Nordjyske Bank

Risk Report regarding the Capital Adequacy Assessment as at 31.12.2011

Contents

Introduction

This risk report, which is published at www.nordjyskebank.dk, has been prepared in accordance with the stipulations of the Executive Order on Capital Adequacy.

The report is published annually in connection with the publication of the bank's annual report for the previous year.

The report only discusses those areas in which the bank is involved.

It is the bank's opinion that the information published and the frequency of publication are appropriate in relation to the bank's risk exposure.

The information in this risk report has not been audited.

Goals and Risk Policy

The bank's activities expose the bank to different types of risk: credit risk, market risk, liquidity risk and operational risk

The credit risk is the risk of loss caused by customers fully or partially defaulting on their payment obligations to the bank.

The market risk is the risk that the market value of the bank's assets and liabilities changes as a result of changed market conditions.

The liquidity risk is the risk that the bank's payment obligations cannot be met by the bank's liquidity reserves.

The operational risk is the risk that direct or indirect financial losses occur as a result of errors in internal processes and systems, human errors, or as a consequence of external events.

It is the bank's overriding policy to only take on risks which are in accordance with those business principles on which the bank operates and where the bank has the necessary resources in terms of competency to manage.

Credit Risks

Nordjyske Bank takes on credit risks on the basic of a credit policy established with the aim of

- achieving a good balance between the risks assumed and the return obtained by the bank
- ensuring that the bank's losses are at an acceptable level compared with comparable Danish financial institutions
- ensuring that the bank's losses can be covered by the bank's results.

It is the policy of Nordjyske Bank to base its lending on knowledge of the customers' financial situation, and the customers' ability and willingness to meet their obligations are decisive for the bank's lending activities.

The bank's credit risk is distributed over a large number of small commitments. The aim is that individual commitments will only in exceptional cases and for brief periods exceed 10 % of the bank's equity as far as the unsecured part of the commitment is concerned.

At the end of 2011 the sum of large commitments, those amounting to more than 10 % of the bank's capital base after deductions, amounted to a total of 37.1 % of the bank's capital base after deductions.

The total gearing of lending is and always has been moderate. At the end of 2011 it was thus 4.6 times the equity.

In connection with lending activities, efforts are made to ensure that the bank has the best possible security cover for the bank's commitments.

With lending to private customers, the most important types of security are: cars, real property and securities.

With lending to commercial customers, the most important types of security are: operating equipment, real property, guarantees, amounts on deposit and securities and current assets (receivables, stock etc.).

The value of the security is calculated in accordance with the following principles:

- Operating equipment:

  The loan value for operating equipment is calculated using the straight-line method. Typically, an immediate write-off of 20-33 % is made, followed by a continuous write-down of the value of the assets over their useful life.

- Real property:

  The loan value of a mortgage on private properties is typically around 80 % of the market value less any senior mortgage. The loan value is fixed individually based on the characteristics of the individual properties, including location and size.

  The loan value of a mortgage in commercial properties, including agricultural properties, is fixed based on the market value less any senior mortgage. The loan value is fixed individually based on the characteristics of the individual properties, including location and size, or on the basis of an independent assessment, alternatively a public real property evaluation.

- Guarantees:

  The loan value of guarantees from Danish public authorities is 100%. Other guarantees are fixed individually based on a prudence concept.

- Amounts on deposit and securities:

  The loan value of amounts on deposit is typically 100%.

  For securities, the official price is used after adjustment for estimated price fluctuations and adjustment for estimated marketability, currency etc.

- Current assets (receivables, stock etc.)

  The loan value of current assets is fixed individually based on the realisation value of the current assets

- Other types of security:

  The loan value is fixed individually based on a prudence concept.

A credit rating is assigned to the bank's customers, i.e. a grouping of customers according to creditworthiness (ability and willingness to meet commitments). The model used for private customers is based on the customer's personal financial situation (assets, income and disposal income) and supplemented by an assessment of the customer's current situation. The model used for commercial customers is based on the customer's accounting data, swot analyses and an assessment of the customer's current situation.

The credit rating is translated into 13 rating classes, which can be grouped as follows:

10, 21, 22, 23	good quality commitments
31	normal quality commitments
32, 33, 37	commitments with slightly reduced quality
38	commitments with some weaknesses
39	commitments with material weaknesses but without the need for write-downs or provisions
41, 42, 50	write-down commitments and distressed commitments

The total credit risk is managed in accordance with policies and frameworks laid down by the bank's management. The responsibility for monitoring, general risk-taking and reporting to the bank's management is centrally undertaken by the bank's credit office.

Market risks

It is the bank's basic policy to keep the market risks at a low level. The bank's management has set up concrete risk limits for each type of market risk, which cannot be exceeded.

The main part of the bank's lending and deposit transactions and dealings with other banks have been entered into on a variable basis.

At the end of 2011, the interest risk, defined as the loss the bank will suffer from an increase in the effective interest rate of 1 percentage point on the exposures with a fixed rate of interest amounted to - 1.0% of the bank's core capital.

The bank's main currency is Danish kroner. The bank has also carried out transactions in foreign currencies. Material foreign exchange items are hedged on an ongoing basis with setoff transactions. The bank is therefore only exposed to exchange rate fluctuations to a limited extent.

Material foreign exchange items are hedged on an ongoing basis with setoff transactions. The bank is therefore only exposed to exchange rate fluctuations to a limited extent. At the end of 2011, the bank's foreign exchange rate risk (indicator 2) amounted to DKK 0.2 million.

The bank is co-owner of a number of sector companies. These ownership shares can be compared to larger banks' wholly-owned subsidiaries, and therefore the investments are not considered part of the bank's share risk. In addition, the bank has a small portfolio of listed shares.

At the end of 2011, the bank's portfolio of listed shares amounted to just over DKK 21 million - or 2% of the bank's equity.

If possible, the bank wants to own the premises from which it operates. On the other hand, the bank’s primary wish is to only own properties to be used for banking activities. This means that the bank's property portfolio mainly comprises headquarter properties.

At the end of 2011, the portfolio of investment properties amounted to DKK 40 million or 3% of the bank's equity.

The bank's market risks are controlled by the bank's FinansCenter in accordance with policies and frameworks laid down by the bank's management. The individual risk areas are continually monitored by the bank's Finance Department, and the bank's management receives reports on an ongoing basis.

Liquidity risks

It is the aim of the bank to be able to finance its lending portfolio by the total amount of deposits from customers and equity as well as longer ongoing senior loans and committed lines.

At the end of 2011, the bank had excess cover of DKK 1.8 billion with regard to this aim - corresponding to 32% of the lending portfolio. Add to this reserves which can be utilised on demand in the event of a liquidity crisis in the form of unutilised confirmed stand-by credit to a total value of DKK 350 million.

Furthermore, the aim is that the bank should, in the event of a liquidity crisis, be able to meet the statutory liquidity requirements without drawing on other banks' unconfirmed lines.

Operational risks

Operational risks are the risk of direct or indirect loss as a result of inadequate procedures, human error, system errors etc., or as a result of external events.

The bank's management is informed on an ongoing basis of those losses and events that are assessed as being operational risks.

IT provision, which is the most important area when assessing the bank's operational risks, has been outsourced to Bankdata, which is owned jointly by the bank and a number of other financial institutions. IT security is assessed continually, and the necessary adjustments to the bank's emergency plans are carried out.

It is the bank's policy - based on events noted - to continually improve operations and procedures with the aim of reducing the number of errors and events which entail the possibility of loss.

Scope

The risk report covers the activities of

Nordjyske Bank A/S
CVR no. 30 82 87 12.

The bank owns the entire share capital of A/S Sæbygård Skov. The activities of the subsidiary are, with respect to both the balance sheet and result, insignificant in relation to the bank. No group financial statements have been prepared for this reason. Similarly, it is not considered relevant to distinguish between consolidation for accounting purposes and consolidation in accordance with section 12 of the Danish Financial Activities Act.

Capital base, Assessment

As at 31.12.2011
amounts in DKK 1,000

Core capital		
Share capital/guarantor capital/membership capital.......................................	80,400	
Reserves..	4,143	
Profit or loss carried forward...	1,136,159	
Core capital, total..		1,220,702
Primary deductions from core capital		
Proposed dividend..	8,040	
Value of own shares, cf. § 28 (1) 6, of the Executive Order on Capital Base Assessment.................................	3,597	
Intangible assets...	15,684	
Primary deductions from core capital, total..		27,321
Core capital after primary deductions..		**1,193,381**
Other deductions		
Half of the sum of capital shares, etc. > 10%...	23,647	
Excess deductions...	0	
Other deductions, total..		23,647
Core capital, after deductions...		**1,169,734**
Additional capital		
Subordinate loan capital...	5,583	
Provisions for appreciation...	24,520	
Additional capital included...		30,103
Capital base before deductions..		**1,199,837**
Deductions from capital base		
Half of the sum of capital shares, etc. > 10%...	23,647	
Setoff of the excess deductions..	0	
Deductions from capital base, net..		23,647
Capital base after deductions..		**1,176,190**

At the end of 2011 the bank's capital adequacy percentage, the capital base after deductions amounted to 18.8% of the weighted items, of a total of DKK 6,271 million - based on equity alone.

Core capital percentage amounts to 18.7%

Nordjyske Bank

Capital Adequacy Requirement and Sufficient Capital Base

In accordance with the stipulations of the Executive Order on Capital Adequacy, the Board of Directors and the Executive Board must ensure that the bank has a sufficient capital base. The Board of Directors and the Executive Board must also calculate the bank's individual capital adequacy requirement. Most recently, the Board of Directors and the Executive Board have, in connection with the preparation of the annual report for 2011, discussed the level for sufficient capital base and the individual capital adequacy requirement. The next period of preparation has been agreed for May 2012 in connection with the discussion of the interim report for the first quarter of 2012.

The determination of sufficient capital base and capital adequacy requirement is based on the guidelines of the Danish Financial Supervisory Authority.

The model includes a stress test of the bank's expected result and risks for the coming period with the following factors:

1. Income risks
   - 1.1. Net interest income is reduced by 12%.
   - 1.2. Fees and commission income are reduced by 17%.
2. Growth
   - 2.1. Based on the bank's expectations for development of the average volume of business in the coming year, no capital has been set aside to cover growth.
3. Credit risks
   - 3.1. Write-downs on lending and provisions for guarantees are fixed at 4.27% of the exposure as at 31.12.2011 to cover the general risks.
   - 3.2. The unutilised maximums, which can be redeemed without notice in the calculation base, is 10% of the unutilised part.
   - 3.3. Write-downs of 8% of the positive market value on derivative instruments with customers to cover the counterparty risk.
   - 3.4. To cover the risk on commitments with customers with financial problems, provisions are made in accordance with the guidelines of the Danish Financial Supervisory Authority.
   - 3.5. To cover the risk on large commitments, the capital requirement is set aside in relation to the 20 largest commitments' share of the total commitments, cf. the guidelines of the Danish Financial Supervisory Authority.
   - 3.6. No additional reserves are set aside to cover the geographical concentration, as it is assumed that this risk is covered by the the reserves for general risks, cf. 3.1.
   - 3.7. To cover commercial concentrations, capital requirement is set aside in line with the guidelines of the Danish Financial Supervisory Authority.
   - 3.8. Based on a sensitivity analysis of the bank's securities in farm land, capital has been set aside to cover the concentration risks concerning securities.
   - 3.9. The sum of the credit risks is adjusted with regard to the actual write-downs and provisions.
4. Market risks
   - 4,1 Interest risks are fixed corresponding to an interest rate increase of 1.35 percentage points on items within the trading portfolio and an interest rate rise of 2 percentage points on items outside the trading portfolio. Also included is a risk resulting from a shift of +/- 0.7 of a percentage point in the interest rate structure.
   - 4.2. The share risk is fixed at 15% of the portfolio of sector shares and 30% of other shares.
   - 4.3. Foreign exchange risks are fixed at 2.25% of exposures in Euros and 12% of exposures in other currencies.
   - 4.4. Property risks are fixed corresponding to a price reduction of 18%

4.5. Interest risks on pooled assets, which are included in liquid funds when assessing the bank's liquidity cover in relation to § 152 of the Danish Financial Activities Act are fixed corresponding to an interest rate increase of 1.35 percentage points.

5. Liquidity risks

5.1. The bank's liquidity scope as at 31.12.2011 amounted to more than DKK 2.0 billion. No reserves have been formed therefore to cover the risks of liquidity procurement.

6. Operational risks

6.1. Provisions have been made to cover operational risks in accordance with the stipulations in the Executive Order on Capital Adequacy.

7. Other risks

7.1. It is the bank's assessment that there is no need to make further provisions to cover other risks.

Sufficient capital base and capital adequacy requirement

Based on the above factors, the estimated capital adequacy requirement is calculated at 9.9% - corresponding to a sufficient capital base of DKK 623 million.

The capital adequacy requirement can be specified as follows by risk area:

	%	Sufficient capital base
Credit Risks	9,6	DKK 601 million
Market risks	1,4	DKK 86 million
Operational risks	1,1	DKK 72 million
Other	-2,2	- DKK 136 million
Total	9,9	DKK 623 million

Capital adequacy excess cover

The bank's capital base after deductions amounts to a total of DKK 1,176 million. Based on a sufficient capital base of DKK 623 million, this represents excess cover of DKK 553 million.

The bank's capital adequacy percentage has been calculated as 18.8. Based on a capital adequacy requirement of 9.9%, this represents excess cover of 8.9 percentage points.

Capital adequacy objective

The bank's Board of Directors have stipulated that capital adequacy must be at least 16%

In addition, the Board of Directors and Executive Board shall assess whether the capital base is sufficient to support future activities. This assessment at Nordjyske Bank is part of the general determination of the capital adequacy requirement. The management therefore carries out an assessment at least four times a year of how the growth expectations affect the calculation of the capital adequacy requirement. In concrete terms it means that in the model used the management must estimate the future growth percentage, the average solvency weight and income margin after tax. In the model the calculated solvency burden of the growth expectations will have a direct affect on the capital adequacy requirement in the form of a surcharge.

Assessment of the Risk-weighted Items with Credit Risk 31.12.2011

The bank uses the standard method for credit risks when calculating the risk-weighted items.

As at 31.12.2011 amounts in DKK 1,000	Risk-weighted exposure	Capital requirement (8% of the exposure)
Public sector units	2 253	180
Institutions	83 028	6 642
Businesses etc.	2 556 898	204 552
Retail customers	2 147 586	171 807
Exposure covered by security in real property	385 777	30 862
Exposure with arrears or overdraft	1 167	93
Exposure in other items, including assets without counterparties	188 904	15 112
Weighted items with credit risk, total	5 365 613	429 248
Assessment of the risk-weighted Items with market risk		
Debt instruments	149 781	11 983
Shares	6 382	511
Foreign exchange risks	0	0
Weighted items with credit risk, total	156 163	12 494
Assessment of the risk-weighted items with operational risk		
The bank uses the basic indicator method when calculating the capital adequacy requirement for operational risks.		
Weighted items with operational risk, total	793 389	63 471
Deductions for group write-downs in accordance with the standard method		
Group write-downs, total	44 443	3 555
Risk-weighted items, total	6 270 722	501 658

Counterparty Risk

The bank uses the market value method for counterparty risk to calculate the size of the exposure for derived financial instruments included in the definition in the Executive Order on Capital Adequacy.

The value of the exposure is calculated using the market value method for counterparty risk following the method below:

- Contracts are calculated at market value in order to obtain the current replacement cost for all contracts with a positive value.
- In order to obtain a figure for the potential future credit exposure, the nominal principal amounts of the contracts or the underlying value are multiplied by percentages fixed by the Danish Financial Supervisory Authority. Swaps based on two variable interest rates in the same currency are excepted, as only the current replacement cost is to be calculated.
- The sum of the current replacement costs and the potential future credit exposures constitute the exposure value.

In connection with the bank's determination of sufficient capital base, capital is held corresponding to 8% of the positive market value of the derivatives.

As part of the bank's approval process and general commitment monitoring, an allowance is made for the calculated exposure value in order to ensure that it does not exceed the approved credit limit for the counterparty.

As at 31.12.2011, the value of the bank's counterparty risk calculated in accordance with the market value method amounted to a total of DKK 51,511 thousand.

Credit Risk

The value of receivables from financial institutions and central banks and lending when fixed for the first time includes the current value with the addition of transaction costs and less fees and commission associated with their establishment.

The value of receivables from financial institutions, central banks and lending that are not bond transactions are fixed in accordance with the amortised cost price with depreciations to a lower value if there is an objective indication of value deterioration.

Receivables from financial institutions and central banks are all assessed individually for objective indications of value deterioration.

For material lending, an individual assessment is also made of whether there is an objective indication of value deterioration. The write-down requirement is calculated individually when there is an objective indication of value deterioration at individual level. Individually assessed lending which has not been written down and other lending is subsequently assessed on a portfolio basis.

A portfolio-based assessment of the write-down requirement is made as a consequence of objective indications of value deterioration for groups of loans with uniform characteristics with regard to credit risk. The portfolio assessment is based on a credit rating of the customers on the basis of key financial figures. When calculating the need for group write-downs, a gross approach is used. The method means that the total group-based write-downs amount to the sum of the individual customers' deterioration in the rating classes without considering the possibility that other customers may have received a better rating during the period.

An individual loan or group of loans are considered value-deteriorated if - and only if - there are objective indications of value deterioration as a consequence of one or more events having occurred after the first inclusion of the loan, and if such event or events affect the expected future payment flows which can be estimated reliably. The agreed effective interest rate for the individual loan is used as the discounting factor. For portfolios of loans, the weighted average of the agreed effective interest rate is used for the individual loans in the portfolio.

The write-downs are calculated as the difference between the amortised cost price and the present value of the expected future payments, including the realisation value of any guarantees. The future payments have been set up on the basis of the most likely outcome.

The portfolio-based assessment of the write-down requirement for groups of loans with uniform characteristics with regard to credit risk is based on a rating model in which the model is continually further developed and improved via back testing etc.

Executive Order on Capital Adequacy, loans and receivables are classified as non-performing when arrears of at least DKK 1,000 for retail loans and at least DKK 10,000 for commercial loans have existed for a continuous period of 90 days.

The total value of the bank's exposures after write-downs and before considering credit risk reduction amounted to DKK 9,476 million as at 31.12.2011.

Assessment of the Exposure's Average Value

Average for amounts in DKK 1,000	**2011**
Central governments and central banks	195,769
Public sector units	12
Institutions	304,606
Businesses etc.	2,337,842
Retail customers	3,209,618
Exposure covered by security in real property	785,784
Exposure with arrears or overdraft	39,965
Exposure in other items, including assets without counterparties	176,475
Total exposures	7,050,071

Credit exposure by line of business and credit categories

As at 31.12.2011 Amounts in DKK 1,000	Central governments and central banks	Public sector units	Institutions	Businesses, etc.	Retail customers	Exposure covered by security in real property	Exposure with arrears or overdraft	Bond cover	Exposure in other items, including assets without counterparties	Total
Public authorities					7,747	972				8,719
Agriculture, hunting, forestry and fishing				1,575,512	543,531	103,414				2,222,457
Industry and raw material extraction				401,322	121,316	13,236				535,874
Energy supply				6,728	36,709	0				43,437
Building and construction				83,243	193,147	33,674				310,064
Trade				187,962	285,967	55,086				529,015
Transport, hotels and restaurants	120			80,081	123,813	28,506				232,520
Information and communication	284,986		100,782	1,768	19,515	3,191				410,242
Funding and insurance	37,609		317,613	143,637	26,203	3,944			236,387	765,393
Real property				372,021	132,906	63,758				568,685
Other lines of business				140,760	263,239	47,887				451,886
Commercial customers, total	322,715		418,395	2,993,034	1,754,093	353,668	0		236,387	6,078,292
Private clients				193,927	2,512,628	690,610	814			3,397,979
Total	322,715	0	418,395	3,186,961	4,266,721	1,044,278	814	0	236,387	9,476,271

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Credit exposure by remaining term and credit categories

As at 31.12.2011 amounts in DKK 1,000	Demand	0 - 3 m.	3 m. - 1 year	1 - 5 years	More than 5 years	Total
Central governments and central banks	37,729	284,986				322,715
Public sector units						0
Institutions	171,190	92,616	40,143	13,664	100,782	418,395
Businesses etc.	825,689	477,389	1,286,518	324,825	272,542	3,186,963
Retail customers	1,115,021	157,167	926,322	805,885	1,262,325	4,266,720
Exposure covered by security in real property	132,488	27,698	114,211	226,225	543,655	1,044,277
Exposure with arrears or overdraft	257			56	501	814
Exposure in other items, including assets without counterparties	232,024			3973	390	236,387
Total	2,514,398	1,039,856	2,367,194	1,374,628	2,180,195	9,476,271

Non-performing and value-deteriorated claims by exposure category

amounts in DKK 1,000	Non-performing claims exposure	Value-deteriorated claims exposure	Write-downs/provisions at the end of the year	Amounts entered as expense reg. value adjustments and write downs
Public authorities				
Agriculture, hunting, forestry and fishing		618,480	175,581	39,785
Industry and raw material extraction		33,497	11,396	4,362
Energy supply				
Building and construction		39,837	15,081	12,130
Trade		61,292	20,494	14,769
Transport, hotels and restaurants		77,446	33,572	-439
Information and communication		4,062	2,214	350
Financing and insurance		26,926	24,620	12,599
Real property		104,652	15,981	15,668
Other lines of business		66,035	17,602	15,005
Commercial customers, total	0	1,032,227	316,541	114,229
Private clients	814	114,146	61,097	20,623
Total	814	1,146,373	377,638	134,852

Movements of Value-deteriorating Claims due to Value Adjustments and Write-downs

As at 31.12.2011 amounts in DKK 1,000	Lending	Guarantees
Individual write-downs		
Write-downs, start of year	278,673	0
Write-downs during the year	213,232	94
Reversal of write-downs made in previous financial years	95,369	
Final loss, previously written down individually	18,992	
Write-downs, end of the year	377,544	94
Group write-downs		
Write-downs, start of year	26,037	1,738
Write-downs during the year	6,683	72
Reversal of write-downs made in previous financial years	252	108
Write-downs, end of the year	32,468	1,702
Final loss (written down) not previously written down individually	13,714	
Received re. claims previously written down	3,213	

Market Risk

Assessment of capital adequacy risks for items with position risk

As at 31.12.2011 amounts in DKK 1,000	Weighted amount	Capital requirement (8% of exposure)
Debt instruments	149,781	11,983
Shares, etc. (incl. collective investment schemes)	6,382	511
Foreign exchange item	0	0

Operational Risk

In accordance with the Executive Order on Capital Adequacy, operational risks must be hedged as far as capital is concerned. The capital requirement regarding operational risks must cover: "Risk of loss caused by inappropriate or inadequate internal procedures, human error or system-related errors or as a consequence of external events, including legal risks".

Nordjyske Bank uses the basic indicator method, cf. Appendix 18 of the Executive Order on Capital Adequacy Requirements, when calculating operational risks. This means that the capital requirement is calculated at 15% of the average "basic income" during the last 3 years. The basic income is the sum of net interest income and non-interest-related income.

However, the bank carries out an ongoing assessment of the capital requirement for operational risks. If the capital requirement is considered higher than the amount mentioned above, this will be taken into account when the bank calculates the capital adequacy requirement.

Exposures in Shares, etc., not Included in the Trading Portfolio

In cooperation with other financial institutions, Nordjyske Bank has made capital deposits in a number of sector businesses. The aim of these sector businesses is to support the activities of the financial institutions with mortgage lending, payment provision, IT, investment associations, etc. The bank does not intend to dispose of these capital deposits, as participation in these sector businesses is considered necessary for the bank's activities. These capital deposits are therefore considered to be outside the trading portfolio.

In several sector businesses, the capital shares are redistributed so that the ownership shares of the financial institutions will at all times reflect the amount of business carried out between the individual financial institution and the sector company. The redistribution is typically based on the book value of the sector company or, alternatively, capital value calculations.

Capital shares in these sector business are valued at their current value. The calculation of the market value is based on available information about current transactions. If no current market data is available, the market value is based on published preliminary statements of account alternatively on capital value calculations. Other unlisted securities have been assessed at their current value. In some cases it has not been possible to carry out a reliable assessment at current value. These securities have been included at cost price with write-downs deducted. The ongoing adjustment is entered in accordance with the regulations regarding income statements.

In addition, the bank has minor holdings of unlisted shares acquired as part of the support for the promotion of business in the local area.

Shareholding, etc.

	Book value
As at 31.12.2011	
amounts in DKK 1,000	
Shares in the trading portfolio	
- listed shares	21,794
Unlisted shares, etc., at current value:	
- sector shares	197,273
- other unlisted shares	8
Other capital shares	2,151
Total outside the trading portfolio	199,432
Shares, etc., total	221,226

Interest Risk

The bank's total interest risk as at 31.12.2011 amounted to a total of DKK -11,602 thousand distributed as follows

amounts in DKK 1,000

Interest risk on items in the trading portfolio:		
Securities	9,140	
Futures, forward transactions for FRAs	272	
Swaps	-186	9,226
Interest risk on items outside the trading portfolio:		
Balance sheet items,		
i.e. lending and receivables and deposits and debt		-20,828
Interest risk, total		-11,602
Of which		
- items in DKK	-11,357	
- items in foreign currencies	-245	

Credit-reducing Methods

Nordjyske Bank does not use balance sheet netting or netting below the line.

Through its policies and business procedures regarding securities, the bank gives priority to receiving financial guarantees within the following main areas:

- deposits
- bonds and debt instruments
- investment association certificates
- shares, listed

Securities are increasingly used as security. This is due among other things to investment opportunities, where the bank also offers a funding package. In addition the more traditional type of guarantee in the form of existing holding of securities is used by the bank to some extent.

The bank's policy for value assessment of financial guarantees causes the value assessment to be a conservative market value assessment. There are business procedures in place for administration and value assessment of guarantees and the procedures are an integrated part of the general risk monitoring.

As a method to reduce credit risk, the expanded method within the standard method is used, which means that the bank can reduce the capital burden of a commitment when security is accepted in certain financial guarantees issued by a business or countries with a particularly good credit rating.

Assessment of credit reduction with financial securities and guarantees, etc.

The table below shows the total exposures covered by financial securities, guarantees and credit derivatives

As at 31.12.2011 amounts in DKK 1,000	Exposures covered by financial securities	Exposures covered by guarantees and credit derivatives
Businesses	123,671	49,786
Retail customers	89,134	8,989
Exposures covered by mortgages in real property	9,612	271
Total exposures covered by financial securities, guarantees and credit derivatives	222,417	59,046