the Danish Growth Fond as a consequence of Nordjyske Bank's ownership in Landbrugets Finansieringsbank, deposit has been made on a security	253	257	254

Nordjyske Bank A/S is the administrative company in a Danish joint taxation which includes Sæbygård Skov A/S

Therefore, Nordjyske Bank A/S is liable for income tax etc. for the joint taxation company as of and incl. 1 July 2012 for in accordance with the regulations of the Danish company act, and as of and including 1 July 2012 for any obligations, to include withholding tax on interest, royalties, and dividend for the jointly taxed company.