



# Annual Report

## 2013



Nordjyske Bank



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# Contents

## Contents – Annual Report 2013

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	Page
<b>Management Report 2013 .....</b>	<b>4</b>
The year's result .....	4
Development in the bank's branches and staff .....	11
Expectations for 2014 .....	12
Risk and risk management .....	13
Credit risk .....	13
Other risks .....	19
Liquidity .....	20
Capital .....	21
The Supervision Diamond .....	22
Future capital and liquidity requirements .....	22
Consolidation .....	23
Subsidiary .....	23
Uncertainty in relation to inclusion and calculation .....	23
Preparation of financial statements .....	24
Proposals to the General Meeting .....	24
Shareholders .....	25
Company announcements issued in 2013 .....	26
Financial calendar 2014 .....	26
Bank Management .....	27
Good corporate management .....	28
Social responsibility .....	28
Information about the Board of Directors .....	29
Information about the Executive Board .....	34
<b>Annual Account 2013 .....</b>	<b>35</b>
Income Statement .....	35
Other total income .....	35
Balance Sheet, 31 December 2013 .....	36
Changes to Equity .....	38
Accounting policy .....	39
Notes with five-year surveys .....	42
Notes for the Income Statement .....	44
Notes for the Balance Sheet .....	48
Notes with additional information .....	64
<b>Statements and opinions .....</b>	<b>67</b>
<b>Bank Management .....</b>	<b>70</b>

# Management Report

## Satisfactory accounts and positive prospects

### The year's result

Pre-tax result in Nordjyske Bank for 2013 is DKK 71 million. The result corresponds to a rate of return on the average equity of 5.3 per cent.

The bank considers the year's result – which is at the upper end of what was previously announced about basic earnings in the interval DKK 190-210 million - satisfactory.

### Basic earnings over DKK 200 million

It is the opinion of the bank that it is satisfactory to keep the basic earnings above DKK 200 million during a period with a historically low interest rate level.

Basic income amounts to DKK 482 million and falls by DKK 2 million. As a consequence of sharpened competition as well as a generally low interest rate level, net interest income falls, while fee and commission income increases due to a high activity level.

Write-downs on lending amount to a total of DKK 129 million and are at a relatively high level.

### Dividend at 20 per cent

The bank's management suggests increasing the dividend to 20 per cent on the basis of a robust capital structure.

### Stable lending and increasing deposits

In 2013 the bank was successful in keeping lending at the same level in spite of generally decreasing lending in the sector. Keeping lending at DKK 5.6 billion was due to a net increase in both private and business customers in 2013, as we still register a declining demand for lending and credits.

Deposits increased by DKK 450 million to DKK 7.3 billion, the result of which is steadily increasing excess liquidity in the bank. The low interest rate level means a challenge for the return on the increasing excess liquidity in the bank.

*20 per cent dividend  
on the basis on a  
robust capital*

Condensed income statement (amounts in mill. DKK)	2013	2012	2011	2010	2009
Interest income, net	337	353	357	353	340
Fees and commission income, net	129	113	102	97	90
Other operating income etc.	16	18	14	13	18
<b>Core income</b>	<b>482</b>	<b>484</b>	<b>473</b>	<b>463</b>	<b>448</b>
Operating costs and operating depreciation	278	272	278	266	262
<b>Core earnings</b>	<b>204</b>	<b>212</b>	<b>195</b>	<b>197</b>	<b>186</b>
Payments to the Deposit Guarantee Fund etc.	16	11	14	20	25
Write-downs re. the Contingency Association	-	-	-	16	15
Write-downs on own lending etc.	129	131	113	81	86
Market Price regulations for securities, etc.	12	17	0	40	10
<b>Pre-tax result</b>	<b>71</b>	<b>87</b>	<b>68</b>	<b>120</b>	<b>70</b>
Return of total assets (amounts in mill. DKK)	2013	2012	2011	2010	2009
Pre-tax result as percentage of average equity	5.3	6.8	5.5	10.4	6.5
Result after taxes as percentage of average equity	4.0	4.8	4.1	8.0	5.8
Costs as a percentage of core earnings	57.6	56.3	58.9	57.4	58.5

# Management Report

## Positive development in North Jutland

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The financial crisis has taken up a lot of space in Denmark, Europe, and the rest of the world for some years. Signs of progress can be seen, and there are market analyses in which the European and the American economies are described as improving. An improvement of the international economies will have a positive influence on the Danish economy by virtue of bigger sales, export, employment and consumption.

However, the analyses are not one-sided positive, and the messages differ.

In Denmark several analyses show improvement in Danish companies' accounts figures. A new analysis based on 190,000 examined companies from FSR – Danish auditors show that the accounts registered in 2013 on average are better than the last 5 years with regard to operating result. However, one out of every 3 companies still has a loss, so in spite of improvements it does not look like the crisis is quite over yet.

Among private customers the messages differ more. In some periods and in some areas optimism can be registered, but it is still the impression that private consumers are reluctant with regard to investment and consumption. It is the opinion of the bank that there is some rubbing-off effect from much debate on unemployment, cash help, and unsecure loans – in spite of the fact that many private persons are still unable to feel much crisis in their everyday life.

Interest rates are still low. Financial challenges for individual customers typically begin with the need

to sell their house, which may be caused by unemployment.

In North Jutland we have had fewer compulsory sales and bankruptcies than the other regions during the crisis – and the municipalities in our primary market area have also had a lower number of compulsory sales than the other municipalities in the region.

The bank's customers in North Jutland have to a lesser extent than other areas in the country had challenges by loss when selling their house, as North Jutland has experienced smaller price increases before the crisis and smaller fall in prices during the crisis.

This is confirmed by a statement from Totalkredit, showing that a smaller share of loans in North Jutland is mortgaged beyond their value.

Unemployment has been slightly falling in North Jutland over the past year, and the number of people employed show improvement at the end of 2013. There are variations between the municipalities in North Jutland where Hjørring as well as Brønderslev and Frederikshavn municipalities are well placed.

Offshore and the maritime industries show very positive development in North Jutland, which among other things means a number of jobs. There are good networks between the harbours whereby competences are exploited and cooperation between the companies is made.

## Main activities in Nordjyske Bank

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Nordjyske Bank's business model and principles build on a desire to service both private and business customers in an independent bank in which the decision-making powers are located in the market area.

We stick to the banking transactions and customers in the local market area which/who we know and understand and are trying to serve in a serious and durable way.

Nordjyske Bank has 271 well-qualified employees, including specially qualified employees within the most important advice areas. The bank has high-technological aids and a large number of competent collaborators.

Nordjyske Bank offers advice and expertise within all areas within payment transfers, credit transfer, housing, investment, pension and insurance. The bank emphasises individual advice for both commercial and private customers.

### Nordjyske Bank has:

- 5,000 private customers
- 4,000 business customers
- 23,000 shareholders
- Business volume - lending, guarantees,

### Nordjyske Bank is a free, independent bank owned by individuals:

- Over 90 per cent is owned by individual shareholders, a large majority of whom are also customers in the bank

# Management Report

deposits and asset management – of DKK  
17.5 billion

## The Bank's activities in 2013

### Great increase in both private and commercial customers

In 2013 we have received a very satisfactory influx of customers, both private and commercial customers, which has resulted in good net influx.

The influx of customers comes after great focus on proactive sales towards commercial customers, where we have built-up a structured process. Thus it is satisfactory to experience good benefit from investment on the commercial area beginning in 2012 with several new employees.

In the private area the influx of customers is a combination of great customer satisfaction, which forms the basis for referrals from customers as well great interest from new customers in general.

Strategically the bank has chosen to have a branch in Copenhagen. The branch moved to a more optimal location at Kultorvet in 2012 This has contributed to a great influx of customers of good small businessmen and private customers.

### Competent customer advice

Nordjyske Bank wants to be among the best within customer advice. In 2013 we have focused on ensuring the optimum setup for customer advice and optimization of resources for customer advice.

The customers have shown change in behaviour and to a great extent uses cards, internet banking and mobile banking, and need cash expeditions to a lesser extent.

To ensure high competence in our advisors it is important that they have the possibility of sparring, which in part is achieved through daily work and in part through use of specialists from the bank.

The bank continuously focuses on the possibilities for rationalisation – among other things by carrying through good suggestions from the employees. Hereby we ensure optimum use of resources.

## Great influx of customers

### Private Banking

At the end of 2012 the bank initiated a concept for Private Banking, in which we have great attention on customers with a large fortune. The Private Banking concept, which is offered to customers with investable funds larger than DKK 2 million kroner, has been a great success

The bank offers the Private Banking customers specialised and individual advice with frequent follow-up, and the customers become linked to capital advisors and specialists in the FinansCentret.

Advice is based on the investment area but also includes debt management and pension.

It is the opinion of the bank that both customers and the bank are very satisfied with the results of this. We have great expectations on further influx of Private Banking customers.





# Management Report

## Development in business volume

The bank's total business volume – consisting of lending, deposits, and guarantees – amounts to DKK 13.7 billion and has increased by DKK 292 million since the end of 2012.

The business volume including deposit values amounts to DKK 17.5 billion, which is an increase of DKK 393 million since the end of 2012.

In 2013 there has still been a great continued propensity to save, which means increasing deposits, while lending has been kept at a stable level. Furthermore the increase in deposits has affected the conversion of pension funds in 2013 from deposits to pooled schemes, which are included in the bank's total deposits.

However, the customers' deposit values have increased in spite of the above mentioned conversion, and deposits have increased although a number of customers have converted capital pension to retirement pension, whereby the totals are reduced by the tax.

Excess deposits are still increasing, which challenges the bank's revenue due to low return on the excess liquidity.

There is a DKK 450 million increase on deposits in 2013, corresponding to a 7 per cent increase to DKK 7,297 million.

The increasing deposits and the improved liquidity situation in the banks as a whole has resulted in reduced interest rates on the bank's deposit

products. However, there is competition on the deposit funds on select products with relatively high rates.

The bank's total lending amounts to DKK 5,553 million, which is largely unchanged compared with 2012, since it has decreased by DKK 4 million.

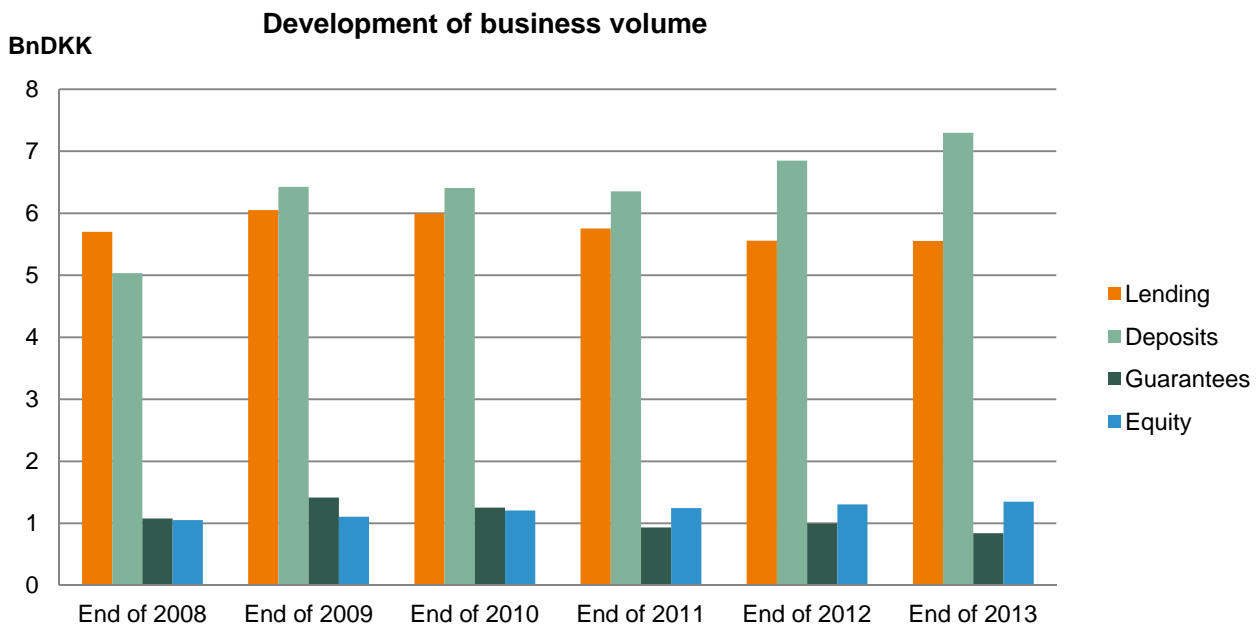
In 2013 there is an increase of DKK 29 million to private customers and a fall of DKK 28 million for commercial lending.

The bank has an annual settlement of DKK 300-400 million on lending, and it is satisfactory in the current economic situation to be able to keep lending stable on the whole.

In addition to this it is very satisfactory to establish an increase in loans to private customers in spite of the continued great propensity to save by private customers. Therefore, it is particularly positive that the basis for the increase is the influx of private customers.

Commercial lending has decreased by 1 per cent, which covers repayment and write-downs, but also new loans. The positive trends for our market area combined with influx of commercial customers are expected to form the basis for progress in the lending area.

Guarantees have fallen by DKK 154 million, which is due both to a low conversion level and fewer housing sales than at the end of 2012.



# Management Report

## Increase in income from services

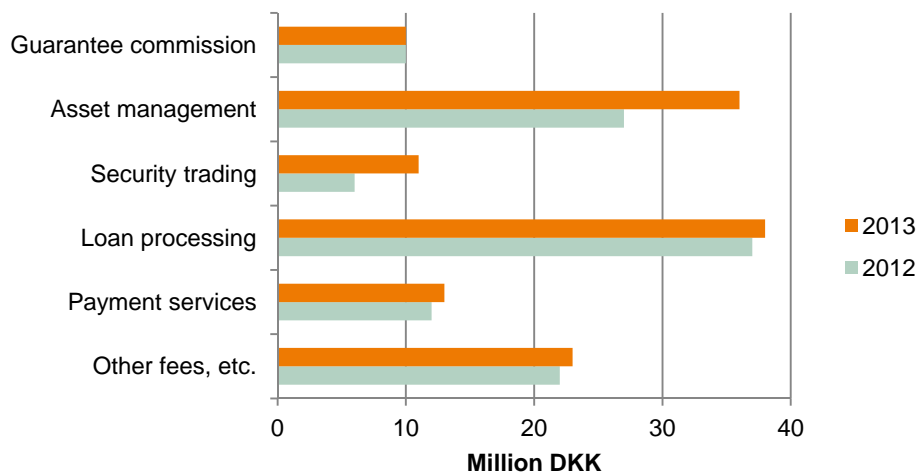
In 2013 there has been high activity on asset management, where among other things there have been many security trades.

Fee income has increased by 15 per cent, which can be related to activities, primarily on asset management. The basis for the increase is not fee increase, but a higher activity level

In the asset management area the Private Banking concept for customers with large assets has led to increased activity. The concept is in favour of the customers and creates increased income to the bank.

See further description of the concept on page 6.

**Development in fee income**





# Management Report

## Operating costs and operating depreciations

The total costs, operating costs, and operating depreciations have been calculated to a total of DKK 278 million, which is an increase of DKK 6 million compared to 2012.

The increase in operating costs is primarily due to comprehensive renovation of the bank's domicile in Hjørring, where the 1st floor is arranged for a business and agricultural center, as well as severance payments in connection with organisational adjustments in the 3<sup>rd</sup> quarter.

The organisational adjustments will not have a positive effect on the bank's operation costs in 2014 with expected cost-saving of DKK 4.5 million. From 2015 the organisational adjustments will have full effect with DKK 6-7 million.

IT-costs in 2013 are positively influenced by Jyske Bank's entrance into the Bankdata cooperation. Thus IT-costs have been reduced by DKK 4.3 million compared with 2012.

In 2013 the bank has paid a contribution of DKK 16 million to the Deposit Guarantee Fund as well as to liquidation of other financial institutions.

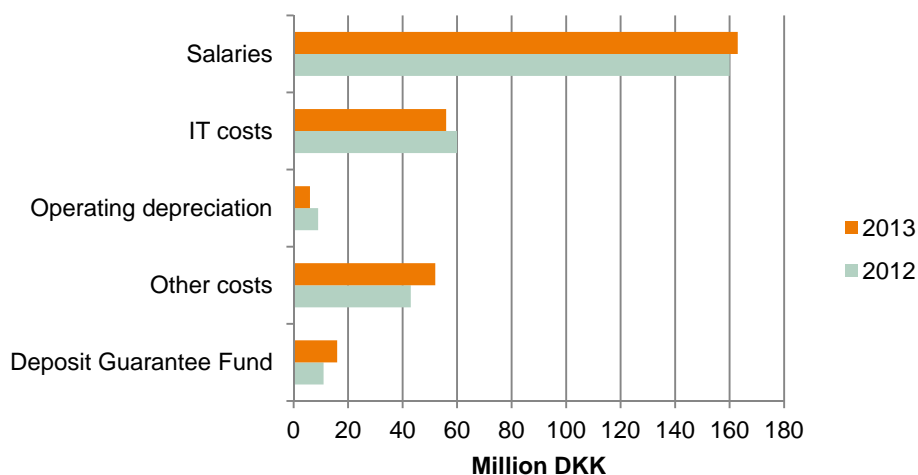
During the past 6 months Nordjyske Bank has contributed with DKK 124 million to restoration of the financial stability.

As a financial business, the bank pays a number of charges to the common public household in addition to income tax

In 2013, the bank paid payroll tax of about DKK 15 million, just as lack of allowances for input VAT amounts to app. DKK 10 million.

Together with the direct income tax of DKK 17.9 million, the bank has for 2013 paid a total of DKK 43 million in taxes and charges, corresponding to an effective rate of taxation and charges of 45.

**Development in operating costs**



# Management Report

## Small decrease in depreciations

Depreciations on lending and guarantees have been calculated to a total of DKK 129 million, which is DKK 2 million less than in 2012. It corresponds to a write-down percentage of 1.9.

The bank's accounts have been influenced by relatively large depreciations during the past years, because the society related risk by lending and guarantees in this period has been higher than a few years ago.

Depreciations on Danish commercial farming amount to DKK 80 million against 44 million last year and to a great extent it can be related to operating results in 2012. Expectations to the 2013 accounts have been amplified under credit risks, but in general look better.

The bank's accumulated depreciations and provisions increase to DKK 569 million and inclusive of market price write-downs to DKK 591 million.

<b>Write-downs on lending (amounts in million DKK.)</b>	<b>2013</b>	<b>2012</b>
Write-downs on individually assessed lending.	146	154
Write-downs on lending assessed on a group basis.	- 4	- 1
<b>Write-downs, total</b>	<b>142</b>	<b>153</b>
Received from receivables previously written down	2	2
Finally lost, not previously written down individually t	19	8
Interest received regarding receivables written down	30	28
<b>Total effect on operations</b>	<b>129</b>	<b>131</b>



# Management Report

## Development in the bank's branches and staff

Nordjyske Bank primarily builds its customer contact on branches in the bank's market area. It is the bank's attitude that our presence in the market areas is of great importance to our customer relationship

At the same time the bank has a need to ensure competence development with the purpose of being able to offer our customers advice of a high quality. The complexity of advice has increased through recent years. The need to ensure competence development in combination with the synergy of gathering staff in larger units has meant great focus on adaptation of the branch structure.

A large supply of systems with use of cards, net banking and mobile banking minimizes the need for frequent visits to a branch, which has influenced the adaptation of the branch structure.

Competence development and high quality advice has contributed to the fact that Nordjyske Bank has been able to establish a large net influx of both private and commercial customers in 2013, which is mentioned in the section "Development in business volume".

During the autumn of 2013 the bank has carried through organisation adjustments with a view to adaptation of wage bills.

<b>Facts about the bank's employees</b>	<b>2013</b>	<b>2012</b>
Employees end of year (full time)	258	264
- women	137	144
- men	121	120
Average age	47.9 yrs	48.9 yrs
Average seniority	21.8 yrs	22.4 yrs



Mikael Jakobsen, Bank Director

The Board of Directors has prepared goals and policies for the under-represented sex in the management. It is the Board's goal that the share of female board members selected by the committee of representatives shall be increased by at least 1 out of 6 members in 2017. This is part of the considerations concerning the mix of the committee of representatives.

It is the intention of the bank to create a basis for equal distribution by sex at the bank's other management levels. It is the bank's goal that all employees experience equal possibilities for career and equality, and that the share of female leaders shall be increased from the current 22.2 per cent to 30 per cent before 2017.

Unfortunately, the bank could notice a fall in the share of female leaders in 2013 from 23.5 per cent to 22.2 per cent.

A total of 45 leaders have taken the bank's management programme, and 69 employees have taken the bank's talent programme. As a part of these programmes individual plans of action are made, and the bank can assess a positive "Return on Investment" through additional earnings as a consequence of the plans of action.

In the talent programme the share of female participants was 68 per cent, contributing positively to the bank's goal of increasing the share of female leaders.

In 2013 the bank has had 6 trainees and hired 6 finance economists and 3 apprentices, and worked together with the municipality about job training, which is considered part of the bank's social responsibility.

The bank wishes to create a sense of community among the employees. A large attendance at "annual meeting" with the bank's management and other initiatives show that there is great support among the staff.

*Security  
Efficiency  
Competence*



# Management Report

## Expectations for 2014

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In Nordjyske Bank we expect a moderate, but still positive economic development in 2014.

Demand for lending to both privates and commercial is expected to continue to be limited, since there will be a general uncertainty concerning market trends.

On the basis of focus on both existing and future customers we expect to be able to continue a positive influx of customers.

For 2014, the bank estimates core earnings before payments to the Deposit Guarantee Fund, write-downs on lending and price adjustment for securities in the range of DKK 175-210 million.

The total result will be affected by the write-down item for lending and the market price development for the bank's holding of securities.

The most important uncertainty factor is the write-down item regarding lending and guarantees. Write-downs in 2014 are expected to continue to be at a relatively high level, but lower than in 2013.

### **Nordjyske Bank – the safe choice**

Nordjyske Bank has good liquidity and a strong core capital. Nordjyske Bank is well prepared for the challenges of the future with a strong local basis consisting of many shareholders and a large customer base.

To be able to deliver satisfactory results and live up to increased requirements and regulations we want a larger business volume.

Nordjyske Bank is still interested in growing in North Jutland, including Aalborg, but also Copenhagen and Aarhus are extremely interesting for the bank.

We will primarily focus on private customers and small and medium-sized commercial customers.

The bank expects the consolidation among Danish banks to continue during the years to come, and the bank expects to continue to be proactive in the expected structural adaptation.

We thank our many customers and shareholders for their continued support to the bank.

*The safe choice*



Claus Andersen, Bank Director

# Management Report

## Risk and risk management

The bank's business goal is to offer financial products and services together with advice. Consequently, the bank is exposed to credit risks, market risks, liquidity risks and operational risks.

In addition to description in the management report, these types of risks are described in detail in note 9 in the present annual report and in Risk Report 2013 which is available from the bank's website [www.nordjyskebank.dk/risikorapport](http://www.nordjyskebank.dk/risikorapport).

Business model, policies and framework are updated at least annually through the management's reassessment of the total risk. The bank's overall attitude remains that the bank only wants to take on risks which the bank has the competence resources to manage.

Risk-taking is a natural element in the bank's operations, and therefore risk management is also a natural and central element in the bank. As a consequence of the bank's business basis, credit risk constitutes the most important risk area.

## Credit risks

As a consequence of the bank's business model and credit policy, the bank's risk profile in the credit area must be appropriately cautious, which leads to concrete guidelines for the bank's credit provision.

This means among other things

- that the bank does not want individual commitments which are so large that a loss may threaten the bank's existence. The unsecured part of individual commitments cannot exceed a maximum of 10 per cent of the bank's core capital.
- that the bank attaches importance to local knowledge, which means that the risk profile has been fixed on the basis of locations where the bank is represented physically
- that the credit administration must ensure that the bank only accepts calculated credit risks

The bank also carries out an ongoing credit rating of the customers by ability and preparedness to meet obligations based on the Danish Financial Supervisory Authority's quality classification.



The bank's guidelines and risk management has heavy focus on concentration risks. In areas in which the bank has chosen to have large concentrations, the bank has corresponding competences and long-standing experience.

The bank's credit risks are controlled by a credit committee - consisting of a member of the Executive Board, the area directors and the credit manager - set up among other things with the purpose of ensuring that the bank's credit policy is complied with in the organisation.

Central credit controlling is carried out on an ongoing basis - partly in the bank's branches, partly in selected risk areas with a view to supervision and control of credit risks and a strengthening of the employees' credit competences.

### The Danish Financial Supervisory Authority

The latest visit by the Danish Financial Supervisory Authority was in May-June 2012 for an ordinary inspection.

The report was generally satisfactory, and the bank was not noticeably affected by the inspection with regard to result. The Danish Financial Supervisory Authority concluded that the bank had taken the known risks into consideration.

Risk report 2013  
Is available on the bank's  
website

[www.nordjyskebank.dk/risikorapport](http://www.nordjyskebank.dk/risikorapport)

# Management Report

Key credit figures	2013	2012	2011	2010	2009
Lending in proportion to equity	4.1	4.3	4.6	5.0	5.5
The year's growth in lending as a percentage	- 0.1	- 3.4	- 4.0	- 0.9	6.2
Sum of large commitments as a percentage of core capital	11.6	23.3	37.1	33.0	*13.2
The year's write-down percentage	1.9	1.8	1.6	1.3	1.3
Accumulated write-down percentage	8.2	7.5	5.8	4.1	3.6

\* calculated according to previous rules

## Credit rating

The bank's rating model was adapted in 2012 as a consequence of changed guidelines for risk classification from the Danish Financial Supervisory Authority.

The financial crisis has affected the bank's customers, but in spite of this 2/3 of the bank's lending and guarantees show no signs of weakness.

The share of good and normal quality increases from 2012 to 2013. The better rating is primarily due to better earnings, where a number of well consolidated companies have again improved operations – after a period where bad economic trends have lead to operating loss.

Furthermore the new good commercial and private customers have contributed to a better portfolio.

Commitments with certain weaknesses and commitments with material weaknesses have been reduced from 2012 to 2013, indicating lower write-downs in 2014.

The risk of loss on lending and guarantees with objective indication of value reduction has been hedged through write-downs/provisions and security. The risk of loss after write-downs and deduction of security indicates ability to repay, dividend, etc.

A quarterly stress test is carried out of the bank's lending and guarantee portfolio.

Furthermore the bank performs tests on an ongoing basis of credit ratings with a view to assessing the ability of the model to continuously catch the commitments threatened by loss and write-downs.

In 2013 the bank has got many new private customers and small commercial customers. Upon influx of new customers, there has been performed ongoing supervision and control of fixing credit rating, among other things. Thereby we ensure that the influx improves the bank's portfolio, as we establish satisfactory rating of the new customers.

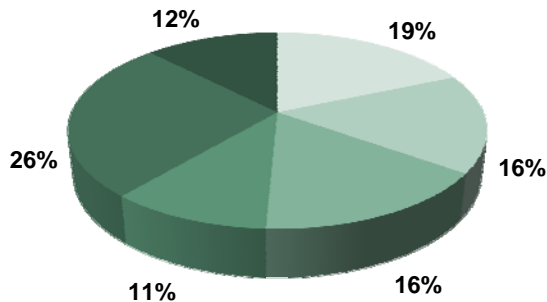
Lending and guarantees after write-downs	Before deduction of security		After deduction of security	
	2013	2012	2013	2012
<b>Distribution according to rating</b> (amounts in million DKK)				
Good quality	1,901	1,668	457	400
Normal quality	646	605	267	264
Slightly reduced quality	1,820	2,072	834	951
Some weaknesses	481	583	263	300
Slightly reduced quality, but without OIV	434	534	167	290
With objective indication of value reduction (OIV)	1,112	1,090	336	281
<b>With objective indication of value reduction</b>	<b>6,394</b>	<b>6,552</b>	<b>2,324</b>	<b>2,486</b>



# Management Report

## Commitment size

■ 0 - 500 t DKK	■ 500 - 1.500 t DKK
■ 1.500 - 5.000 t DKK	■ 5.000 - 10.000 t DKK
■ 10.000 - 50.000 t DKK	■ > 50.000 t DKK



Large commitments may involve a large credit risk. Therefore the bank does not want individual commitments for which the unsecured part corresponds to more than 10 per cent of the bank's core capital.

The bank's credit risks are concentrated on rather small commitments.

12 per cent originate from commitments of more than DKK 50 million, whereas more than 60 per cent of the bank's credit commitments relate to commitments of less than DKK 10 million.

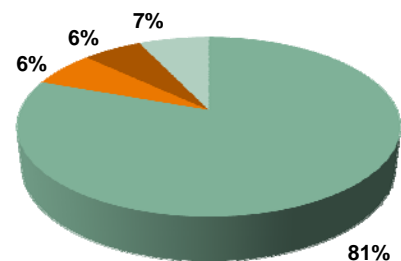
## Geographical distribution

87 per cent of the bank's lending and guarantees originate from geographical areas in which the bank is physically represented.

The bank's lending and guarantees are distributed with 81 per cent in North Jutland and 6 per cent in the capital area where Nordjyske Bank has a branch.

A material part of the bank's lending and guarantees abroad consists of lending to plant-growing abroad which is described on page 19 and where the risk of loss is considered highly limited.

■ North Jutland	■ The capital area
■ The rest of Denmark	■ Aborud



## Lending in foreign currencies

At the end of 2013 6 per cent of the bank's lending is in foreign currencies, of which EUR accounting for 5 per cent of total lending.

The bank is therefore of the opinion that the bank's lending involves limited foreign exchange risk

It is not the bank's policy to offer lending in foreign currency to a great extent, the reason why the bank as a main rule does not offer this to private customers and only to commercial customers with good credit rating.

# Management Report

## Lending and guarantees distributed on sector and industry

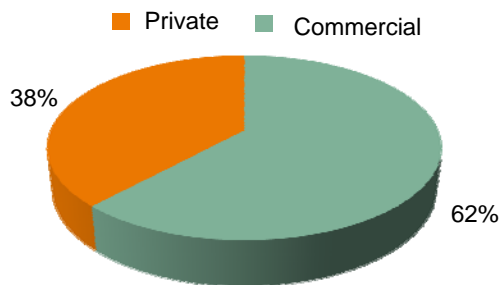
The bank has maintained lending at the same level in 2013 as at the end of 2012, which is very satisfactory seen in the light of annual settlement of DKK 300-400 million.

The development is further reasoned in the section on "Development in business volume".

Guarantees fell by DKK154 million, which is due to a low level of conversions and housing trades at the end of 2013.

Thus the bank's lending and guarantees fell by DKK 158 million during 2013, corresponding to 2 per cent.

**Distribution of lending and guarantees as at 31.12.2013**



The bank's lending and guarantees are distributed as 62 per cent to commercial and 38 per cent to private customers. The risk on the private segment is assessed to be lower than the commercial segment, the reason why the goal of the bank is at least 35 per cent lending and guarantees to private customers.

Lending distributed among sectors (amounts in million DKK )	2013	2012
Industry	3,572	3,600
Private	1,981	1,952
Public authorities	0	5
<b>Total lending</b>	<b>5,553</b>	<b>5,557</b>

The bank's total lending is DKK 5,553 million.

It is very positive that there is an increase in lending to private customers of DKK 29 million, corresponding to 1.5 per cent.

On the other hand commercial lending has dropped by DKK 28 million, corresponding to 1 per cent.

The development in the bank's lending is still affected by propensity to save among private customers and lack of will to raise loans, among both private and commercial customers. Market trends in 2013 – in spite of positive elements – have still been weak and caused uncertainty which has meant limited consumption and investment incentive.

# Management Report

Distribution as at 31 December 2013 (amounts in million DKK.)	Lending and guarantees before write-downs	Accumulated write-downs and market price write-downs	The year's write-downs over operations
Plant growing	361	14	4
Cattle breeding	413	138	59
Pig breeding	595	79	18
Fur farming	56	3	-1
Danish commercial farming, total	1,425	234	80
Fishery, Plant growing abroad etc.	758	26	4
Total farming etc.	2,183	260	84
Other commercial	2,245	184	25
Total commercial	4,428	444	109
Private	2,567	111	37
Public authorities	3	0	0
<b>Total</b>	<b>6,998</b>	<b>555</b>	<b>146</b>
Group write-downs		36	-4
Finally lost - not previously written down individually			19
Received re. receivables, interest, etc., written down previously			32
<b>Total reservations</b>		<b>591</b>	<b>129</b>

Limited loss signals are still seen on the bank's private customers. Private customers' financial challenges typically arise when they lose their income or for other reasons are forced to sell their house, the reason why they risk having to realise a loss

In North Jutland, however, the bank's clients are less challenged on loss on housing sales than in other areas of the country, as North Jutland has experienced smaller price increases before the crisis and less fall in price during the crisis. This is confirmed by the fact that the bank has limited challenges with real property which is technically mortgaged beyond its market value.

The bank's share of loans mortgaged above 80 per cent of a technically calculated value of the property is lower than the average at Totalkredit. At the same time the share for North Jutland is smaller than other regions.

83 % of the bank's share of loans from Totalkredit, have mortgaged under 60 % of the technically calculated value of the property and thereby some equity in the property. The bank's customers have a higher share of loans with repayment and fixed interest rate than the average at Totalkredit.

At the same time it is the bank's credit policy that by calculation of a disposal amount for private customers we base it on a calculation of a 30 years fixed-rate housing loan with installments.

In addition to stable property prices, private customers in North Jutland are favoured by low interest rates and relatively higher employment compared with other regions.

Concentrations may lead to higher risk, which is why the bank is aware of industry concentrations. Nordjyske Bank has fixed limits for all industry groups.

The real estate industry is still challenged, but the bank only has limited lending to and risk in this industry, with a share of 6 per cent.

Danish commercial farming constitutes a considerable concentration in the bank's lending and guarantees of 19 per cent. The bank's exposure to Danish commercial farming is amplified in the subsequent section.

Nordjyske Bank has lending and guarantees to the fishing industry of 5 per cent of the bank's total lending and guarantees.

The bank has long time experience with the fishing industry, which is naturally in the bank's primary market area. The industry is of great positive importance for the market area. The fishing industry is strongly affected by the fisheries policy climate, and the industry requires special competences. In 2012 the bank therefore established a fishery center, which increases the competence of the advisors attached to the fishery center

The fishing industry experiences some fluctuations over the year. According to Danish Fishermen's Association 2013 has been acceptable with greater catch of both edible and industrial fish, however at lower prices than in 2012.

To some extent the fishermen can convert to other edible fish or to industrial fish, Thus it is possible to compensate when e.g. the amount of Norway lobster was low during the first half of 2013.



# Management Report

## Lending and guarantees to farming

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In the bank's primary market area the farming industry constitutes an important industry. It is natural that the bank has strong commitment in the farming industry and has relatively comprehensive lending to it. The farming industry contributes positively to earnings in Nordjyske Bank.

At the same time it is an industry with great focus by the bank, partly because of the concentration and partly because the industry is still financially challenged.

Write-downs and provisions for commitments with Danish commercial farming amount to DKK 225 million at the end of 2013. Add to this market value reductions for lending to Danish commercial farming received in connection with take-over of lending from Løkken Sparekasse and Øster Brønderslev Sparekasse of a total of DKK 9 million..

Write-downs, provisions and market price write-downs for commitments with Danish commercial farming thus amount to a total of DKK 234 million, corresponding to 16 per cent of lending and guarantees to the industry.

As a maximum we use the property prices directed by the Danish Financial Supervisory Authority when calculating the customers' real equity and for calculation of write-down needs.

It is a general characteristic of the Nordjyske Bank' agricultural clients that most of them have been in the industry for many years.

The financial challenges for Danish commercial farming vary a great deal between each individual product type.

The bank's write-downs and provisions within Danish commercial farming are concentrated within cattle and pig breeding where cattle breeding in particular is facing the largest financial challenges.

There are several positive elements for the farming industry, although there are still challenges. For a part of the bank's lending to the farming industry with much debt with floating interest rate and low efficiency, there will be increased risk for future losses.

Pig prices have been at a decent level in 2013, but operations are not expected to reach the 2012 level. There is great variation, and we see pig breeders with high efficiency and low costs produce good operating results. The outlook for 2014 is better than 2013 because of high pig prices and low feed prices.

On pig breeding the bank has written down DKK 79 million, corresponding to 13 per cent of the bank's lending and guarantees on this type of production.

Better results are expected for the milk producers for 2013 than the year before because of higher milk prices and lower feed prices. Also here there is a great variation in the results and still challenges for milk producers, some of which have a burden of the past on investments.

DKK 138 million has been written down on milk producers, corresponding to 33 per cent of the bank's lending and guarantees on this production type.

Plant growers are expected to come out with satisfactory accounts in spite of lower prices on grain and rapeseed.

Fur farming has shown good accounts, which have been used for consolidation and payment of debts. There are historically fluctuating auction prices, the reason why consolidation is important.

The bank's focus is on creating profitable operation, and in some cases this means that we help farmers out of the business.

The government presented a growth packet for food at the end 2013, which contained several good initiatives for the farming industry, including better possibilities for Landbrugets FinansieringsBank.

*Positive outlook for  
farming*

# Management Report

Lending and guarantees to the agricultural and fishing sectors after write-downs - Distribution according to rating (amounts in million DKK)	Before deduction of security		After deduction of security	
	2013	2012	2013	2012
Good quality	484	450	33	26
Normal quality	178	147	2	4
Slightly reduced quality	373	379	16	17
Some weaknesses	150	211	62	65
Material weaknesses	151	249	40	106
With objective indication of value reduction	588	516	179	163
<b>Total lending and guarantees</b>	<b>1,924</b>	<b>1,952</b>	<b>332</b>	<b>381</b>

The bank's calculation of capital adequacy allows for the fact that losses may occur from commitments with material weaknesses without write-downs and provisions.

Furthermore, provisions have been made for additional losses from commitments through write-downs, provisions and market price write-downs.

A current stress test of the bank's agriculture portfolio shows that the current difficulties in agriculture cannot threaten the bank. Even if the bank should lose the entire blank share on this segment, the bank's capital adequacy percentage will still be above the capital adequacy.

Agriculture commitments with some weaknesses and commitments with material weaknesses have been reduced from 2012 to 2013. This fall in combination with positive elements in market trends renders lower write-downs in 2014 probable.

## Lending to plant growing abroad

Lending to plant growing abroad amounts to 5 per cent of the bank's lending and guarantees. Such loans are considered to involve a very limited risk of loss for the bank, as they are secured by first-ranking mortgages together with state guarantee in the form of a guarantee issued by the Danish Export Credit Fund. At the same time, the equity contributed cash amounts to 45-50 per cent of the investment.



## Other risks

### Liquidity risk

The liquidity risk of Nordjyske Bank must be reasonable. This means:

- that the bank's liquidity requirement should primarily be covered by deposits and equity
- that the bank has sufficient lines with other banks to cover the current day-to-day liquidity requirement
- that the bank has sufficient excess liquidity to meet the goal at any time and during budget projection and stress scenario
- that the bank meets the limit fixed by the Financial Supervisory Authority for stable funding in the Supervision Diamond.

The liquidity is checked, budgeted and reported on an ongoing basis to the Board of Directors and the Executive Board, which means that the bank makes sure that the limits fixed for the liquidity risk are observed.

### Market risk

Nordjyske Bank's total market risk must be cautious, and limits have been fixed for the interest risk, the foreign exchange risk and the share risk.

The limits are checked and reported on an ongoing basis to the Board of Directors and the Executive Board.

# Management Report

## Liquidity

### Development in deposits

It is the bank's policy to finance lending with deposits from customers and by means of equity.

The past 5 years lending has been relatively stable in the range DKK 5.5-6.0 billion, whereas deposits have increased by 45 per cent to DKK 7.3 billion.

The bank's excess liquidity means a very comfortable liquidity situation.

<b>Deposits / lending</b> (amounts in million DKK)	<b>2013</b>	<b>2012</b>
Deposits	7,297	6,847
Lending	5,553	5,557
<b>Excess deposits</b>	<b>1,744</b>	<b>1,290</b>

Excess deposits have increased a lot as a consequence of the increasing propensity to save as well as conversion of pension funds in 2013 from deposits to pooled schemes. Deposits have increased in spite of the fact that many customers have converted capital pension to retirement pension, whereby the balances are reduced by the indirect tax.

The excess deposits have increased by DKK 454 million during 2013, and now amount to DKK 1,744 million.

Less than 90 per cent of the deposits are covered by the Deposit Guarantee Fund.

No deposits account for more than 1 per cent of total deposits, just as the ten largest deposits amount to less than 5 per cent of total deposits. The bank does not depend on expensive agreement deposits.

Deposits and equity on a total amount to "own liquidity" of DKK 8,648 million at the end of 2013, and excess amount relative to lending of DKK 3,095 million.

<b>Stable funding</b> (amounts in million DKK)	<b>2013</b>	<b>2012</b>
<b>Lending</b>	<b>5,553</b>	<b>5,557</b>
Equity	1,349	1,304
Deposits etc.	7,299	6,851
<b>Funding</b>	<b>8,648</b>	<b>8,155</b>
Excess amount	3,095	2,598
Funding ratio	0.64	0.68

The bank's current liquidity situation is very comfortable with excess solvency of 215 per cent, corresponding to DKK 1,807 million.

Total liquidity calculated pursuant to S 152 of Law on Financial Companies amounts to a total of DKK 2,647 billion at the end of 2013, distributed with

- DKK 361 million cash and demand deposits in the Danish Central Bank
- DKK 268 million in fully safe and liquid demand deposits in credit institutes
- DKK 1,122 mill. in safe, easily salable listed securities
- DKK 350 million in confirmed lines from other banks
- DKK 138 million in lines from the Danish Central Bank with sector shares as security
- DKK 408 million in other secure non-mortgaged easily salable securities (pool assets)

As a consequence of the stable liquidity on the financial markets and in the financial sector, the possibility to borrow on sector shares as at 1 July 2014. The consequence of the lapse would at the end of 2013 mean a reduction of the excess solvency of 16 percentage points, and thus is not essential to the bank.

As mentioned under the section about future capital and liquidity requirements on page 22, our estimates still show that due to our comfortable liquidity situation, the bank will be able to live up to the expected liquidity requirements.

*The bank's "own liquidity" in the form of deposits and equity amounts to DKK 8,648 million and exceeds lending by DKK 3,095 million*

# Management Report

## Capital

The bank's capital adequacy rate and core capital rate amount to 19.9 as at 31 December 2013.

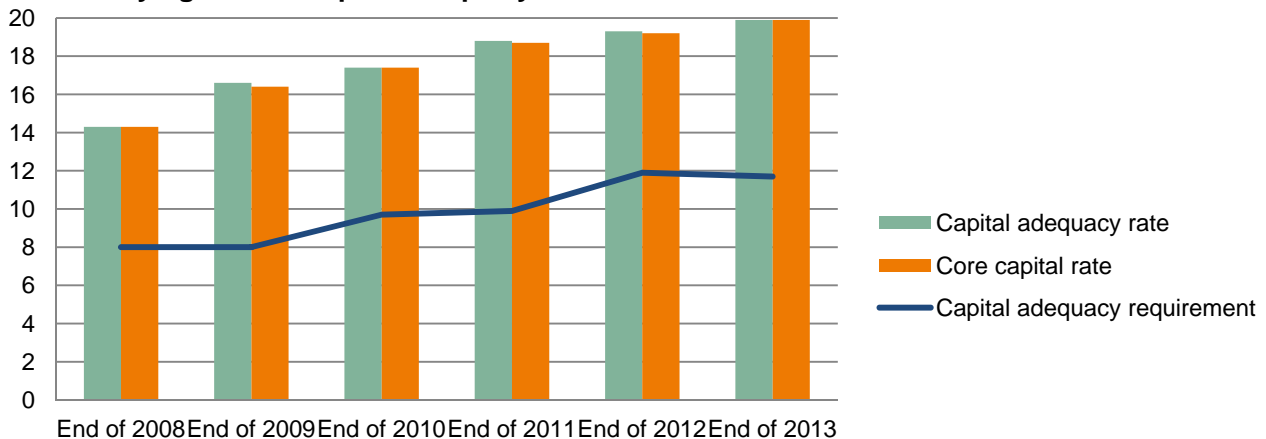
The graph below shows that the bank has a nice and stable increase in the key figures for capital adequacy in the course of recent years. The capital adequacy robustness is underlined by the fact that the capital is based on equity.

The bank's capital adequacy (solvency) 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.

According to the stipulation in the executive order on capital adequacy, the bank must publish detailed information about risks, capital structure, capital adequacy and risk control, etc. Such information appears from the bank's website [www.nordjyskebank.dk/risikorapport](http://www.nordjyskebank.dk/risikorapport).

<b>Core capital / risk-weighted items</b> (amounts in million DKK)	<b>2013</b>	<b>2012</b>
Equity	1,349	1,304
Deduction of		
- dividend	15	8
- goodwill etc.	20	22
- investment shares in financial businesses	67	53
Subordinate capital	2	4
<b>Core capital</b>	<b>1,249</b>	<b>1,225</b>
<b>Risk-weighted items</b>	<b>6,291</b>	<b>6,351</b>
Capital adequacy rate	19.9	19.3
Core capital rate	19.9	19.2

**Key figures for capital adequacy**



**Growth in risk-weighted items in 2008-2013:**

-9.1      4.5      -0.1      -0.9      1.3      -0.9

### The individual capital adequacy requirement

The bank's calculations of the individual capital adequacy results in sufficient core capital of DKK 739 million, corresponding to an individual capital adequacy requirement of 11.7 per cent.

Nordjyske Bank has used the credit reservation method - also referred to as the 8+ method - according to the instructions issued by the Danish Financial Supervisory Authority.

Compared with the actual capital adequacy of 19.9 per cent at the end of 2012, the bank has a capital adequacy rate of 170 per cent relative to the individual capital adequacy requirement.

Further information about the calculated individual capital adequacy requirement is found on the bank's homepage

[www.nordjyskebank.dk/risikorapport](http://www.nordjyskebank.dk/risikorapport)



# Management Report

## The Supervision Diamond

The sum of large commitments must be < 125 per cent of core capital  
**Nordjyske Bank: 11.6 per cent**

Growth in lending must be < 20 per cent per year  
**Nordjyske bank: -0.1 per cent**



Stable funding ratio must be < 1.0  
**Nordjyske Bank: 0.64**

Property exposure must be < 25 per cent of lending and guarantees  
**Nordjyske Bank: 6.7 per cent**

Excess liquidity must be > 50 per cent  
**Nordjyske Bank: 215 per cent**

The Danish Financial Supervisory Authority has set five key markers – which constitute the "Supervision Diamond" – which as a basis are considered special risk areas for financial institutions. For each of the five key markers, the Financial Supervisory Authority has established a limit within which the banks should in principle stay.

*Nordjyske Bank fully meets the fixed limits in the Supervision Diamond*

## Future capital and liquidity requirements

The bank is aware of the tightened requirements regarding capital and liquidity which is a consequence of the EU-rules CRD IV og CRR. Details still remain to be known about definitions, meaning that the bank does not know the exact effect.

The bank does not expect to be affected by the capital requirements as far as capital adequacy is concerned, as most of the bank's capital is equity. However, minor influence of the changed deductions and a changed statement of the risk weighted items still remain.

Our estimates still show that the bank will also be able to meet the expected liquidity requirements on the basis of our comfortable liquidity situation.

The rules have not yet been finally adopted either, and this is significant for current placing of liquidity that mortgage credit bonds are approved as level 1 (fully liquid).

# Management Report

## Consolidation

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Of the year's result after taxes and other total income of a total of DKK 54 million, the suggestion is to distribute DKK 15 million as dividend and transfer the rest to equity.

In addition, the equity has during the year been decreased by DKK 1 million as a consequence of net purchase of the bank's shares.

At the end of the year, the bank's equity amounts to a total of DKK 1,349 million.

## Subsidiary

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Nordjyske Bank owns the entire share capital of Sæbygård Skov A/S. The result of the subsidiary for 2013 is included in the bank's income statement under "result of investments in associated businesses and subsidiaries". The shares have been included at DKK 11.3 million, which is the book value.

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

## Uncertainty in relation to inclusion and calculation

---

The year'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 influence the bank's result for 2013, the bank's assets and liabilities, and its financial position as at the end of 2013.

Just like the other Danish banks, Nordjyske Bank is liable for losses of the Deposit Guarantee Fund in connection with the insolvency of other banks. Nordjyske Bank's most recently calculated share of the sector's liability towards the Deposit and Investment Guarantee Fund amounts to 0.69 per cent.

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

The most important estimates relate to

- write-downs on lending and receivables where quantification of the risk of missing future payments involves material estimates,
- 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 calculation 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 - involve material estimates in connection with the determination of the market 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 company announcements or alternatively on capital value calculations.

# Management Report

## Preparation of financial statements

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The Board of Directors and the Executive Board have the overall responsibility for Nordjyske Bank's risk management and internal control in connection with the preparation of the financial statements, including compliance with relevant legislation and other regulations in connection with the preparation of financial statements.

The bank's control and risk management systems in connection with the accounting process can create sufficient - but not absolute - certainty that unlawful use of assets, losses and/or material mistakes and omissions in connection with the preparation of the financial statements are avoided.

The Board of Directors and the Executive Board will on an ongoing basis assess risks and internal control in connection with the bank's activities and its possible influence on the preparation of the financial statements.

### Control environment

The Executive Board will on an ongoing basis assess the bank's organisation structure and staffing in all material areas, including within the area with relation to the preparation of financial statements.

The Board of Directors and the Executive Board will establish and approve general policies, procedures and controls in material areas in connection with the preparation of financial statements. Compliance is emphasised on an ongoing basis, and random monitoring and control of compliance will be carried out.

In accordance with the statutory requirements, the Board of Directors has established an internal auditing reporting to the Board of Directors. Internal auditing takes part in the auditing of material and risk-related areas in connection with the preparation of the financial statements.

Furthermore, the bank's Audit Committee monitors the material and risk-related areas in connection with the preparation of the financial statements.

The bank has appointed a compliance responsible person, who is responsible for ensuring that legislation, market standards and internal codes of practice are complied with.

### Risk assessment

Furthermore, the bank's Audit Committee monitors the material and risk-related areas in connection with the preparation of the financial statements.

As part of the risk assessment, the Board of Directors, including the Audit Committee and the Executive Board, will on an annual basis decide on the risk of fraud and measures to be taken with a view to reducing and/or eliminating such risks.

Furthermore, the bank has appointed a person to be responsible for risk management to ensure a total overview of risks, including supervision and assessment of risks and risk management.

## Proposals to the General Meeting

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The bank's general meeting to be held on 11 March 2014 in Arena Nord in Frederikshavn.

Board of Directors will with the approval of the bank's Committee of Representatives present the following proposals:

- Proposal to change the bank's Articles of Association:
  - The authorisation to increase the share capital is extended to 11 March 2019.
  - The authorisation to change articles of association to be deleted.
  - Proposal to change the age limit for the Committee of Representatives from 67 years to 70 years.

- Request for the general meeting's authorization to acquisition of own shares.

The agenda and the complete proposals and the documents to be presented at the general meeting will be available for inspection at the bank's head office and at [www.nordjyskebank.dk](http://www.nordjyskebank.dk) from 12 February 2014 until and including 11 March 2014.

# Management Report

## Shareholders

The bank's share capital of DKK 77.2 million is divided into 7,720,000 shares of DKK 10 each. The shares have been adopted for listing at NASDAQ OMX Copenhagen.

According to the Articles of Association of the bank, the shares must be registered by name. The shares are freely negotiable, but it will require the bank's consent if an acquirer obtains 10 per cent or more of the bank's share capital.

Voting right at the bank's general meeting shall be exercised so that each DKK 100 or fraction thereof gives one vote. 1,000 votes shall, however, be the largest number of votes any shareholder is able to cast on his/her own behalf

With the approval of the Committee of Representatives, the Board of Directors is authorised to increase the share capital by up to DKK 72.8 million to a total of DKK 150 million. Of new shares issued according to the above authorisation, up to DKK 25 million can be offered for free subscription without pre-emptive rights for the bank's shareholders.

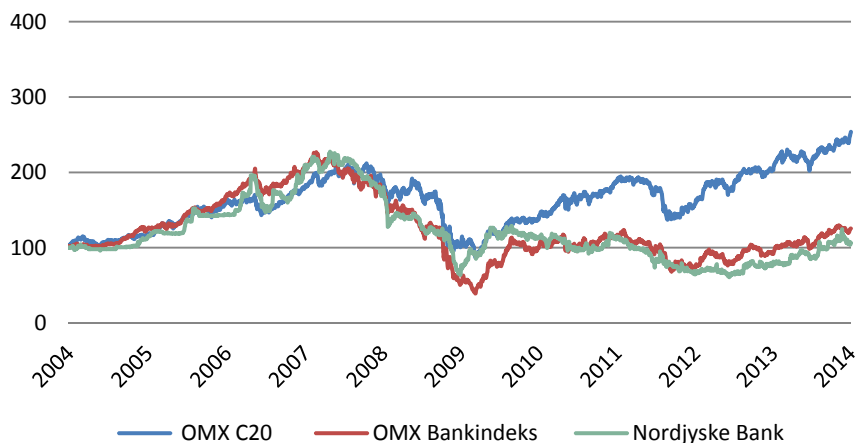
In addition, the Board of Directors is authorised to allow the bank to acquire own shares at any time, corresponding to a maximum of 10 per cent of the bank's nominal share capital if the shares can be acquired at the current listed price with a deviation of up to 10 per cent.

The Danish Financial Supervisory Authority has, however, issued an executive order with effect from 1 January 2013, according to which financial businesses may only according to prior permission own their own shares in excess of 3 per cent of the share capital.

### Large shareholder

Skagen Cementstøberi A/S, Jens Jørgen Nielsen and Kirsten Nielsen, Skagen, together own 5 % of the share capital in Nordjyske Bank A/S as at 31 December 2013.

Index 100 = 30.12.2003



### The Nordjyske Bank share

In 2013, the share provided a return of 33 per cent in capital gain and dividend.

The market price increase must be seen in the light of the general development on the market for bank shares.

Above you will see the development in market price during the past 10 years compared with the OMX C20 index (the 20 most traded companies) and the bank index.





# Management Report

## Changes to the bank's Articles of Association

Proposals to change the bank's Articles of Association can be adopted by the general meeting, if at least two thirds of the share capital are represented with a voting right, and if the proposal is adopted with at least two thirds of both the votes cast and the share capital with voting right represented.

If at least two thirds of the share capital are not represented at the general meeting with voting right, proposals for changes to the Articles of Association made by the Committee of

Representatives or the Board of Directors which have obtained at least two thirds of the votes cast can be adopted at a new general meeting with the above qualified majority, regardless of the size of the share capital represented.

Proposals for changes to the Articles of Association adopted unanimously by the Committee of Representatives can be adopted finally at a single general meeting with a majority of at least two thirds of both the votes cast and the share capital with voting right represented at the general meeting, regardless of the amount of shares represented.

## Company announcements issued in 2013

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12.02.2013	Announcement of financial statements and Annual Report as at 31 December 2013
13.02.2013	Notice of Ordinary General Meeting on 12 March 2013
12.03.2013	Minutes of the bank's ordinary general meeting on 31 March 2013
14.05.2013	Interim report as a 30 March 2013
18.06.2013	Performance of capital reduction
13.08.2013	Interim report as at 30 June 2013
24.09.2013	Adjustment of organisation at Nordjyske Bank
31.10.2013	Large shareholder in Nordjyske Bank A/S
19.11.2013	Interim report as a 30 September 2013
19.11.2013	Financial calendar 2014 for Nordjyske Bank

## Financial calendar 2014

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11.02.2014	Publication of annual report for 2013
11.03.2014	Ordinary General Meeting
20.05.2014	Publication of interim report as at 31 March 2014
12.08.2014	Publication of interim report as at 30 June 2014
18.11.2014	Publication of interim report as at 30 September 2014



# Management Report

## Bank Management

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### Committee of Representatives

The Committee of representatives shall have at least 30 and no more than 60 members, at present 49 members. The members are elected by the general meeting. When electing members of the Committee of Representatives, equal representation from the activities of the bank must be aimed at reflecting the bank's shareholders and business structure. Upon election of members of the Committee of Representatives, suitable candidates for the board of directors shall also be ensured.

When a member of the Committee of Representatives reaches the age of 67, the member in question shall retire from the Committee of Representatives at the subsequent ordinary general meeting.

However, see proposal to change of articles of association on page 24.

### Board of Directors

The Board of Directors consists of 4-6 members to be elected by and among the members of the Committee of Representatives. Members of the Board of Directors, who are elected by the Committee of Representatives, are elected for a period of two years. Re-election shall be possible. If a member retires from the Committee of Representatives, the membership of the Board of Directors shall terminate.

In addition, the Committee of Representatives can elect one member of the Board of Directors who is not a member of the Committee of Representatives when this is considered appropriate considering the composition of the Board of Directors. According to this authorisation, the Committee of Representatives has in March 2009 elected an independent member with competence within accounting and auditing, so that the Board of Directors meets the statutory requirements regarding audit committee.

In addition, the Board of Directors includes such additional members as required by legislation, at present three employee representatives.

At present, the Board of Directors consists of 9 members, 5 of which have been elected among the Committee of Representatives, 1 member is not a member of the Committee of Representatives, but has been elected by the Committee of Representatives as an independent member, and 3 members have been elected by the employees.

The Board of Directors holds ordinary Board meetings 11 times each year.

The Board of Directors holds ordinary Board meetings 11 times each year.

In January 2013, the Danish Financial Supervisory Authority stated that they take note of the Board of Director's assessment as to whether the Board of Directors possesses the necessary competences.

The Board of Directors attached great weight on competences, local attachment, and continuity to board work, but is at the same time aware of the importance of independency. The increasing competence demands are strongly weighted.

It is the Board of Directors aim that the composition of the board ensures the presence of as many of the below qualifications as possible – based on the bank's business model:

- Board competence
- Management competence – management and strategy
- Business competence – turn ideas into business
- Accounting and auditing
- Competences in law and legal matters
- Competences within farming and fisheries
- Insight into the conditions of commercial and private customers

Add to this personal competences are weighted:

- Personality
- Broad contact surface
- Analytical
- Integrity
- Commitment

In addition to this the composition of the board of directors is established pursuant to fixed general and specific legal requirements as well as a consideration of the recommendation for good company management.

The Board's total competences are assessed as the sum of all the members' individual competences. Special competences are indicated under the section "Information about the Board of Directors".

Nomination of candidates for election at a meeting of representatives takes place based on these principles.

# Management Report

## Audit Committee

The Board of Directors has established a separate Audit Committee. The Committee monitors accounting and auditing and prepares issues to be discussed subsequently by the entire Board of Directors. In accordance with legislation, the Audit Committee does not have independent decision-making competence.

The Audit Committee holds four ordinary meetings per year.

The Board of Directors has appointed Ole Kristensen qualified and independent member of the Audit Committee in the light of his qualifications as state-authorized public accountant and a member of the Executive Board of Nordjyske Bank from 1985 to 2002. The Board of Directors is of the opinion that Ole Kristensen has the necessary qualifications.

## Remuneration committee and policy

The remuneration committee consists of all members of the Board of Directors.

According to the remuneration policy for the Board of Directors and the Executive Board in Nordjyske Bank, both the Board of Directors and the Executive Board will receive a fixed amount. This means that the remuneration does not include any type of incentive pay. The remuneration of the Board of Directors is fixed by the Committee of Representatives. The remuneration of the Executive Board is fixed by the Board of Directors.

## Executive Board

The Executive Board consists of 2 members who are in charge of the day-to-day management of the bank. The Executive Board has a well-defined division of labour with an appropriate relation to the competences of the members of the Executive Board.

## Good corporate management

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As a listed company, Nordjyske Bank is covered by the recommendations for good corporate management issued by the Committee of Good Corporate Management, latest update in May 2013. Add to this the recommendations on external audit issued by the Danish Finance Supervisory Authority.

The Bank's attitude to both sets of recommendations is generally favourable, and the bank's Executive Board and Board of Directors have chosen to adopt most of the recommendations. In some areas, the bank's management has, however, chosen either not to observe the recommendations or only to observe them partially.

*On the bank's homepage you will find a detailed report of the two sets of recommendation*

Read more about it on [www.nordjyskebank.dk/selskabsledelse](http://www.nordjyskebank.dk/selskabsledelse), where partly reasons are given for the instances where the bank does not fully follow the recommendations, and partly is given supplementary comments to recommendations followed by the bank.

## Social responsibility

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Nordjyske Bank has prepared a policy for social responsibility based on the bank's core values: Safety, efficiency and competence. Furthermore, the policy is in line with the bank's vision of being "the safe choice". (Corporate Social Responsibility - CSR).

*The policy and associated report can be seen in full on the bank's homepage*

According to the policy, the bank wants to ensure fair treatment of its stakeholders, limit any negative effect on environment and local community, and to contribute to mutually beneficial, financial results - based on social responsibility.

The bank's respect for both human rights and a reduction of climate impact are part of the bank's policy on social responsibility.

Read more on [www.nordjyskebank.dk/csr](http://www.nordjyskebank.dk/csr).

# Management Report

## Information about the Board of Directors

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**Hans Jørgen Kaptain**  
**Chairman of the Board of Directors**

Born 1946  
Address in Sæby

Member of the Board of Directors since 1993  
Up for election in 2014  
Chairman of the Board of Directors since 1997  
Member of the audit committee

Fee received in 2013 a total of DKK 339,000.

Attorney (H) and co-owner of the law firm  
HjulmandKaptain with offices in Frederikshavn, Hjørring,  
Aalborg and Aarhus.

**Education**

LLM

**Executive positions and directorships**

**Director**

Kaptain ApS

**Chairman of the Board of Directors**

Skagerak Holding A/S  
IE Holding, Hirtshals A/S  
Skagerak Fiskeeksport A/S  
Aktieselskabet Sæby Fiske-Industri  
Dafolo Holding A/S  
Dafolo A/S  
Elworks A/S  
Hjallerup Maskinforretning A/S  
James A/S  
Nordjysk Luftteknik A/S  
Den Grevelige Oberbech-Clausen-Peanske Familiefond  
(Voergaard Slot)  
Nordjyllands Hallens Fond  
Skagens Museum

**Member of the Board of Directors**

Stiholt Holding A/S  
Skagerak Salmon A/S  
Dansk Træemballage Holding A/S med 5 datterselskaber  
Holdingselskabet HT A/S  
Hydra Tech A/S  
HTHH A/S  
GMC Holding A/S  
RAIS A/S  
Skanderborg Maskinforretning A/S  
Vanggaard Fonden (Sæby Fiske-Industri Koncernen)  
Sigurd og Margit Espersens Familiefond (Skagerak  
Koncernen)  
Ann Birgitte og Niels Ørskov Christensens Familiefond  
(Ørskov Koncernen)  
Købstædernes Forsikring  
Dafolo Fonden

**Special competences**

Board experience  
Management  
Strategy  
Law  
Fishing

**Independence**

Does not fulfill the requirements for  
independence due to membership of the board of directors  
for more than 12 years.

**Shareholding**

Beginning of 2013: 12,304 shares • End of 2013: 12,304  
shares.



# Management Report



**Sten Uggerhøj**  
Deputy chairman of the  
Board of Directors  
Born 1959  
Address in Frederikshavn

Member of the Board of Directors since 2005  
Up for election in 2014  
Deputy Chairman of the Board of Directors since 2011  
Member of the audit committee

Fee received in 2013 a total of DKK 225,000.

Car dealer and director of Uggerhøj A/S  
Runs businesses in Frederikshavn, Hjørring, Aalborg,  
Herning, Silkeborg and Aarhus.

#### Education

Diploma from General Motors  
Top Governance, Aalborg Business Institute  
CBA, Aalborg Business Institute  
MBA in Strategic Management, Aalborg Business Institute

#### Executive positions and directorships

##### **Director and member of the Board of Directors**

Uggerhøj A/S  
Uggerhøj Aarhus A/S  
Uggerhøj Holding ApS samt tre 100%-ejede  
datterselskaber  
Ejendomsselskabet Weddelsborgvej 1 A/S

##### **Member of the Board of Directors**

A/S Knud Uggerhøj  
Knud Uggerhøj Kapital ApS  
Uggerhøj Herning A/S  
Techno Danmark F.M.B.A.  
Bilernes Hus A/S  
Ejendomsselskabet Møllehuset A/S  
Fortin Madrejon A/S  
Trigon Holding A/S samt to 100%-ejede datterselskaber  
Tegllund A/S  
Civilingeniør Bent Bøgh og Hustru Inge Bøgh's Fond

#### Special competences

Management  
Strategy  
Sales

#### Independent

#### Shareholding

Beginning of 2013 57,552 shares • End of 2012: 57,552  
shares



**Erik Broholm Andersen**  
Chairman of the  
Committee of  
Representatives  
Born 1955  
Address in Gærum,  
Frederikshavn

Member of the Board of Directors since 2001  
Up for election in 2015  
Chairman of the Committee of Representatives since 2005

Fee received in 2013 a total of DKK 161,000.

Farm owner

#### Education

Qualified farmer

#### Executive positions and directorships

**Director and member of the Board of Directors**  
2B Biogas A/S

#### Special competences

Strategy  
Farming

#### Independence

Does not fulfill the requirements for  
independence due to membership of the board of directors  
for more than 12 years.

#### Member of the Board of Directors

Gærum Brugsforening

#### Shareholding

Primo 2013: 2.840 stk. • Ultimo 2013: 2.840 stk.

# Management Report



**Per Lykkegaard  
Christensen**  
Deputy Chairman of the  
Committee of  
Representatives  
Born 1959  
Address in Hjallerup



**Ole Kristensen**  
formand for  
revisionsudvalget  
Born 1944  
Address in Frederikshavn

Member of the Board of Directors since 2008  
Up for election in 2014  
Deputy Chairman of the Committee of Representatives  
since 2011

Fee received in 2012 a total of DKK 139,000.  
Farm owner

**Education**  
Qualified farmer

**Executive positions and directorships**  
**Director and member of the Board of Directors**  
Blahova ApS  
Lykkegaard Farming Holding ApS as well as at 100%-  
owned subsidiary

**Member of the Board of Directors**  
Farmas A/S  
Donau Agro ApS  
AKV-Langholt AMBA  
AKV-Cargill I/S  
Danfoil A/S

**Special competences**  
Management  
Strategy  
Farming

**Independent**

**Shareholding**  
Beginning of 2013: 3,072 shares • End of 2013: 3,072  
shares.

Member of the Board of Directors since 2009  
Up for election in 2015  
Chairman of the audit committee since 2009

Fee received in 2013 a total of DKK 223,000.

Former bank director

**Education**  
HD(R)  
State-authorized public accountant

**Executive positions and directorships**  
**Member of the Board of Directors**  
Jens Peter Røntved Holding ApS  
Christian Røntved Holding ApS  
Højvangen Holding ApS  
Anna Christiansens Mindelegat

**Special competences**  
Strategy  
Accounting and auditing  
Financial business  
Fishery  
Farming

**Independent**

**Shareholding**  
Beginning of 2013: 2,380 shares • End of 2013: 2,380  
shares.

# Management Report



**Henrik Lintner**  
Born 1955  
Address in Hjørring

Member of the Board of Directors since 2007  
Up for election in 2015

Fee received in 2013 a total of DKK 139,000.

Pharmacist

**Education**

Graduate in pharmacology

**Executive positions and directorships**

***Member of the Board of Directors***

Medlemspension af 1.1.2005 A/S  
Bryghuset Vendia ApS

**Special competences**

Management  
HR  
It  
Retail

**Independent**

**Shareholding**

Beginning of 2013: 3,150 shares • End of 2013: 3,150 shares.



**Tina Conradsen**  
Born 1965  
Address in Kvissel,  
Frederikshavn

Member of the Board of Directors elected by the employees  
since 2006

Up for election in 2014

Fee received in 2013 a total of DKK 139,000.

Head of Housing Section

**Education**

Finance course  
Authorised estate agent

**Executive positions and directorships**

***Member of the Board of Directors***

Arena Nord

**Special competences**

Housing financing

**Shareholding**

Beginning of 2013: 1,749 shares • End of 2013: 1,749 shares.

# Management Report



**Bjarne Jensen**  
Born 1966  
Address in Hjørring

Member of the Board of Directors elected by the employees since 2010  
Up for election in 2014

Fee received in 2013 a total of DKK 139,000.

Customer advisor

**Education**

Finance course

**Special competences**

Private customer advisor

**Shareholding**

Beginning of 2013: 2,280 shares • End of 2013: 2,280 shares.



**Hanne Karlshøj**  
Born 1957  
Address in Bindslev

Member of the Board of Directors elected by the employees since 2002  
Up for election in 2014

Fee received in 2013 a total of DKK 139,000

Customer advisor

**Education**

Finance course

**Special competences**

Private customer advisor

**Shareholding**

Beginning of 2013: 3,059 shares • End of 2013: 3,059 shares.

The shareholding includes the holdings of the Board of Directors and connected parties.



# Management Report

## Information about the Executive Board



**Claus Andersen**  
Born 1966  
Address in Strandby

Appointed in 2000  
Member of the Executive Board in 2010

Payment received in 2013:  
Fixed salary, etc. DKK 2,125,000  
Pension contribution DKK 208,000  
The calculation includes the value of company car, etc.

### Previous employments

Spar Nord Bank A/S  
Jyske Bank A/S

### Education

Finance course  
HD(F)  
Executive programme

### Executive positions and directorships

#### Chairman of the Board

Sæbygård Skov A/S

#### Member of the Board of Directors

BI Holding A/S (BankInvest)  
Lokale Pengeinstitutter

### Area of responsibility

Credit  
Finance and IT  
Finance centre

### Shareholding

Beginning of 2013: 1,801 shares • End of 2013: 1,801 shares



**Mikael Jakobsen**  
Born 1958  
Address in Hjørring

Appointed in 1977  
Member of the Executive Board in 2010

Payment received in 2013:  
Fixed salary, etc. DKK 2,131,000  
Pension contribution DKK 204,000  
The calculation includes the value of company car, etc.

### Previous employments

Vendsyssel Bank A/S

### Education

Finance course  
Business diploma in financing, organisation and marketing  
Several long-term executive programmes

### Area of responsibility

HR  
Sale and marketing Business development  
Business support

### Shareholding

Beginning of 2013: 3,261 shares • End of 2013: 3,261 shares

The shareholding includes the holdings of the Executive Board and connected parties.

## Income Statement

Amounts in DKK 1,000	note	2013	2012
Interest income	3	395,909	423,425
Interest expenses	4	58,645	70,843
<b>Net interest income</b>		<b>337,264</b>	<b>352,582</b>
Dividend of shares, etc.		5,446	6,454
Fees and commission income	5	133,356	116,277
Fees and commission income paid		3,902	3,257
<b>Net interest and fee income</b>		<b>472,164</b>	<b>472,056</b>
Market value adjustments	6	18,602	22,597
Other operating income		4,987	6,122
Staff and administration costs	7	270,565	262,507
Depr. and write-downs, intangible and tangible assets		6,477	9,084
Other operating costs		16,821	11,905
Write-downs on loans and receivables, etc.		129,306	130,690
Profit or loss from investments in associated and group enterprises		- 1,787	42
<b>Pre-tax result</b>		<b>70,797</b>	<b>86,631</b>
Tax	8	17,852	25,558
<b>The year's result</b>		<b>52,945</b>	<b>61,073</b>

## Other total income

Amounts in DKK 1,000	2013	2012
Increases in reassessed value of headquarters properties	1,198	4,894
Reversals of such increases	244	3,833
<b>Ændring, nettoNet change</b>	<b>954</b>	<b>1,061</b>

Increases and reversals of reassessed value of headquarters properties have no tax effect

## Balance Sheet, 31 December 2013

<b>Assets</b>			
Amounts in DKK 1,000	note	2013	2012
Cash balance and demand deposits at central banks		361,280	131,928
Receivables from credit institutions and central banks	10	276,270	334,423
Loans and other receivables at amortised cost price	11+12	5,552,725	5,556,886
Bonds at market value	13	1,125,686	1,042,242
Shares, etc.	14	252,181	226,758
Investments in associated enterprises		60	699
Investments in group enterprises		11,312	12,431
Assets related to pooled schemes	15	1,110,220	871,202
Intangible assets	16	11,884	13,784
Land and buildings, total		135,366	139,552
- Investment properties	17	35,520	38,645
- Headquarters properties	17	99,846	100,907
Other tangible assets	18	4,749	5,315
Deferred tax assets	8	3,800	3,800
Temporary assets		4,743	2,842
Other assets		59,202	72,315
Prepayments and accrued income		5,580	5,870
<b>Total assets</b>		<b>8,915,058</b>	<b>8,420,047</b>

## Balance Sheet, 31 December 2013

<b>Liabilities</b>			
Amounts in DKK 1,000	note	2013	2012
<b>Payables</b>			
Payables to credit institutions and central banks	22	135,134	118,244
Total deposits and other payables		7,296,683	6,846,811
- deposits and other payables	23	5,944,466	5,810,988
- deposits in pooled schemes		1,352,217	1,035,823
Issued bonds at amortised cost	24	899	1,347
Current tax liabilities		3,372	13,940
Other liabilities		114,246	116,522
Prepayments and deferred income		2	5
<b>Total debts</b>		<b>7,550,336</b>	<b>7,096,869</b>
<b>Provisions</b>			
Provisions for pensions and similar liabilities	25	3,641	4,637
Provisions for losses on guarantees		1,899	1,660
Other provisions		4,024	6,033
<b>Total provisions</b>		<b>9,564</b>	<b>12,330</b>
<b>Subordinated investments</b>			
<b>Subordinated investments</b>	26	<b>5,804</b>	<b>6,845</b>
<b>Equity</b>			
Share capital	27	77,200	80,400
Revaluation reserves		26,535	25,581
Other reserves			
- statutory reserves		3,067	4,185
Retained earnings		1,227,112	1,185,797
Retained earnings		15,440	8,040
<b>Total equity</b>		<b>1,349,354</b>	<b>1,304,003</b>
<b>Total liabilities</b>		<b>8,915,058</b>	<b>8,420,047</b>

## Changes to Equity

Amounts in DKK 1,000	2013	2012
<b>Share capital</b>		
Share capital, start of the year	80,400	80,400
Capital additions or reductions	- 3,200	0
Share capital, end of the year	<u>77,200</u>	<u>80,400</u>
<b>Provisions for appreciation</b>		
Provisions for appreciation, start of the year	25,581	24,520
Other total income	954	1,061
Provisions for appreciation, end of the year	<u>26,535</u>	<u>25,581</u>
<b>Other reserves</b>		
Statutory reserves, start of the year	4,185	4,143
The year's profit	- 1,118	42
Statutory reserves, end of the year	<u>3,067</u>	<u>4,185</u>
<b>Retained profit</b>		
Retained profit, start of the year	1,185,797	1,128,119
The year's profit	52,945	61,073
Other total income	954	1,061
Total income, total	<u>53,899</u>	<u>62,134</u>
- transferred to statutory reserves	1,118	- 42
- transferred to suggested dividend	- 15,440	- 8,040
- transferred to provisions for appreciation	- 954	- 1,061
Income and expenses entered directly in the equity		
Dividend of own shares	339	350
Reduction of capital	3,200	0
Sale of own shares	44,926	25,436
Purchase of own shares	- 45,773	- 21,099
Retained profit, end of the year	<u>1,227,112</u>	<u>1,185,797</u>
<b>Suggested dividend</b>		
Suggested dividend, start of the year	8,040	8,040
Dividend paid	- 7,701	- 7,690
Transferred dividend, own shares	- 339	- 350
The year's result	15,440	8,040
Suggested dividend, end of the year	<u>15,440</u>	<u>8,040</u>
<b>Equity, end of the year</b>	<u>1,349,354</u>	<u>1,304,003</u>



# Annual Account

## Accounting policy

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### General information

The annual report was prepared in accordance with the Financial Activities Act and the "Executive Order on financial reports for credit institutions and stockbroker companies, etc." issued by the Danish Financial Supervisory Authority. The stipulations in the Executive Order on the Preparation of Financial Statements issued by the Financial Supervisory Authority are compatible with the stipulations on inclusion and calculation in the international accounting standards, (IAS/IFRS), and the disclosure requirements for listed companies issued by Nasdaq OMX Copenhagen A/S.

### Changes to accounting policies

The accounting policies remain unchanged compared with the annual report for 2012.

### Group structure

The bank owns the total share capital of Sæbygård Skov A/S, Frederikshavn. Group financial statements have not been prepared, as the activities of the subsidiary are, both regarding balance sheet and result, immaterial compared with those of the bank.

### Inclusion

Financial assets and financial obligations are included in the balance sheet with effect from the date of settlement.

### Accrual

All interest earnings and interest costs and current commissions are accounted for within the financial year. Fee and commission earnings which form an integrated part of the effective interest on a loan will be accrued during the expected term of the loan.

Receivables and interest due which have not been added to accounts will be included under "other assets" and "other liabilities", respectively. Other commissions and fees are recognised as earnings when due.

### Acquisitions

In connection with business acquisitions all assets and liabilities which can be reliably identified and calculated will be included in the business acquired at market value as at the date of acquisition.

Any positive difference between the total cost price and the market value of the net assets on the date of take-over will be included under intangible fixed assets as goodwill.

Any negative difference between the total cost price and the market value of the net assets on the date of acquisition will be included as earnings in the income statement.

### Valuation – receivables and lending

Receivables from credit institutions and central banks and lending are valued at the first inclusion at market value plus transaction costs and less fees and commissions received in relation to the establishment.

Receivables from credit institutions and central banks which are not reserve transactions are valued subsequently at amortised cost price less write-downs to a lower value in case of objective indication for value reduction.

Receivables from credit institutions and central banks are all valued individually for objective indication for value reduction.

For material loans, an individual valuation is also made to decide whether there is objective indication for value reduction. The need to write down is calculated individually when there is objective indication at the individual level for value reduction. Individually valued loans which have not been written down and other loans are subsequently valued on a portfolio basis.

Valuation of the write-down need on a portfolio basis as a consequence of objective indication for value reduction of groups of loans with similar characteristics regarding credit risk. The portfolio valuation is based on credit rating of the customers on the basis of financial key figures. A gross method is used for the calculation of the need for group-based write-downs. This method means that the total group-based write-downs amount to the sum of the deterioration of the individual customers in the credit rating classes regardless whether other customers have during the period obtained a better rating.

An individually valued loan or a group of loans will be considered of reduced value if - and only if - there is objective indication for value reduction as a result of one or more events which has/have occurred after the first inclusion of the loan, and this event or these events affect the expected future payment flows which can be estimated reliably. The agreed, effective rate of interest for the individual loan is used as a discounting factor. For portfolios of loans, the weighted average of the agreed effective rate of interest for the individual loans in the portfolio will be used.

# Annual Account

## Accounting policy

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The write-downs are calculated as the difference between the amortised cost price and the market value of the expected future payments, including the realisation value of any security. The future payments have been determined on the basis of the most probable result.

A portfolio assessment of the write-down requirement for groups of loans with similar characteristics regarding credit risks is based on a rating model where the model is developed and improved on an ongoing basis through back tests, etc.

### Valuation - securities

Bonds, shares and financial instruments listed on NASDAQ OMX Copenhagen or on an international stock exchange have been valued at the closing price on the date of the balance sheet. Bonds drawn have been valued at the redemption price discounted from the due date to the end of the year.

Unlisted shares in companies owned jointly by the bank with a number of other financial institutions, etc., have been valued at market 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 company announcements or alternatively on capital value calculations.

Other unlisted securities are valued at market value. In a few cases, it has not been possible to make a reliable valuation at market value, such securities have been included at cost price less write-downs.

Capital investments in associated and group enterprises have been valued at book value, calculated according to an accounting policy similar to that used by the bank. In connection with the valuation of the most important asset, Sæbygård Skov, in the associated enterprise, Sæbygård Skov A/S, an external expert has been used.

The bank has not re-classified financial assets, cf. section 55 (4) of the Executive Order on the Preparation of financial statements, just as the bank does not hold any other financial assets categorised as "hold-till-expiry" assets.

### Valuation - intangible fixed assets

Customer relations acquired in connection with take-overs are calculated after the first inclusion at cost price less accumulated depreciation. The depreciation is calculated on a straight-line basis on the basis of an expected useful life of 10 years.

Goodwill, calculated as the positive difference between the total cost price and the value of the net assets in connection with take-overs, is valued at the current value of the expected future earnings from the business acquired. If a value reduction is determined, a write-down is made.

### Valuation - tangible fixed assets

Sites and buildings used fully or partly in connection with the bank's own operations are categorised as headquarters properties. Other sites and buildings are categorised as investment properties.

Investment properties are valued at market value calculated on the basis of a return-based model. In 2012, the bank has used external expert in connection with the calculation of the value of own investment properties. In connection with the valuation of the investment property in the affiliated company, Sæbygård Skov A/S, an external expert has been used in 2011 because of the special nature of the property. Allowances for depreciation are not made for investment properties.

The headquarters properties are calculated at reassessed values calculated as market value on the reassessment date less the subsequently accumulated allowances for depreciation. In 2012, the bank has used an external expert in connection with the calculation of the value of own headquarters properties. The allowances for depreciation have been calculated on a straight-line basis on the basis of an average useful life of 50 years and considering the expected scrap value of the buildings.

Regarding the return requirements fixed in connection with the valuation of the bank's properties, please refer to note 17.

Other tangible assets are included at purchase prices less allowances for depreciation. The allowances for depreciation have been calculated on the basis of an average useful life of 3 years for IT equipment and 5 years for other operating equipment.

# Annual Account

## Accounting policy

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### Valuation - financial obligations

The bank's financial obligations, including "Debts to credit institutions", "Deposits and other debts", and "Deposits in pooled schemes" have at the first inclusion been calculated at market value plus possible transaction costs. In connection with subsequent calculations, the financial obligations are calculated at amortised cost price.

### Foreign exchange

Earnings and expenses in foreign currencies have been converted into Danish kroner according to the exchange rate on the transaction date.

Outstanding accounts and foreign exchange holdings have been calculated at the exchange rates fixed by the Danish central bank spot at the end of the year.

### Pension obligations and other staff obligations

Uncovered pension obligations and staff obligations in the form of anniversary bonus are included in the balance sheet under the item "provisions for pensions and similar obligations" with the capitalised value of the expected, future payments.

Other staff obligations which are short-time obligations are included in the balance sheet as payables under the item "Other liabilities".

### Guarantees

The bank's outstanding guarantees appear from note 29 "Contingent liabilities". The guarantees are reviewed regularly and assessed critically in order to clarify whether there is a risk that they will lead to a drain on the bank's financial resources.

Provisions for losses on guarantees are included under provisions in the balance sheet.

### Taxation

The bank is taxed jointly with the subsidiary, Sæbygård Skov A/S. Company tax is paid according to the tax prepayment scheme.

Deferred tax is calculated on the basis of the tax rules and tax rate, which will apply by the legislation on the date of balance, when the deferred tax is expected to be released as current tax

Any deferred tax calculated has been added as a liability under "provisions for deferred tax". Any tax asset (negative, deferred tax) has been capitalised under "deferred tax assets". There is no latent, deferred tax regarding the bank's assets.

## Notes with five-year surveys

### 1. Five years' selected financial data

(amount in DKK million)

	2013	2012	2011	2010	2009
<b>Income statement:</b>					
Net interest income	337.3	352.6	357.3	352.9	340.1
Fees and commission income, net	129.5	113.0	102.4	97.1	90.4
Net interest and fee income	472.2	472.1	461.2	454.7	438.2
Market value adjustments	18.6	22.6	5.2	44.7	14.3
Staff and administration costs	270.6	262.5	262.7	258.6	254.8
Write-downs on loans and receivables, etc.	129.3	130.7	112.7	96.7	101.1
Result of investments in associated and group companies	- 1.8	0.0	- 1.0	0.6	0.0
Pre-tax result	70.8	86.6	67.6	120.4	70.1
The year's result	52.9	61.1	50.5	92.9	62.7
Other total income	1.0	1.1	0.4	0.5	2.4
<b>Balance Sheet</b>					
Lending	5,553	5,557	5,755	5,997	6,051
Bonds	1,126	1,042	665	733	410
Shares, etc.	252	227	221	216	165
Investments in associated and group companies	11	13	13	14	14
Investment properties	36	39	40	40	40
Headquarters properties	100	101	106	107	106
Headquarters properties	5	3	13	1	1
Deposits, incl. pooled schemes	7,297	6,847	6,353	6,406	6,424
Subordinated loan capital	6	7	7	7	7
Equity	1,349	1,304	1,245	1,206	1,107
Total assets	8,915	8,420	8,374	8,646	8,962
Guarantees	841	995	934	1,254	1,415

## Notes with five-year surveys

### 1. Five years' selected financial data

(amount in DKK million)

	2013	2012	2011	2010	2009
<b>Capital adequacy</b>					
Capital adequacy rate	19.9	19.3	18.8	17.4	16.6
Core capital percentage	19.9	19.2	18.7	17.4	16.4
<b>Earnings</b>					
Return on equity before tax	5.3	6.8	5.5	10.4	6.5
Return on equity after tax	4.0	4.8	4.1	8.0	5.8
Earnings per cost krone	1.2	1.2	1.2	1.3	1.2
Costs as a percentage of core earnings	57.6	56.3	58.9	57.4	58.5
<b>Market risks</b>					
Interest risk as a percentage of core capital	- 0.5 -	0.8 -	1.0 -	0.4	0.1
Foreign exchange position as a percentage of core capital	0.8	0.9	1.4	1.2	3.2
Foreign exchange risk as a percentage of core capital	0.0	0.0	0.0	0.0	0.0
<b>Credit risks</b>					
Loans in proportion to equity	4.1	4.3	4.6	5.0	5.5
The year's lending growth percentage	- 0.1 -	3.4 -	4.0 -	0.9	6.2
The sum of large commitments as a percentage of core capital	11.6	23.3	37.1	33.0	13.2 *)
The year's write-down percentage	1.9	1.8	1.6	1.3	1.3
Accumulated write-down percentage	8.2	7.5	5.8	4.1	3.6
Property exposure before write-downs	6.7	6.4	5.9	5.1	7.2
<b>Liquidity risks</b>					
Lending including write-downs in proportion to deposits	83.9	88.9	97.1	98.3	98.2
Excess cover compared with statutory liquidity requirement as a percentage	215.0	209.7	178.9	255.0	157.2
Stable funding ratio	0.64	0.68	0.76	0.79	0.80
<b>The Nordjyske Bank share</b>					
DKK per share of DKK 10					
The year's result per share	6.7	7.6	6.3	11.6	7.8
Book value per share	175.2	169.1	162.6	156.7	144.7
Listed price	109.0	83.0	66.0	117.0	115.0
Dividend per share	2.0	1.0	1.0	1.0	0.0
Listed price/the year's result per share	16.20	10.93	10.51	10.12	14.75
Listed price/book value per share	0.62	0.49	0.41	0.75	0.79

\*) Calculated according to previous rules, as the bank does not have sufficient data basis to calculate the key figures according to the current rules.



## Notes for the Income Statement

<b>3. Interest income</b>				
Amounts in DKK 1,000				
	<b>2013</b>		<b>2012</b>	
Receivables from credit institutions and central banks		1,275		3,092
Lending and other receivables		385,073		407,338
Bonds		10,685		13,136
Derived financial instruments, total				
- foreign exchange contracts	-	514	-	448
- interest contracts	-	807	-	195
Other interest income		197		54
<b>Total interest income</b>		<b>395,909</b>		<b>423,425</b>

There are no interest income from genuine purchasing and repurchasing transactions

<b>4. Interest expenses</b>				
Amounts in DKK 1,000				
	<b>2013</b>		<b>2012</b>	
Debt to credit institutions and central banks		2,673		4,741
Deposits and other debts		55,147		65,658
Bonds issued		50		59
Subordinated capital		199		246
Other interest expenses		576		139
<b>Total interest expenses</b>		<b>58,645</b>		<b>70,843</b>

There are no interest income from genuine purchasing and repurchasing transactions

<b>5. Fees and commission income</b>				
Amounts in DKK 1,000				
	<b>2013</b>		<b>2012</b>	
Security trading and custody accounts		46,766		33,397
Payment services		15,255		14,027
Loan transaction fees		37,665		36,835
Guarantee commission		10,159		9,959
Other fees and commission income		23,511		22,059
<b>Total fees and commission income</b>		<b>133,356</b>		<b>116,277</b>

## Notes for the Income Statement

<b>6. Market value adjustments</b>				
Amounts in DKK 1,000				
	<b>2013</b>		<b>2012</b>	
Loans and other receivables at market value		0	-	100
Bonds		2,928		11,302
Shares, etc.		14,600		7,898
Investment properties	-	4,034	-	2,072
Foreign exchange		5,016		5,866
Derived financial instruments				
- currency swap	138		-	37
- interest swap	166	304	44	7
Assets related to pooled schemes		56,833		61,003
Deposits in pooled schemes	-	57,045	-	61,307
Total market value adjustments		<u>18,602</u>		<u>22,597</u>

<b>7. Staff and administration costs</b>				
Amounts in DKK 1,000				
	<b>2013</b>		<b>2012</b>	
Staff costs:				
Salaries		130,447		128,899
Pension		15,678		14,554
Costs of social security, etc.		17,125	163,250	16,476
Other administration costs			<u>107,315</u>	<u>102,578</u>
Total staff and administration costs			<u>270,565</u>	<u>262,507</u>
<b>Remuneration for Board of Directors</b>		1,645		1,378
Number of people	9		9	
<b>Remuneration for the Executive Board *)</b>				
Fixed salary, etc.		4,256		4,019
Salary, etc., during the retirement period		0		0
Severance pay		0		0
Pension		412		372
Remuneration for the Executive Board, total		<u>4,668</u>		<u>4,391</u>
*) Calculated incl. the value of company car, etc				
Number of people	2		2	

## Notes for the Income Statement

### 7. Staff and administration costs, continued

Amounts in DKK 1,000

	2013	2012
<b>Remuneration for employees whose activities materially influence the bank's risk profile</b>		
Fixed salary, etc.	5,630	5,729
Pension	<u>559</u>	<u>539</u>
Total remuneration	<u>6,189</u>	<u>6,268</u>
Number of people	5	5
<b>Incentive schemes</b>		
No incentive scheme has been established for members of the bank's management. Variable salary is not paid.		
<b>Retirement of the members of the Executive Board:</b>		
The bank's directors can retire with six months' notice 12 months' notice on the part of the bank. In case of notice of termination on the part of the bank, an allowance of 24 months' salary is payable in addition to the notice period.		
<b>Number of employees</b>		
The average number of employees during the financial year, calculated as full-time employees	264	270
<b>Auditing fee for:</b>		
Statutory auditing of financial statements	760	518
Statutory auditing of last year's financial statements	324	145
Statement tasks with security	30	44
Fee for tax advice	30	38
Other services	<u>98</u>	<u>8</u>
Total	<u>1,242</u>	<u>753</u>

## Notes for the Income Statement

<b>8. Tax</b>					
Amounts in DKK 1,000		<b>2013</b>		<b>2012</b>	
		Indkomst	Skat	Indkomst	Skat
Tax rate			25 pct.		25 pct.
Tax on the year's income:					
Tax included in the income statement:					
Result before tax and subsidiaries		72,583	18,146	86,589	21,647
Capital gains fixed assets, not taxable		8,737 -	2,184	5,411 -	1,353
Totalkredit *1)		704	176	38,195	9,549
Other not taxable income		40 -	10	183 -	46
Expenses which are not deductible		4,786	1,197	3,597	899
Tax regulations		-	6		79
Current tax			17,319		30,775
Regulation of deferred tax		-	0	-	5,900
Subsequent regulation of previous years' tax			533		683
<b>Total tax on the year's result</b>			<b>17,852</b>		<b>25,558</b>
Deferred tax, *2):					
			22%-24%		
Unrealised profits from securities, etc.		4,352	1,045	5,521	1,380
Tangible fixed assets		3,827 -	842	3,615 -	904
Fees and commissions		12,649 -	2,909	13,221 -	3,305
Goodwill		1,457 -	350	986 -	247
Other, net		-	744	-	724
<b>Deferred tax, total</b>			<b>3,800</b>		<b>3,800</b>

\*1)

Final settlement regarding Nordjyske Bank's sale of shares in Totalkredit to Nykredit. The amount was added to income during the period 2008 - 2012

\*2)

The company tax percentate will fall from 2014 - 2016, so that the tax percentage in 2016 will be 22%. At the calculation of deferred tax in 2013 the falling tax percentage has been taken into consideration. The change in tax rate will mean further expenses of DKK 400.000 in 2013.

# Annual Account

## Notes for the balance sheet

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### 9. Financial risks

Because of the bank's activities, the bank is exposed to different types of risk: credit risk, market risk, liquidity risk and operational risk.

The credit risk is the risk of losses caused by the customers' full or partial default on their payment obligations to the bank.

The market risk is the risk that the market value of the bank's assets and liabilities and derived financial instruments will change as a consequence of changes to the market conditions.

Liquidity risk is the risk that the bank's costs of procuring liquidity will increase disproportionately and/or lack of liquidity will prevent the bank from maintaining the adopted business model, and/or that the bank cannot meet its payment obligations because of lack of liquidity.

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

It is the bank's general policy only to undertake risks which are in accordance with the business principles according to which the bank is run, and which the bank has the competence resources to manage.

#### Credit risks

Det følger af bankens forretningsmodel og kreditpolitik, at bankens risikoprofil på kreditområdet skal være passende forsigtig, hvilket udmønter sig i konkrete retningslinjer for bankens kreditgivning.

Det betyder blandt andet

- at banken ikke ønsker enkeltengagementer, der er så store, at et tab kan true bankens eksistens
- at banken lægger vægt på lokalkendskab, hvilket betyder, at risikoprofilen er fastlagt med baggrund i de steder, hvor banken er fysisk repræsenteret
- at kreditbehandlingen skal sikre, at banken kun tager kalkulerede kreditrisici.

Der er i bankens forretningsmodel fastsat en maksimal gearing af egenkapitalen på 5,5.

It is the policy of Nordjyske Bank to base its lending on insight into 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 among a large number of rather small commitments.

Enkeltengagementer må ikke overstige 10 pct. af bankens basiskapital, for så vidt angår den ikke sikrede del af engagementer.

The sum of large commitments must be less than 75 per cent of core capital.

In connection with the lending, the bank aims at getting the highest possible security cover of the risk involved in the bank's commitments.

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

For lending to commercial customers, the most important types of security are: operating equipment, real property, guarantees, deposits and securities, and current assets (receivables, stocks, etc.).

The value of the security is calculated according to the following principles:

- Operating equipment:

Calculation of the loan value for operating equipment is made according to the straight-line method. Typically 20-33 per cent will be written off immediately, followed by an ongoing write-down of the value of the assets during the useful life.

- Real property:

The loan value of mortgages in private properties is typically at the level of 80 per cent of the market value less higher-ranking mortgages. The loan value is fixed individually on the basis of the characteristics of the individual properties, among other things location and size. The loan value of mortgage in business properties, including agricultural properties, is fixed on the basis of the market value less higher-ranking mortgages. The market value of agricultural properties is fixed on the basis of the recommended prices per hectare set by the Danish Financial Supervisory Authority.

The loan value is fixed individually on the basis of the characteristics of the individual properties, among other things location and size, or on the basis of an independent valuation, alternatively an official public property valuation.



# Annual Account

## Notes for the balance sheet

- **Guarantees:**  
The loan value for guarantees from Danish public authorities is 100 per cent. Other guarantees are fixed individually on the basis of a principle of caution.
- **Deposits and securities:**  
The loan value for deposits is typically 100 per cent.
- For securities, the official price adjusted for estimated price fluctuation and corrected for estimated negotiability, currency, etc., is used.
- **Current assets (receivables, stocks, etc.):**  
The loan value for current assets has been fixed individually on the basis of the realisation value of the current assets.
- **Other securities:**  
The loan value is fixed individually on the basis of a principle of caution.

A credit rating of the bank's customers is carried out, i.e. a division of customers according to quality (ability and willingness to observe obligations undertaken). The model used for private customers is based on the customer's personal circumstances (assets, income and disposable amount and debt gearing) and is supplemented by an evaluation of the customer's current situation. The model used for commercial customers is based on the customer's financial data, swot analyses and supplemented by an evaluation of the customer's current situation.

Credit rating is expressed by 12 rating classes which can be grouped as follows:

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

Der foretages tæt opfølgning på engagementer med visse og væsentlige svaghestegn, samt på engagementer med objektiv indikation for værdiforringelse, og der udarbejdes handlingsplan for hvert enkelt engagement, hvori der tages stilling til hvordan engagementet kan forbedres, eller hvordan det påtænkes afviklet.

The total credit risk is managed according to policies and limits fixed by the bank's management. The responsibility for monitoring, general risk rating and reporting to the bank's management is anchored centrally with the bank's credit office.

See also description of the bank's current credit risk in the Management Report, page 13 - 19, and note 12.

### Market risks

It is the bank's basic policy that market risks should be kept at a low level. For the total market risk and for each type of market risk, the bank's management has established concrete risk limits which must not be exceeded.

Risks are primarily interest risks.

Most of the bank's lending and deposits and accounts with other credit institutions have been entered into on a variable basis.

The bank's main currency is Danish kroner. The bank has also made transactions in foreign currencies. Material currency positions are covered on an ongoing basis through off-setting transactions. Thus, the bank is only to a limited extent exposed to exchange rate fluctuations.

The bank is co-owner of a number of sector enterprises (cf. note 14). These ownership shares can be compared with large banks' fully owned subsidiaries, and the investments are therefore not considered part of the bank's share risk. Furthermore, the bank has a small portfolio of listed shares.

If possible, the bank wants to own the premises from which the bank has its operations. On the other hand, the bank primarily only wants to own properties to be used for the banking activities. This means that the bank's property portfolio mainly consists of headquarters properties.

# Annual Account

## Notes for the balance sheet

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The bank's market risks are controlled by the bank's FinansCenter according to policies and limits established by the bank's management. The individual risks are monitored continually by the bank's finance department, and the bank's management is informed on an ongoing basis.

The sensitivity in the bank's current market risks is described in note 21.

### Liquidity risks

It is the bank's policy that the bank's operations must not depend on the short-term money market or short-term time deposits of a more volatile nature

It is the bank's policy that the bank's operations must not depend on the short-term money market or short-term time deposits of a more volatile nature

- deposits from customers
- equity and possibly
- long-term senior loans and allocated lines

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

See description of the bank's current liquidity situation in the Management Report, page 20

### Operational risks

Operational risks are the risk of direct or indirect loss as a consequence of insufficient business procedures, human mistakes, system errors, etc., or as a consequence of external events.

The bank's management is informed on an ongoing basis of the losses and events which are regarded as originating from operational risks.

IT supplies, the most important area when assessing the bank's operational risks, have been outsourced to Bankdata, which is owned by the bank jointly with a number of other financial institutions. IT security is assessed on an ongoing basis, and the necessary adjustments are made to the bank's emergency plans.

It is the bank's policy - based on determined events - to improve business procedures on an ongoing basis with a view to reducing the number of errors and events which entail a possibility of suffering a loss.

## Notes for the Balance Sheet

### 10. Receivables from credit institutions and central banks

Amounts in DKK 1,000

	2013	2012
Receivables on demand	267,584	321,750
Remaining term:		
- from 3 months up to and including 1 year	0	1,126
- from 1 year up to and including 5 years	6,186	9,047
- more than 5 years	2,500	2,500
Total receivables from credit institutions and central banks	<u>276,270</u>	<u>334,423</u>
Time receivables from credit institutions and central banks	0	0
Receivables from credit institutions	<u>276,270</u>	<u>334,423</u>
Total receivable from credit institutions and central banks	<u>276,270</u>	<u>334,423</u>

### 11. Lending and other receivables

Amounts in DKK 1,000

	2013	2012
Demand receivables	476,473	866,874
Remaining term:		
- up to and including 3 month	264,141	308,815
- from 3 months up to and including 1 year	2,284,161	2,108,557
- from 1 year up to and including 5 years	1,431,909	1,335,230
- more than 5 years	1,096,041	937,410
Udlån i altTotal lending	<u>5,552,725</u>	<u>5,556,886</u>

## Notes for the Balance Sheet

### 12. Credit risk

Amounts in DKK 1,000

	2013		2012	
<b>A. Lending and other guarantees by sector and industries</b>				
Public authorities		0.0%		0.1%
Agriculture, hunting, forestry and fishing::				
Agriculture	19.1%		19.2%	
Plant growing abroad	4.8%		4.3%	
Fur farming	0.8%		0.8%	
Fishing	5.4%		5.3%	
Agriculture, hunting, forestry and fishing, total	30.1%		29.6%	
Industry and raw material extraction	6.3%		5.7%	
Energy supply	0.3%		0.3%	
Building and construction	3.0%		3.0%	
Trade	5.3%		5.9%	
Transport, hotels and restaurants	2.4%		2.6%	
Information and communication	0.4%		0.3%	
Financing and insurance	3.5%		3.3%	
Real property	6.3%		6.1%	
Other industries	4.2%	61.8%	4.5%	61.3%
Private		38.2%		38.6%
Total		100.0%		100.0%
<b>B. Maximum credit exposure without considering security</b>		Incl. In Bal. Sheet		Incl. In Bal. Sheet
Business	5,313,490	3,954,989	5,376,261	4,002,891
Public authorities	2,766	2,744	12,075	6,979
Private	3,257,934	2,436,481	3,336,360	2,542,425
Total	8,574,190	6,394,214	8,724,696	6,552,295
*) incl. contingent liabilities				
<b>Security received for maximum credit exposure</b>				
Cars, operating equipment and current assets		985,897		950,206
Properties		2,580,443		2,615,781
Guarantees		152,990		154,625
Securities and cash deposits, etc.		355,488		311,257
Total		4,074,818		4,031,869
Business		2,905,793		2,877,896
Public authorities		2,755		8,329
Private		1,166,270		1,145,644
Total		4,074,818		4,031,869

## Notes for the Balance Sheet

### 12. Credit risk, continued

Amounts in DKK 1,000

	2013	2012
<b>C. Lending with individual write-down</b>		
Business, total	1,277,219	1,268,150
Private	199,627	161,702
<b>Total</b>	<b>1,476,846</b>	<b>1,429,852</b>
<b>D. Individual write-downs carried out because of:</b>		
Liquidation	102,683	64,162
Collection and suspension of payments	227,178	301,444
Other financial difficulties	1,146,985	1,064,246
<b>Total</b>	<b>1,476,846</b>	<b>1,429,852</b>
<b>E. Lending with objective indication of value reduction:</b>		
Individually written-down lending:		
Value before write-down	1,457,289	1,396,556
Value after write-down	937,319	896,964
Lending written down on a group basis:		
Value before write-down	4,628,967	4,646,932
Value after write-down	4,602,096	4,677,973
<b>F. Write-downs on loans</b>		
Individual write-downs:		
Start of the year	501,137	377,544
Write-downs during the year	160,964	173,989
Reversal of write-downs carried out during previous financial years	44,860	47,904
Other movements	30,391	27,571
Final loss, previously written down individually	107,500	30,063
<b>End of the year</b>	<b>540,132</b>	<b>501,137</b>
Group-based write-downs		
Start of the year	31,041	32,468
Write-downs during the year	2,918	1,613
Reversal of write-downs carried out during previous financial years	7,088	3,040
<b>End of the year</b>	<b>26,871</b>	<b>31,041</b>



## Notes for the Balance Sheet

### 12. Credit risk, continued

Amounts in DKK 1,000

	2013		2012	
	Business	Private	Business	Private
<b>G. Lending which has not been written down and is not in arrears, by credit rating</b>				
Rating category:				
10 - 23 good quality commitments	911,669	562,328	685,103	475,421
31 normal quality commitments	240,644	126,009	238,177	115,863
32 - 33 commitments with slightly reduced quality	528,323	684,493	667,317	701,100
38 commitments with some weaknesses	228,835	122,887	275,216	173,638
39 commitments with material weaknesses	271,742	51,203	275,670	55,500
	<u>2,181,213</u>	<u>1,546,920</u>	<u>2,141,483</u>	<u>1,521,522</u>
<b>H. Arrears by period;</b>				
Up to 90 days		36,679		39,224
More than 90 days		<u>2,956</u>		<u>2,654</u>
		<u>39,635</u>		<u>41,878</u>

### 13. Bonds at market value

Amounts in DKK 1,000

	2013	2012
Mortgage bonds	1,058,077	964,766
Gov. Bonds	0	0
Other listed bonds	<u>67,609</u>	<u>77,476</u>
Total bonds at market value	<u>1,125,686</u>	<u>1,042,242</u>

## Notes for the Balance Sheet

### 14. Shares, etc.

Amounts in DKK 1,000

	2013		2012	
Listed shares		27,345		15,441
Unlisted shares, etc., at market value		1,299		4
Sector shares, etc., at market value		220,642		208,792
Other capital shares at original cost		2,895		2,521
Shares, etc. Total		<u>252,181</u>		<u>226,758</u>
Distribution of sector shares:				
Asset management and pension				
Bankinvest Holding A/S		7,923		8,374
Let Pension Holding A/S		3,348		2,170
Sparinvest Holding A/S		12,062		11,987
Sector infrastructure:				
Bankernes Kontantservice A/S		120		805
Bluegarden Holding A/S		311		478
Nets Holding A/S		25,115		19,688
Swift		98		98
VP Securities AS		683		683
Bankdata		16,454		16,228
Mortgage credit, etc.				
Landbrugets Finansieringsbank		524		564
Danmarks Skibskredit A/S		1,197		1,197
DLR Kredit A/S		118,300		112,125
PRAS A/S		34,507		34,395
Total sector shares		<u>220,642</u>		<u>208,792</u>

### 15. Assets related to pooled schemes:

Amounts in DKK 1,000

	2013		2012	
Bonds:				
Index-linked bonds		179,110		268,115
Other bonds		299,637	478,747	324,707
		<u>478,747</u>		<u>592,822</u>
Shares:				
Unit certificates		436,895		0
Other shares		194,578	631,473	278,380
		<u>631,473</u>		<u>278,380</u>
		<u>1,110,220</u>		<u>871,202</u>

## Notes for the Balance Sheet

<b>16. Intangible assets</b>	<b>2013</b>		<b>2012</b>	
Amounts in DKK 1,000				
Customer relations:				
Total cost price, start of the year	19,000		19,000	
Added during the year	<u>0</u>	19,000	<u>0</u>	19,000
Depreciation, start of the year	7,000		5,100	
Depreciation, start of the year	<u>1,900</u>	8,900	<u>1,900</u>	7,000
Book value, end of the year		<u>10,100</u>		<u>12,000</u>
Goodwill:				
Total cost price, start of the year	1,988		1,988	
Added during the year	<u>0</u>	1,988	<u>0</u>	1,988
Write-downs, start of the year	204		204	
Write-downs during the year	<u>0</u>	204	<u>0</u>	204
Book value, end of the year		<u>1,784</u>		<u>1,784</u>
Intangible assets, total		<u>11,884</u>		<u>13,784</u>

<b>17. Land and buildings</b>	<b>2013</b>		<b>2012</b>	
Amounts in DKK 1,000				
Investment properties				
Market value, start of the year		38,645		40,183
Added during the year, including improvements		1,506		5,797
Disposed of during the year	-	596	-	5,957
The year's value regulation to market value	-	<u>4,035</u>	-	<u>1,378</u>
Market value, end of the year		<u>35,520</u>		<u>38,645</u>

## Notes for the Balance Sheet

### 17. Land and buildings

Amounts in DKK 1,000

	2013	2012
Headquarters properties:		
Re-assessed value, start of the year	100,907	106,067
year, including improvements	1,083	47
Disposed of during the year	1,493	- 3,145
Depreciation	1,735	- 1,735
Value changes during the year, included directly in the equity	954	1,061
Value changes during the year, included directly in the income statement	130	- 1,388
the income statement	<u>99,846</u>	<u>100,907</u>

Valuation of the bank's investment and headquarters properties has been made on the basis of a return-based model. As return requirement, a return rate of between 6.0% and 9.5% p.a. has been used, depending on the location of the individual property. In 2012, the bank has used external parties in connection with the valuation of the properties.

### 18. Other tangible assets:

Amounts in DKK 1,000

	2013	2012
Total cost price, start of the year	52,138	51,326
added during the year, including improvements	2,830	2,928
disposed of during the year	- 4,214	- 2,116
	<u>50,754</u>	<u>52,138</u>
Depreciation and write-downs, start of the year	46,823	44,846
the year's allowances for depreciation	2,971	4,060
write-downs	- 3,789	- 2,083
	<u>46,005</u>	<u>46,823</u>
Book value, end of the year	<u>4,749</u>	<u>5,315</u>

### 19. Market value of financial instruments

Financial instruments are included in the balance sheet either at market value or at amortised cost price. Market value is the amount at which a financial asset can be traded, or the amount at which a financial obligation can be redeemed between willing, independent parties. For financial assets and obligations priced on active markets, the market value is calculated on the basis of observed market prices on the date of the balance sheet. The market value of financial instruments which are not priced on active markets is calculated on the basis of generally accepted pricing methods.

The vast majority of the bank's receivables, loans and deposits cannot be transferred without prior acceptance from the customers, and there is no active market for such financial instruments. The information stated about market value is therefore only based on circumstances where changes have been determined to the market conditions after the first inclusion of the instrument in question, including in particular changes to interest rates..

## Notes for the Balance Sheet

### 19. Market value of financial instruments, continued

Information about market value for financial instruments included at amortised cost price is based on the assessments below

- for loans and other receivables, write-downs in connection with value reductions are considered to correspond to the market value of the credit risk
- for financial instruments with interest risk of less than six months, amortised cost price is considered to correspond to the market value
- for financial assets and obligations with a fixed rate of interest, the market value is calculated on the basis of an estimate of the current return requirements on the market

Shares, etc., assets related to pooled schemes and derived financial instruments are calculated in the balance sheet at market value so that the values included correspond to market values.

Amounts in DKK 1,000	2013		2012	
	Book value	Current value	Book value	Current value
<b>Financial assets</b>				
Cash in hand and demand deposits with central banks	361,280	361,280	131,928	131,928
Receivables from credit institutions and central banks	276,270	276,270	334,423	334,423
Loans and other receivables at market value	0	0	0	0
Loans and other receivables at amortised cost price	5,552,725	5,559,049	5,556,886	5,568,627
Bonds at market value	1,125,686	1,125,686	1,042,242	1,042,242
Shares, etc.	252,181	252,181	226,758	226,758
Assets related to pooled schemes	1,110,220	1,110,220	871,202	871,202
Derived financial instruments	19,072	19,072	29,448	29,448
<b>Financial assets, total</b>	<b>8,697,434</b>	<b>8,703,758</b>	<b>8,192,887</b>	<b>8,204,628</b>
<b>Financial obligations</b>				
Debt to credit institutions and central banks	135,134	135,134	118,244	118,244
Deposits and other debts	5,944,466	5,976,610	5,810,988	5,865,957
Deposits in pooled schemes	1,352,217	1,352,217	1,035,823	1,035,823
Issued bonds at amortised cost price	899	938	1,347	1,380
instruments	19,233	19,233	29,660	29,660
Subordinated capital investments	5,804	5,847	6,845	6,868
<b>Financial obligations, total</b>	<b>7,457,753</b>	<b>7,489,979</b>	<b>7,002,907</b>	<b>7,057,932</b>

## Notes for the Balance Sheet

<b>20. Derived financial instruments</b>					<b>2013</b>	<b>2012</b>
Amounts in DKK 1,000						
	Up to and incl 3 mths.	3 mths. up to and incl. 1 year	1 year up to and incl. 5 years	More than 5 years	total	total
<b>Nominal values</b>						
Foreign exchange-related transactions:						
forward trans., purchases	165,137	24,054			189,191	118,721
forward trans., sale	553,923	25,069			578,992	544,200
unsettled spot transact., purch.	6,837				6,837	42,848
unsettled spot transact., sale	2,415				2,415	226
currency swaps					0	21,061
Interest-related transactions:						
forward transact., purchases	4,534				4,534	1,594
unsettled spot transact., purch	12,843				12,843	8,416
unsettled spot transact., sale	8,072				8,072	7,798
interest swaps		14,000	158,830	126,581	299,411	279,455
Share-related transactions:						
unsettled spot transact., purch.	14,970				14,970	12,051
unsettled spot transact., sale	14,781				14,781	10,880
<b>Net market values</b>						
Foreign exchange-rel. transact.:						
forward transact., purchases	-1,616	-134			-1,750	5,832
forward transact., sale	3,292	196			3,488	- 5,522
unsettled spot transact, purch.	6				6	15
unsettled spot transact., sale	6				6	1
currency swaps	0				0	0
Interest-related transactions::						
forward transactions, purch.	40				40	58
unsettled spot transact., purch.	-2				-2	30
unsettled spot transact., sale	5				5	3
interest swaps			-471		-471	- 632
Share-related transactions:						
unsettled spot transact., purch.	51				51	- 6
unsettled spot transact., sale	-38				-38	8



## Notes for the Balance Sheet

### 20. Derived financial instruments, continued

Amounts in DKK 1,000

Market values	Contracts, total 2013			Contracts, total 2012		
	Positive	Negative	Net	Positive	Negative	Net
Foreign exchange-rel. transact.:						
forward transactions, purch.	780	2,530	-1,750	6,319	487	5,832
forward transactions, sale	3,881	393	3,488	589	6,111	- 5,522
unsettled spot transact., purch.	7	1	6	16	1	15
unsettled spot transact., sale	6	0	6	1	0	1
currency swaps	0	0	0	2,536	2,536	0
Interest-related transactions:						
forward transactions, purch.	47	7	40	58	0	58
unsettled spot transact., purch.	9	11	-2	31	1	30
unsettled spot transact., sale	5	0	5	5	2	3
interest swaps	14,152	14,623	-471	19,748	20,380	- 632
Share-related transactions:						
unsettled spot transact., purch.	110	59	51	70	76	- 6
unsettled spot transact., sale	70	108	-38	76	68	8
Market value included in balance sheet with the following amounts						
Other assets	19,072			29,448		
Other liabilities		19,233			29,660	

## Notes for the Balance Sheet

### 21. Market risks

Amounts in DKK 1,000

	2013	2012
<b>Interest risk, debt instruments</b>		
Distributed by type of instrument		
- i handelsbeholdningen	9,877	11,412
- uden for handelsbeholdningen	- 16,444	- 21,204
Total	- 6,567	- 9,792
By currency		
DKK	- 7,198	- 10,072
EUR	681	381
CHF	- 45	- 93
Other currencies, net	5	8
Total	- 6,567	- 9,792
percentage of equity	- 0.5	- 0.8
the bank will suffer/obtain because of reasonably probable changes to the effective rate of interest of 1 percentage point		
<b>Foreign exchange risks</b>		
Exposure in Euro	6,184	1,749
- sensitivity 2.25 per cent	139	39
Exposure in other currencies	4,366	9,574
- sensitivity 12 per cent	523	1,149
Total sensitivity	662	1,188
- as a percentage of equity	0.0	0.1
The currency risk shows the loss which the bank will suffer because of reasonably probable changes to the foreign exchange market.		
<b>Share risk</b>		
Listed shares	27,345	15,441
- sensitivity 30 per cent	8,204	4,632
Total sensitivity	8,204	4,632
- as a percentage of equity	0.6	0.4

The share risk shows the loss which the bank will suffer because of reasonably probable changes to the share market.

## Notes for the Balance Sheet

<b>22. Debt to credit institutions and central banks</b>		
Amounts in DKK 1,000	<b>2013</b>	<b>2012</b>
On demand	135,134	117,584
Remaining term		
- from 3 months up to and including 1 year	0	0
- more than 5 years	0	660
Total debt to credit institutions and central banks	<u>135,134</u>	<u>118,244</u>
The bank has unutilised, confirmed credit undertakings for a total of	350,000	350,000

<b>23. Deposits and other debts</b>		
Amounts in DKK 1,000	<b>2013</b>	<b>2012</b>
On demand	3,431,443	3,199,797
Remaining term		
- up to and including 3 months	157,377	150,120
- from 3 months up to and including 1 year	665,556	696,088
- from 1 year up to and including 5 years	885,242	893,958
- more than 5 years	804,848	871,025
Deposits and other debts, total	<u>5,944,466</u>	<u>5,810,988</u>
<b>By categories</b>		
- on demand	3,092,236	2,815,014
- notice	1,533,700	1,669,457
- time deposits	130,404	62,841
- special deposits	1,188,126	1,263,676
Deposits and other debts, total	<u>5,944,466</u>	<u>5,810,988</u>

<b>24. Issued bonds at amortised cost price</b>		
Amounts in DKK 1,000	<b>2013</b>	<b>2012</b>
Remaining term		
- up to and including 3 months	860	448
- from 1 year up to and including 5 years	39	899
Issued bonds at amortised cost price, total	<u>899</u>	<u>1,347</u>

## Notes for the Balance Sheet

<b>25. Provisions for pension and similar obligations</b> Amounts in DKK 1,000	<b>2013</b>	<b>2012</b>
Anniversary bonus	2,476	2,791
Salary and pension obligations taken over in connection with business acquisition	1,165	1,846
<b>Total provisions for pension and similar obligations</b>	<b>3,641</b>	<b>4,637</b>

<b>26. Subordinated capital</b> Amounts in DKK 1,000	<b>2013</b>	<b>2012</b>
Employee bonds:		
Principal amount, a total of 224 bonds	5,804	6,845
Extraordinarily redeemed during the year	0	0
Included when calculating the core capital	2,160	3,872
Interest during the financial year	199	246

<b>27. Share capital</b> Amounts in DKK 1,000	<b>2013</b>	<b>2012</b>
The bank's share capital is divided into 7,720,000 shares of DKK 10 each		
<b>Holding of own shares</b>		
Acquired		
Antal egne aktier/Number of own shares	473,614	289,664
Nominal value	4,736	2,897
Per cent of the share capital	6.1%	3.6%
Total purchase price	45,773	21,099
Sold		
Number of own shares	460,348	346,281
Nominal value	4,603	3,463
Per cent of the share capital	6.0%	4.3%
Total sales price	44,926	25,436
Cancellation of shares		
Number of own shares	320,000	0
Nominal value	3,200	0
Per cent of the share capital	4.1%	0.0%
End of the year		
Number of own shares	19,637	326,371
Nominal value	196	3,264
Per cent of the share capital	0.3%	4.1%

Acquisition and sale of own shares have taken place as part of the bank's general day-to-day activities.

## Notes with additional information

28. Capital requirement		
Amounts in DKK 1,000	2013	2012
Equity according to the balance sheet	1,349,354	1,304,003
Provisions for appreciation	<u>26,535</u>	<u>25,581</u>
<b>Core capital</b>	<b>1,322,819</b>	<b>1,278,422</b>
Suggested dividend	15,440	8,040
Intangible assets	11,884	13,784
Deferred activated tax assets	3,800	3,800
Value of own shares, cf. section 31 (1) no 6, of the Executive Order on the calculation of core capital	<u>3,681</u> 34,805	<u>4,029</u> 29,653
Half of the sum of capital shares, etc., > 10 per cent. according to section 131 (2) no 2 of FIL	<u>38,635</u>	<u>26,612</u>
<b>Core capital after deduction</b>	<b>1,249,379</b>	<b>1,222,157</b>
Additional capital:		
Provisions for appreciation	26,535	25,581
Subordinated capital	<u>2,160</u> 28,695	<u>3,872</u> 29,453
<b>Core capital before deduction</b>	<b>1,278,074</b>	<b>1,251,610</b>
Half of the sum of capital shares, etc. > 10 per cent according to section 131 (1) no 3 of FIL	<u>28,695</u>	<u>26,612</u>
<b>Core capital after deduction</b>	<b>1,249,379</b>	<b>1,224,998</b>
Sufficient core capital	739,000	755,800
Weighted items, total	6,290,483	6,350,588
Core capital percentage	19.9%	19.2%
Capital adequacy percentage	19.9%	19.3%
Required capital adequacy	11.7%	11.9%

29. Contingent liabilities		
Amounts in DKK 1,000	2013	2012
Finance guarantees	497,755	649,357
Loss guarantees for mortgage loans	86,255	96,746
Registration and conversion guarantees	22,554	40,601
Other contingent liabilities	<u>234,925</u>	<u>208,705</u>
Total	<u>841,489</u>	<u>995,409</u>
<b>Pledges</b>		
For drawing right with the Danish Central Bank pantsat obligationerbonds have been pledged	<u>149,693</u>	<u>531,616</u>

## Notes with additional information

### 30. Connected parties

Amounts in DKK 1,000

	2013	2012
Size of loan, pledges or guarantees for members of the bank's:		
Executive Board	500	1,450
Board of Directors	44,125	25,205
The commitments have been granted on market conditions and according to the bank's usual business conditions		
Rates of interest at the end of the year, per cent p.a.		
Executive Board	6,00 - 6,00	5,75 - 5,75
Board of Directors, elected at the general meeting	3,25 - 13,875	1,955 - 13,875

For members of the Board of Directors elected by the employees, the commitment was granted on the bank's usual staff conditions.





# Annual Account

## Statements and opinions

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We have today presented the Annual Report for 1 January - 31 December 2013 for Nordjyske Bank A/S

The Annual Report is prepared in accordance with the Financial Activities Act and also in accordance with additional Danish disclosure requirements for annual reports of listed financial companies.

We consider the accounting policy chosen to be appropriate, so that the financial statements provide a correct picture of the bank's assets and liabilities, the financial position and the result

The Management's Report includes a correct account of the development of the bank's activities and financial situation, and a correct description of the most important risks and uncertainties by which the bank may be affected.

The Annual Report is recommended for approval by the General Meeting.

The Executive Board  
Frederikshavn, 11 February 2014

Claus Andersen  
Bank Director

Mikael Jakobsen  
Bank Director

Bjarne Haugaard  
Finance Director

The Board of Directors  
Frederikshavn, 11 February  
2014

Hans Jørgen Kaptain

Sten Uggerhøj

Erik Broholm Andersen

Per Lykkegaard Christensen

Tina Conradsen

Bjarne Jensen

Hanne Karlshøj

Ole Kristensen

Henrik Lintner

# Annual Account

## Internal auditors' statements

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### To the owners of capital in Nordjyske Bank A/S Auditors' opinion

We have audited the financial statements for Nordjyske Bank A/S for the financial year 1 January - 31 December 2013, including income statement, statement of total gains and losses, balance sheet, equity statement and notes, including accounting policy used. The financial statements have been prepared according to the Danish Financial Activities Act and in accordance with the Danish disclosure requirements for listed financial companies.

#### The audit performed

The audit has been performed on the basis of the Executive Order issued by the Danish Financial Supervisory Authority on the auditing of financial businesses, etc., and financial groups and according to international auditing standards. This requires us to plan and carry out the audit in order to obtain a high level of certainty that the financial statements do not include material misinformation.

The audit has been completed according to the division of labour agreed with the external auditors and has included an assessment of established business procedures and internal control, including the risk management organised by the management and aimed at reporting processes and material business risks. On the basis of importance and risk, we have by random samples tested the basis for amounts and other information in the financial statements. Furthermore, the audit has included a decision as to whether the management's choice of accounting policy is appropriate, whether the management's accounting estimates are reasonable, and an assessment of the total presentation of the financial statements.

We have been involved in the auditing of the material and risk-related areas, and we are of the opinion that the audit documentation obtained is sufficient and suitable as a basis for our conclusion.

The audit has not given rise to any reservations.

### Conclusion

It is our opinion that the existing business procedures and internal controls, including the risk management established by the management aimed at the bank's reporting processes and material business risks, work satisfactorily.

It is also our opinion that the financial statements give a correct picture of the bank's assets, liabilities and financial situation as at 31 December 2012 and the result of the bank's activities for the financial year 1 January - 31 December 2012 in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial companies.

### Opinion on the Management's Report

According to the Danish Financial Activities Act, we have read the Management's Report. We have not taken any other actions in addition to the audit performed of the financial statements.

On the basis of the above, it is our opinion that the information in the Management's Report is in accordance with the financial statements.

Frederikshavn, 11 February 2014

Jan L. Sørensen  
Head of Internal Audit

# Annual Account

## The independent auditors' opinion

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### To the owners of capital in Nordjyske Bank A/ Auditors' opinion

We have audited the financial statements for Nordjyske Bank A/S for the financial year 1 January - 31 December 2013, including income statement, statement of total gains and losses, balance sheet, equity statement and notes, including accounting policy used. The financial statements are prepared according to the Danish Financial Business Act and in accordance with the Danish disclosure requirements for listed financial companies.

### The management's responsibility for the financial statements

The management is responsible for the preparation of financial statements which give a correct picture in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed companies. Furthermore, the management is responsible for the internal control which the management considers necessary to be able to prepare financial statements without material misinformation, regardless whether such misinformation is due to fraud or errors.

### The auditor's responsibility

It is our responsibility to express a conclusion about the financial statements on the basis of our audit. We have completed our audit in accordance with international audit standards and additional requirements according to Danish audit laws. This requires us to observe ethical requirements and plan and carry out the audit in order to obtain a high level of certainty that the financial statements do not include material misinformation.

An audit includes the performance of audit actions in order to obtain audit documentation for amounts and information in the financial statements. The actions chosen depend on the auditor's assessment, including the assessment of the risks of material misinformation in the financial

Frederikshavn, 11 February 2014

BDO  
Statsautoriseret revisionsaktieselskab  
(state-authorised public accountants company)

Peter Have Jensen  
State-authorised public accountant

statements, regardless whether they are due to fraud or mistakes. In connection with the risk assessment, the auditor will consider internal control relevant for the bank's preparation and presentation of financial statements providing a correct picture

The aim is to establish audit actions suitable in the circumstances, but not to express a conclusion on the efficiency of the bank's internal control. Furthermore, the audit includes a decision as to whether the management's choice of accounting policy is appropriate, whether the management's accounting estimates are reasonable, and an assessment of the total presentation of the financial statements.

It is our opinion that the audit documentation obtained is satisfactory and suitable as a basis for our conclusion.

The audit has not given rise to any reservations.

### Conclusion

It is our opinion that the financial statements give a correct picture of the bank's assets, liabilities and financial situation as at 31 December 2013 and the result of the bank's activities for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Activities Act and Danish disclosure requirements for listed financial companies..

### Opinion on the Management's Report

According to the Danish Financial Activities Act, we have read the Management's Report. We have not taken any other actions in addition to the audit performed of the financial statements.

On the basis of the above, it is our opinion that the information in the Management's Report is in accordance with the financial statements.

Aalborg, 11 February 2014

Beierholm  
Statsautoriseret Revisionspartnerselskab  
(state-authorised public accountants partner company)

Preben Randbæk  
State-authorised public accountant

# Bank management

## Committee of representatives

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- Erik Broholm Andersen, Farm Owner, Gærum (chairman)
- Per Lykkegaard Christensen, Farm Owner, Hjallerup (Deputy chairman)
- Inge Kjær Andersen, Dentist, Sæby
- Kjeld Andersen, Service Consultant, Øster Brønderslev
- Palle Joest Andersen, Farm Owner, Hjørring
- Peter Andersen, Manager, Tårs
- Poul Andersen, Medical Orderly, Tårs
- Svend-Erik Andersen, Chairman of the Fishing Association, Strandby
- Børge Bech, Head of Secretariat, Løkken
- Erling Christensen, Furniture Dealer, Hørmested
- Inge Christensen, Food Manufacturer, Østervrå
- Lars Ingemann Christensen, Manufacturer, Hjørring
- Nina Friis Christiansen, Shop Owner, Vittrup
- Thomas Christiansen, Fishing Vessel Master, Læsø
- Jørn Bo Clausen, Fish Exporter, Strandby
- Ole Conradsen, Director, Strandby
- John Elling, Fur Farmer, Strandby
- Lene Frandsen, Head of Office, Sindal
- Trine Frisgaard, Leading Bioanalyst, Dronninglund
- Svend Erik Frøstrup, Shop Owner, Løkken
- Birthe Gadekær, Principal, Hjørring
- Hans-Christian Holst, Farmer, Asaa
- Bettina Schou Iversen, Director, Skagen
- Henning Jensen, Consultant, Brønderslev
- Kurt Elbo Jensen, Warehouse Manager, Hallund
- Bent Johansen, Regional Head of Accounting, Øster Brønderslev
- Per Jørgensen, Farmer, Brovst
- Hans Jørgen Kaptain, Attorney, Sæby
- Farm owner Tom Karlshøj, Bindslev
- Anker Laden-Andersen, Attorney, Sæby
- Bente Larsen, Veterinarian, Dybvad
- Per Drustrup Larsen, Librarian, Øster Brønderslev
- Henrik Lintner, Pharmacist, Hjørring
- Peter Mortensen, Forwarding Agent, Hirtshals
- Gert Nielsen, Director, Blæsbjerg
- Jens Jørgen Nielsen, Concreter, Skagen
- Frans Nørby, Lecturer, Hjørring
- Knud B. Olesen, Authorised HVAC fitter, Asdal
- Inger Marie Grund Petersen, Head of Tourist Office, Sæby
- Lars Petersen, Engineer, Gærum
- Niels H. Pedersen Qvist, Farmer, Vocational Teacher, Vester Hassing
- Peter Schou, Fishing Vessel Master, Skagen
- Jan Leth Sørensen, Haulier, Sæby
- Peer Buch Sørensen, Director, Director, Frederikshavn
- Ingeborg Thusgaard, Consultant, Frederikshavn
- Sten Uggerhøj, Car dealer, Frederikshavn
- Claus Uttrup, Brigadier General, Hjørring
- Margrethe Vejby, Nurse, Aalbæk
- Morten Vestergaard, Director, Hjørring

## The Board of Directors

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- Hans Jørgen Kaptain, Attorney, Sæby (Chairman)
- Sten Uggerhøj, Car Dealer, Frederikshavn (Deputy chairman)
- Erik Broholm Andersen, Farm Owner, Gærum
- Per Lykkegaard Christensen, Farm Owner, Hjallerup
- Tina Conradsen, Head of Housing Dept., Frederikshavn (elected by the employees)
- Bjarne Jensen, Customer Advisor, Hjørring (elected by the employees)
- Hanne Karlshøj, Customer Advisor Bindslev (elected by the employees)
- Ole Kristensen, Former Bank Director, Frederikshavn
- Henrik Lintner, Pharmacist, Hjørring

# Bank management

## Audit Committee

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- Ole Kristensen, Former Bank Director, (chairman)
- Hans Jørgen Kaptain, Attorney
- Sten Uggerhøj, Car dealer

## Executive Board

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- Claus Andersen, Bank Director
- Mikael Jakobsen, Bank Director

## The bank's managers

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Bangsbostrand	Peter K. Madsen, Branch Manager
Brønderslev	Thomas Møller Petersen, Branch Director
Dronninglund	Ole Andersen, Branch Director
Frederikshavn	Brian Thomsen, Branch Director
Hirtshals	Jens Buje, Branch Director
Hjallerup	Casper Nødgaard, Branch Manager
Hjørring	Jens Christian Kringelholt, Area Director
København	Kim Vagner, Branch Director
Læsø	Karsten Nielsen, Branch Director
Løkken	Kjeld Ørum, Branch Director
Sindal	Klaus Christensen, Branch Director
Skagen	Allan Kastor Andersen, Center Director
Strandby	Kirsten Poulsen, Branch Manager
Sæby	Torben Schioldan, Area Director
Østervrå	Annemette Mæhle, Branch Manager
Aalbæk	Martin Madsen, Branch Manager
Direktionssekretariatet	Alma Lund Høj, Head of secretariat
FinansCentret	Lars Kiærskou, Finance Manager
Forretningsupport	Ole Telling, HR-Manager
Kreditkontoret	Claus Kongsgaard, Credit Manager
Salg & Marketing	Mikael Jakobsen, Bank Director
Økonomi & edb	Bjarne Haugaard, Finance Director