





Nordjyske Bank A/S  
Torvet 4  
9400 Nørresundby

Telephone +45 9870 3333

post@nordjyskebank.dk  
www.nordjyskebank.dk

CVR: 30828712  
BIC/SWIFT nrsbdk24



The Executive Board, Nordjyske Bank

# Management Report










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# Management Report

## Principal issues

2015		2015 was a very satisfactory merger year for Nordjyske Bank
Net interest		Affected by low interest rates and increasing competition
Fees		Increase by 13 per cent
Operating costs		Positive fall as a consequence of merger synergies
Lending		At the same level: DKK 10.7 billion
Capital adequacy rate		Robust capital adequacy rate at 16.3
Liquidity		Very satisfactory liquidity situation
Business volume		Decent increase to: DKK 41.6 billion incl. Safe custody values
Dividend		DKK 2,40 per share a total of DKK 44 million

# Management Report

## Satisfactory merger year

### Pro forma statement

Reports concerning operating result and balance sheet items in the report take place on the basis of pro forma statements with the purpose of increasing the information value and create a better basis for assessing the financial results and the development in the bank. This is further discussed on page 7 and pages 31-32.

### Basic earnings positively affected by fees and decreasing operating costs

Basic earnings amount to DKK 360 million compared with DKK 366 million last year. Earnings are affected by the market situation with low interest rates and increasing competition on loans, on the other hand the bank achieves an increase in fees of 13 per cent.

Operating costs and operating depreciations excl. merger costs fall by DKK 12 million to DKK 529 million as a consequence of the first merger synergies.

Basic earnings are within the expected basic earnings at the level of DKK 360 to 380 million.

### Depreciations affected by the agricultural crisis

Depreciations amount to DKK 206 million compared with DKK 162 million and are greatly affected by the bank's lending to primarily milk producers and pig farmers.

Write-downs for 2015 are above the bank's expectations at DKK 190 million as at 30 September 2015; however, the information was given with uncertainty due to the challenges for agriculture.

The bank has paid DKK 29 million in 2015 to the Deposit Guarantee Fund, where expenses to the Resolution Fund are expected to be under DKK two million in 2016.

The bank's result before merger costs amounts to DKK 173 million and the pre-tax result is DKK 129 million, which gives return on equity of 5 per cent per annum at the end of the year.

The management considers the result as a whole satisfactory, keeping the merger costs and the financial situation for agriculture in mind.

### Expectations for the result in 2016

Nordjyske Bank expects basic earnings in the range of DKK 300-350 million.

The bank expects write-downs on loans etc. – calculated on a pro forma basis – at the level of DKK 145 million, which is connected with uncertainty in relation to the challenges for agriculture.

The strategic objective for the return on equity is 9-11 per cent before tax, which the bank expects to be able to realise in 2016.

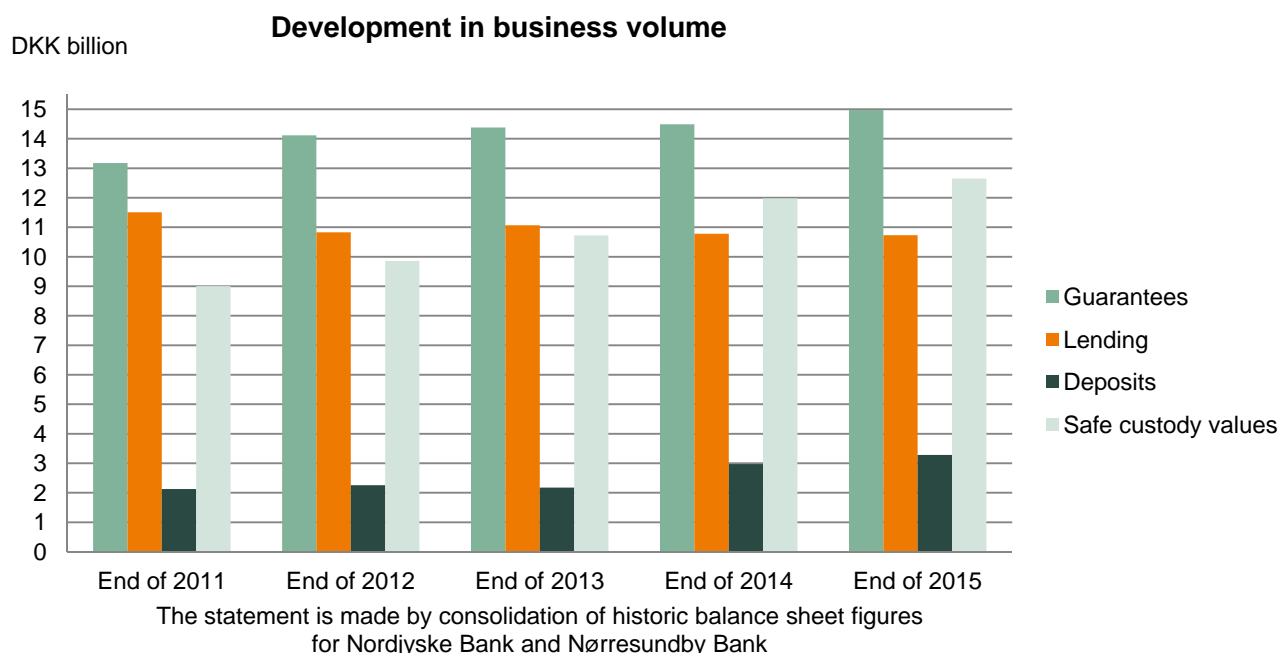
Condensed pro forma income statement (amounts in DKK million)	2015	2014
Interest income, net	513	566
Fees and commission income, net	359	318
Other operating income etc.	17	23
<b>Core income</b>	<b>889</b>	<b>907</b>
Operating costs and operating depreciations excl. merger costs	529	541
<b>Core earnings before merger costs</b>	<b>360</b>	<b>366</b>
Payments to the Guarantee Fund, etc.	29	29
Write-downs on own lending etc.	206	162
Market price adjustments on securities, etc.	48	79
<b>Result before merger costs</b>	<b>173</b>	<b>254</b>
Merger costs	44	6
<b>Pre-tax result</b>	<b>129</b>	<b>248</b>

Return of total assets	2015	2014
Pre-tax result / end of the year equity p.a.	4.9 %	8.3 %
Costs as a percentage of core earnings	59.6 %	59.6 %

# Management Report

## Development in business volume



### Business volume increases by three quarters of a billion

The total business volume in Nordjyske Bank increased to DKK 29.0 billion in 2015. That is an increase of DKK 747 million during the period from 1 January to 31 December 2015. The business volume includes total lending, deposits, and guarantees, and the increase of just less than three quarters of a billion originates from an increase in deposits of DKK 487 million and an increase in guarantees of DKK 309 million.

Total lending in the bank amounts to DKK 10,729 million at the end of 2015 compared to last year's DKK 10,778 million. The bank estimates that the level is acceptable for 2015 seen in relation to the fact that in part total lending is affected by an annual ordinary repurchase at DKK 500-600 million, in apart the customers' demand for lending is still limited, and

finally the bank still uses a lot of resources on merger and integration.

### Increasing interest in securities

Business volume inclusive of safe custody values has increased by DKK 1.4 billion in 2015 to DKK 41.6 billion. This corresponds to a 3.5 per cent increase.

The increase is due both to a positive price development in the customers' existing portfolio, but also to a high degree to an increase of safe custody as a consequence of an increasing interest in securities among the bank's customers. The bank considers this development positive.

Selected balance sheet figures (amounts in DKK million)	2015	2014	2013	2012	2011
Total assets	18.660	18.160	18.168	17.772	17.733
Lending	10.729	10.778	11.067	10.826	11.503
Guarantees	3.280	2.971	2.172	2.258	2.128
Deposits	14.975	14.488	14.379	14.115	13.177
Safe custody values	12.650	11.980	10.723	9.858	9.004

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

# Management Report

## Applied calculation methods

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

With regard to accounting this implies that Nørresundby Bank's operating result for the month of March alone will be included as one single item in Nordjyske Bank's operating result for the 1st quarter of 2015, while Nørresundby Banks' result for January and February 2015 is included in Nørresundby Bank's equity at the time of acquisition.

Furthermore, the merger was carried out according to the so-called acquisition method. The additional value paid for assets is included as goodwill in the balance sheet. Comparative figures for income statement and balance sheet items as well as key figures in the annual accounts 2015 do not include figures from Nørresundby Bank prior to the merger.

It is the management's opinion that reporting where income statement and balance sheet items are drawn up according to the above rules does not provide the reader of the accounts with a thorough and fair picture of the bank's performance – in part because the figures for Nørresundby Bank are not included in the same way as Nordjyske Bank's figures and in part as a consequence of the requirements of the accounting rules for treatment of write-downs from Nørresundby Bank.

Therefore a pro forma calculated income statement is shown on page 4 for 2015 and comparative figures for the two old banks together, just as the following description in the report is based on pro forma calculated results.

The pro forma statements shall show a statement for this year and a comparative basis corresponding to Nordjyske Bank and Nørresundby Bank having been integrated during the comparative periods. This means that the result for January and February 2015 in Nørresundby Bank is included and the result for March 2015 in Nørresundby Bank is included distributed on single items instead of under result of investments in associated and group companies.

Value adjustment of the acquired loans including loans from Nørresundby Bank are included in write-downs on loans etc., just like acquired loans the quality of which is improved, are reversed under write-downs on lending etc.

Thus interest income and write-downs are reduced in the pro forma statement and provide a fairer image of the actual development in both account items.

The difference between the pro forma statements and the accounts in relation to the purchase method is illustrated in a statement on pages 31-32.

## Suggested distribution of profit and consolidation

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The bank's management suggests DKK 44 million to be used as dividend and DKK 10 million transferred to equity.

The year's result after tax amounts to DKK 54 million cf. page 49. In addition, Nørresundby Bank had a result for January and February 2015 of DKK 36 million, which has been added to the equity of Nordjyske Bank in connection with the acquisition.

The suggested dividend of DKK 44 million has been set on the basis of the profit hereon of DKK 90 million and thus amounts to a little less than 50 per cent of it.

The dividend payment corresponds to DKK 2.40 per share.

At the end of the year the bank's equity amounts to a total of DKK 2,617 million.

# Management Report

## Development in North Jutland

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### Positive year for North Jutland

On the whole, 2015 was a positive year for North Jutland. The year saw a number of positive key figures and for both private and companies 2015 was a better year than 2014.

### Increase in housing prices

The price development on housing is decisive for both the actual and the experienced economic situation of the individual people of North Jutland. All over Denmark the prices for family houses increased according to Boligsiden.dk by 7.8 per cent in 2015, while the prices for owner-occupied flats increased by 13.7 per cent.

North Jutland is not able to show increases at quite the same level but in general the North Jutland housing market had a proper share of the price increases. The price for a family house in North Jutland increased by 3.4 per cent in 2015, while the prices for owner-occupied flats increased by no less than 9.2 per cent.

However, the price development and the square meter prices in North Jutland depend a great deal on which municipality we talk about. The prices are up to three times as high in Aalborg Municipality compared to other municipalities in North Jutland.

In Nordjyske Bank we also expect increasing housing prices in 2016. However, we expect the price development to be more moderate than in 2015, but we expect that more areas will benefit from it.

### Lowest unemployment rate for more than 6 years

Another decisive parameter in the North Jutland economy is the development in employment. Before the crisis we saw the lowest unemployment rate in the summer of 2008. Here the North Jutland the unemployment rate was only 2.9 per cent. Exactly one year later it had more than doubled, and at the beginning of 2010 it peaked by 6.9 per cent.

Since then unemployment in North Jutland has been gradually falling and in November 2015 it reached 5 per cent – the lowest level for more than 6 years. In Nordjyske Bank we expect unemployment to continue decreasing in 2016.

### North Jutland business is doing well

The increasing unemployment rate indicates that North Jutland business life is doing well. This is also supported by several key figures, although there are differences between the various trades.

Traditionally, construction, food and tourism are the dominating industries in North Jutland, but new industries are gaining ground and take up more and more space in relation to both employment and earning. This goes for example for the maritime industry and the energy sector.

Agriculture is still the industry which is hardest hit. For the entire North Jutland business life the number of registered compulsory sales in 2015 was 365 and an increasing share of these originates from agriculture. It is a slight increase compared with 2014, where 341 North Jutland businesses were ordered to be wound up. However, it is important to notice that there are many competent North Jutland farmers with positive operations, and Nordjyske Bank will continue to support the development of the industry.

### Positive expectations

Nordjyske Bank has positive expectations for the development of North Jutland in 2016. There are many positive signals, and we still believe in an upswing although the growth will be slow. Nordjyske Bank's development is closely connected with the development in North Jutland. If society fares well, so does Nordjyske Bank.



# Management Report

## Expectations for 2016

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### Budding upswing

Both Denmark in general and North Jutland in particular registers a budding upswing. The housing prices are increasing and unemployment is falling, and a positive spiral in the direction of better trends has begun, although the pace is still moderate.

The development in Nordjyske Bank is closely connected to the development in North Jutland, and the improved trends will also influence the key figures in Nordjyske Bank.

We expect, for example, that the by now age long low demand for loans in the long term will be replaced by a more normal level. However, the general uncertainty means that demand will only increase slowly. Therefore, there will also in 2016 be pressure on the bank's top-line as a consequence of limited demand for lending, pressure on the interest margin and limited activity on mortgage conversion compared with the years 2014 and 2015.

### More focus on growth

The merger between Nordjyske Bank and Nørresundby Bank has taken up a lot of space, but as all the merger activities have gradually been carried out we can focus more on growth.

One of the target areas is influx of customers – both private customers and business customers. It means we will create growth by both retaining existing customers and attracting new.

### Increasing interest in investment

The improved financial prospects already result in an increasing investment incentive in shares, among other things. In Nordjyske Bank we have increasing focus on Private Banking and other investment activities which are expected to give both the customers and the bank better earnings.

### Synergies from the merger

2016 will be the year where Nordjyske Bank can really start harvesting the synergies from the merger. The costs will be lower and profits higher.

The bank will reach the expected synergy savings at the level of DKK 50 million announced at the beginning of 2015 compared with the total expenses in 2014. However, the synergy savings will not have full effect until 2017, as agreement has been made with 9 employees assisting with merger activities and leaving during the 1st half of 2016, and in addition the bank will save expenses primarily for IT at the level of DKK 5 million in 2017.

The new ErhvervsCenter Aalborg will open in March 2016. Here employees with strong competences and new premises will be ready to welcome existing and new customers in our market area south of the Liim Fiord.

### Expectations for the 2016 profit

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

Core earnings have been calculated exclusive of value adjustments on lending and before payment to the Resolution Fund, write-downs etc, on lending and guarantees, and price adjustments on securities. Thus the total result will be considerably reduced payment to the Resolution Fund, where the bank expects expenses under DKK two million.

The write-down item on lending and guarantees amounts to a material uncertainty factor and primarily depends on the development in the agricultural sector. The bank expects write-downs on lending and guarantees – pro forma calculated – at the level of DKK 145 million, which is connected with uncertainty in relation to the challenges of agriculture. This write-down may be compared with the pro forma calculated write-downs of DKK 206 million for 2015.

Nordjyske Bank expects to be able to realise the strategic objective of being able to make pre-tax return on equity at 9-11 per cent, which is a considerable improvement compared to 2015.

*A decent Bank  
– the safe choice*

# Management Report

## Nordjyske Bank's strategy – towards new times

### Towards new times

Nordjyske Bank and Nørresundby Bank merged with the purpose of securing a continuously strong, independent local bank that can concentrate all its forces in North Jutland to the benefit of customers, shareholders and employees.

The two banks are a good strategic match seen in relation to the geographical coverage and industry concentration of lending and guarantees. The business models for the two banks were comparable and among other things the integration makes it possible to lift bigger commitments and serve more and bigger customers than before. We will also focus more on the business segment with a new business centre in Aalborg.

Nordjyske Bank has a solid basis for a new ambitious strategy. The strategy shall ensure focus on and execution of the initiatives and target areas, and does not include far reaching changes.

In the bank we have great attention on working with determination on how to use the opportunities that the merger provides us with.

Therefore, Nordjyske Bank has worked with a strategy towards 2018 during the 2nd half of 2015, where all the leaders have been involved. For some time to come the entire organization will be involved in filling out the strategic framework and target areas.

The aim of the process has been to make it attractive to be a shareholder, customer, and employee. The strategy has resulted in some financial objectives for the bank.

### Mission - vision – values



The mission, which is its reason for existence of the bank goes:  
***"Nordjyske Bank is your bank – to count on"***

The bank is an ambitious independent bank, where the power of decision is close to the customers.



The vision is the bank's guiding star and sets the direction:  
***"A decent bank" – the safe choice***

We want to be agile, win on long time relations and proactive advising – to the benefit of the customers, shareholders, and employees.



Our values:

- ◆ **Decent**
- ◆ **Dynamic**
- ◆ **Competent**

### Financial goals

Nordjyske Bank's management has set a strategic goal for pre-tax return on equity of 9-11 per cent – calculated on average equity.

The return on equity is based on the current market conditions with low interest rates as well as expectations of continued tough competition and decreasing interest margin.

During the strategy period, the bank has a goal for growth in lending of 2-4 per cent per annum on a stagnant market. Growth in lending is a significant element of the strategy and the bank's results.

### A decent bank – the safe choice

It is still Nordjyske Bank's goal to have both a strong and robust core capital and good liquidity. The strategy shall ensure that we are well equipped for the challenges of the future with a strong anchor consisting of many shareholders and a large customer base.

### Dividend policy

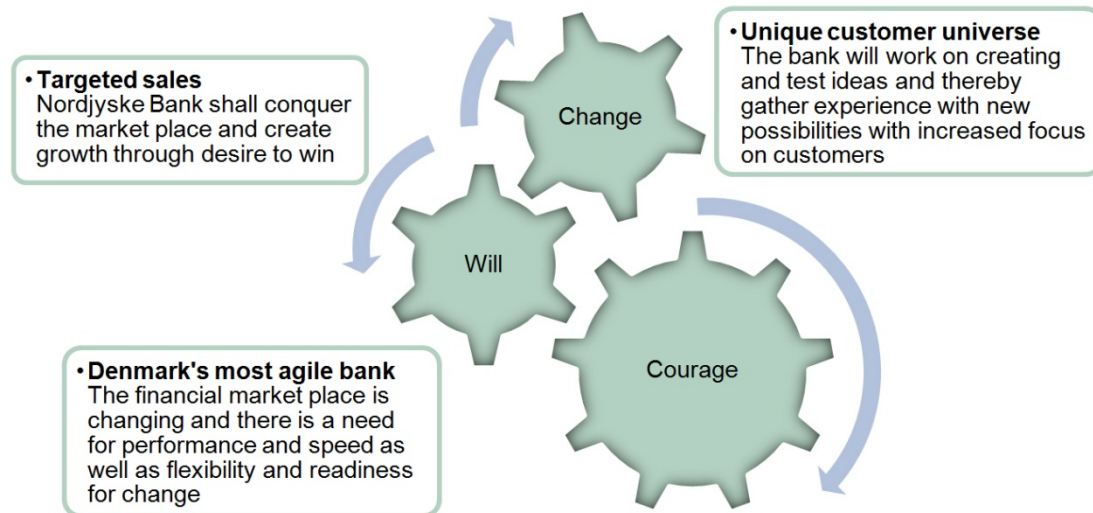
The bank's board of directors has adopted a dividend policy, where securing long term value creation for the shareholders and sufficient capital in the bank is taken into consideration.

It is the goal to pay out between 30-50% of the year's result after tax in consideration of a goal of a minimum of 15.5 per cent core capital rate as well as ensuring sufficient capital to meet the regulatory requirements as well as economic and business related conditions.

The payment may take place in the form of actual dividend or as share repurchase.

# Management Report

## Three important initiatives in the strategy period



## Strategic target areas

As part of the strategy to ensure the targeted growth and earnings a number of initiatives have been identified which are in part related to greater efficiency and in part relates to growth.

These target areas shall form separate projects that shall be set and executed in the period 2016-2018.

## Main activities in Nordjyske Bank

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

Nordjyske Bank has 433 well educated employees, including specially trained employees within the most significant areas of consultancy. The bank has high tech aid and a great number of competent collaborators

Nordjyske Bank offers consultancy and expertise in all areas within payment handling, foreign business, credit handling, housing, funds, investment, pension and insurance.

The bank emphasizes individual consultancy for both business and private customers.

### Nordjyske Bank has:

- 120,000 private customers
- 9,500 business customers
- 46,000 shareholders
- Business volume – lending, guarantees, deposits, and fund management – of DKK 41.6 billion

Nordjyske Bank is a free and independent bank which to a great extent is owned by shareholders who are also customers in the bank.

# Management Report

## Activities in the bank in 2015

### Merger

Nordjyske Bank A/S and A/S Nørresundby Bank were merged as at 31 March 2015 with Nordjyske Bank as the continuing company.

The merger was carried through with the purpose of creating a strong and local bank that can achieve better results together than as two local banks.

### IT conversion

The merger activities have taken up a lot of the agenda internally in the bank, but the customers have also to a varying extent been affected by them. On 13-15 November 2015 the IT systems were converted into the same system. It is primarily the customers in the previous Nørresundby Bank, who have experienced that among other things more than 60,000 cards were to be replaced.

In addition to that, there were limitations to the use of cards, net bank, mobile bank, SWIPP etc. during the conversion weekend.

The IT conversion was carried out with great success. 4.3 billion data records and 400 million entries were moved during a weekend. Of course there have been some challenges afterwards, but as a whole it was carried out to great satisfaction for everybody.

### Organisation

As previously announced, the bank has integrated the branch in Nr. Utrup with the branch in Nørresundby at the end of 2015.

At the same time the staffs were grouped during the 4th quarter of 2015 with some functions in Nørresundby and other functions in Frederikshavn, while the LandbrugsCentret remains in Hjørring.

The agreed employee reductions at the level of 50 employees have to a large extent been carried out via severance schemes. The bank has agreed on extension for part of the 1st half of 2016 for 9 employees to support the merger activities.

The bank will open the branch in Hasseris in March 2016, where establishment of a branch with strong competences will take place. The establishment will be carried out through integration of the bank's current branches at Vestre Alle and Vesterbro as well as addition of new competences.

### Campaigns

Nordjyske Bank chose to examine the knowledge about the bank in the fall of 2015 – primarily in the previous Nørresundby Bank's market area around Aalborg. It was positive that there was a high level of knowledge of Nordjyske Bank and the bank's logo. Furthermore, the analysis showed that many people had positive relations to the bank and it was the bank that most of those asked would recommend to family and friends.

The bank did some follow-up on the analysis with various initiatives towards business customers and the campaign on NordjyskeVerdener.dk, where both customers and non-customers were encouraged to tell about their dreams, thoughts and wishes. There was a very satisfactory participation and the bank awarded prizes in a competition related to it.



Peter Tvilling Krøgh, Business advisor

In Nordjyske Bank we are both proud and grateful that our customers – after a hectic merger year – still help to place us at the top in a satisfaction survey carried out by the analysis institute Voxmeter made at the end of 2015 according to Ritzaus Bureau.

### IT development

There were many IT activities in 2015 which have attempted to utilize the digital possibilities. Nordjyske Bank has had great success with electronic signatures on documents, which save the customer an extra visit to the bank. In addition, systems have been developed that make it easier for both private and business customers.

The digital possibilities will also in the future have high priority, including virtual meetings.

### Private Banking

Nordjyske Bank has experienced great satisfaction with customers with the Private Banking concept, which is also of benefit to the bank. The advisory service is based on the investment area but also includes debt management and pension. Advice is offered by specialists in the FinansCentret.



# Management Report

## Development in the bank's staff

### Competent customer advisory service

Nordjyske Bank wants to be ambitious and among the best at customer advisory service. This presupposes a constant focus on ensuring the ideal setup for customer advisory and optimization of resources.

Among other things we ensure a high level of competence in our advisors by ensuring adequate sparring among the advisors and optimizing resources.

The bank ensures education level and competences through relevant training and participation in forums, through which the appropriate basis is achieved.

The customers' approach to bank advisory service changes constantly. A current development takes place where the customers choose self service solutions and the need for advisory service may be solved in various ways. At the same time the complexity in the advisory service has increased and the bank has focus on ensuring the customers the best imaginable advice.

### Employees

In 2015 a number of organisational changes have taken place, primarily among the staff. We still have to work on ensuring optimum processes in 2016, through which we are most efficient and utilize the competences to support the branches directed to the customers. The branches directed to the customers have also had the processes adjusted, but the customers are not affected by the changes.

As a consequence of the merger process there has been a natural focus on the possibilities for rationalisation and ensuring optimum use of resources in 2015

Nordjyske Bank retained at the beginning of 2015 the previously announced expectations to a reduction of app. 50 employees as a consequence of the merger between Nordjyske Bank and Nørresundby Bank.

It appears from the table that there is a decrease of 34 employees during 2015. In addition the bank had, after publication of the merger plans in October 2014 and until the end of 2014, taken leave of 8 employees, who had not been replaced by new employees.

As previously mentioned, the bank has extended agreement with 9 employees, who will leave in the 1st half of 2016, as a consequence of merger activities. This amounts to a total reduction of 51 full time employees.

Recalculated into employees the reduction amounts to 57 employees.

*Decent  
Dynamic  
Competent*

The Board of Directors has fixed goal figures and prepared a policy for the under-represented gender in the management. It is the aim of the Board of Directors that the number of female members of the Committee of Representatives shall be increased by at least 1 out of 8 members in 2018. This is part of the considerations concerning the composition of the Committee of Representatives, since the bank has no female board members elected by the Committee of Representatives at the end of 2015.

It is the intention of the bank to create a basis for equal distribution by gender at the bank's other management levels. It is the bank's goal that all employees experience equal possibilities for career and leading positions, and that the share of female leaders shall be increased to 30 per cent before 2018.

At the end of 2015 the share of female leaders has changed to 24.4 per cent compared with 27.7 per cent at the end of 2014 primarily due to the merger.

### Branch structure

It is our attitude that Nordjyske Bank's local basis in North Jutland is of great importance to our customers.

As mentioned on the previous page, some changes have taken place in the branch structure in 2015. After the combination of Vestre Alle and Vesterbro into a new branch at Hasseris, Aalborg, in March 2016, the bank will have 22 branches in North Jutland and a branch at Kultorvet in Copenhagen.

Facts about the bank's employees	2015	2014
Employees end of year (fulltime)	425	459
- female	237	253
- male	188	206
Average age	47.8 yrs	47.0 yrs
Average seniority	20.3 yrs	19.4 yrs

# Management Report

## Result before merger costs and before tax

The pro forma calculated result before merger costs amounts to DKK 173 mill. in 2015 compared with DKK 254 mill. in 2014.

After merger costs the pre-tax result will be DKK 129 mill. and pays interest on equity at a rate of 4.9 per cent per annum as at 30 December 2015.

## Net interest and fee income

The market situation with low interest rates has affected the bank's interest income, which amounts to DKK 513 million in 2015 compared with DKK 566 million the year before.

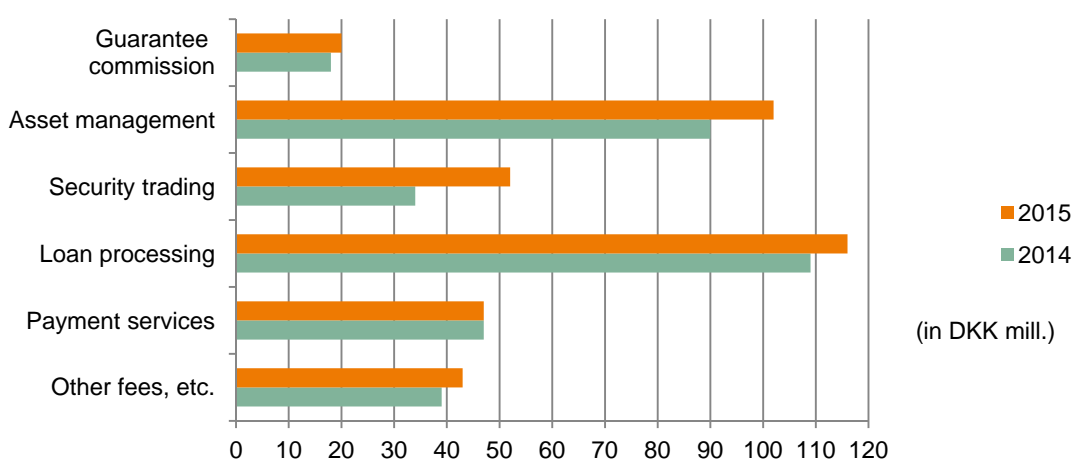
The fall is primarily due to a fall in interest income on lending at DKK 75 million, fall in interest income on bonds at DKK 16 million and fall in interest expenses for deposits at DKK 42 million.

The interest rate level has affected the fee income positively as many customers have used this for conversion of mortgage loans. This activity has resulted in income as a consequence of this during loan processing as well as security trading, in particular during the 1<sup>st</sup> half of 2014 and 2<sup>nd</sup> half of 2015.

The bank can see an increased interest in investments in securities and good results on the fund management area. The bank's Private Banking concept for customers with large funds have had an increased activity level in 2015 and at the same time the bank sees good opportunities in expanding the concept.

Net fee income increases by DKK 41 million to DKK 359 million in 2015.

**Development in fee income**



## Market price adjustments

Market price adjustments have contributed with DKK 48 million in 2015 compared with last year's DKK 79 million.

In 2014 both Nordjyske Bank and Nørresundby Bank obtained a large profit from the sale of the sector shares in Nets Holding A/S.

Bonds have given negative market price adjustments in 2015, whereas there have been capital gain on shares, including in particular sector shares.

# Management Report

## Operating costs and depreciations

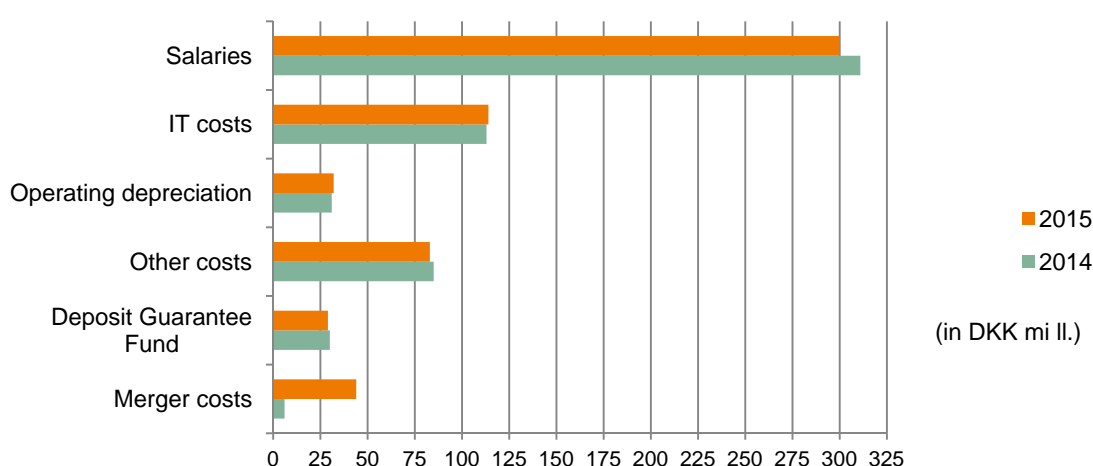
The bank's operating costs and depreciations before merger costs amount to DKK 529 million in 2015, which saves DKK 12 million compared with 2014 and is an expression of the merger synergy.

As indicated under development in the bank's staff, some employees left at the end of 2014 and 9 employees will not leave until 2016, while a large part of the announced reduction took place at the end of 2015.

The bank's savings by the reduction of the staff counters increase in payroll cost, salary increases relating to collective agreements, including salary increases as a consequence of seniority, and increased demand for competent employees.

In addition the bank does not achieve full effect of the savings in the IT area until 2017 at the level of DKK 5 million.

**Development in operating costs**



## Write downs

Write-downs amount to a total of DKK 206 million in 2015 compared with DKK 162 million in 2014 and corresponds to a write-down rate of 1.4 in 2015.

The bank's write-downs on lending and guaranties are significantly affected by the bank's lending primarily to milk producers and pig farmers. Write-downs to Danish commercial farming amounts to DKK 162 million as a consequence of the challenges on agriculture, which are amplified under the section of credit risks.

The bank's accumulated write-downs, provisions and discount amount to a total of DKK 1,117 million. Thus the amount is inclusive of discount on acquired loans from Nørresundby Bank.

<b>Write-downs on lending and guaranties</b> (amounts in DKK mill.)	<b>2015</b>	<b>2014</b>
Write-downs on lending etc. valued individually and on a group basis	259	215
Received on previously depreciated debts	8	18
Final loss, not previously written-down individually	5	15
Interest on written-down debt booked as income	50	50
<b>Total influence on operations</b>	<b>206</b>	<b>162</b>

# Management Report

## Risk and risk management

The bank's business goal is to offer financial products and services in combination with advisory services. Consequently, the bank is naturally exposed to credit risks, market risks, liquidity risks and operational risks. These risks are described in the management report and in note 14 in this annual report and in Risk Report 2015, which is available on the bank's homepage at [www.nordjyskebank.dk](http://www.nordjyskebank.dk).

Risk-taking is a natural element in the bank's operations, and likewise, risk management is a natural and central element in the bank. As a consequence of the bank's business goals, credit risks constitute the most significant risk area.

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

The bank is – as a consequence of the merger with Nørresundby Bank – in a process of setting credit classification and granting competences with the purpose of harmonizing the two banks' practice and ensuring continued good credit management.

## The Supervision Diamond

The sum of large commitments must be < 125 per cent of adjusted core capital

**Nordjyske Bank: 27.5 per cent**

Growth in lending must be < 20 per cent per year

**Nordjyske bank: 95.1 per cent \***

\* Pro forma lending growth amounts to -0.5 per cent



Stable funding ratio must be < 1.0

**Nordjyske Bank: 0.59**

Property exposure before write-downs must be < 25 per cent of lending and guarantees

**Nordjyske Bank: 12.4 per cent**

Excess liquidity must be > 50 per cent

**Nordjyske Bank: 142.0 per cent**

The Danish Financial Supervisory Authority has set special risk areas with fixed limits within which the banks should in principle stay. There are five key markers, which constitute a "Supervision Diamond".

As it appears from the above illustration, Nordjyske Bank still has a good margin up to the fixed limits except for growth in lending. The growth in lending expresses the merger with Nørresundby Bank which is not included in comparative figures in the Supervision Diamond.

Pro forma calculation for the merged bank shows a growth of -0.5 per cent compared with 31 December 2014, the reason why the growth in lending in the Supervision Diamond does not pose any real risk challenge.

When evaluating the bank's property exposure, it should be mentioned that a little more than 30 per cent of the exposure can be related to loans etc. to the non-profit housing sector, where the risk image is considerably lower than in general property financing as a consequence of the special financing model that applies to non-profit housing construction.

The Danish Financial Supervisory Authority has introduced a limit which will be introduced as at 1 January 2018, where the purpose is to include any large scope of exposures that are just below the current limit for large exposures. The sum of the 20 largest exposures in the bank in relation to the bank's actual core capital amounts to 149 per cent and consequently below the limit of 175 per cent.



# Management Report

## The Danish Financial Supervisory Authority

Nordjyske Bank received a reprimand by the Danish Financial Supervisory Authority in November 2015 after long lasting dialogue. The reprimand was given for not having taken all reasonable measures to ensure the trade-off to be used to finance the purchase of A/S Nørresundby Bank at the time when the purchase bid was made.

Nordjyske Bank is of the firm opinion that the bank has acted in accordance with applying rules in connection with submitting and subsequently carrying through the purchase bid. The reprimand has no financial consequences for the bank.

During 2015 the bank has been in dialogue with the Danish Financial Supervisory Authority as part of several multidisciplinary inquiries and theme inquiries which have led to changes in the bank's procedures and business routines. The published reviews are available on the bank's website [www.nordjyskebank.dk](http://www.nordjyskebank.dk).

Nordjyske Bank received in august 2015 a ticket fine for DKK 20,000 for lack of reporting concerning transactions with securities outside EU/EEA. The reporting has not taken place due to a set-up error in the reporting system at the bank's data central, which has subsequently corrected the error.

## Credit risks

Key credit figures	2015
Lending in relation to equity	4.1
The year's growth in lending as a percentage	- 0.5 *
The sum of large exposures as a percentage of the adjusted core capital	27.5
The year's write-down percentage	1.4
Accumulated write-down percentage	7.4
* Calculated on pro forma figures	

The bank's gearing rate is calculated as core capital after deductions in relation to total exposures and amounts to 9.0 per cent as at 31 December 2015, corresponding to gearing of 11 times the core capital. The bank's goal is minimum 5.5 per cent. The purpose of the gearing rate is to avoid exaggerated gearing and is calculated in accordance with the CRR-regulation. The calculation is specified in Risk Report 2015.

The bank's lending gearing is at 4.1 which provides good opportunities for growth in lending with the current capital.

**[Risk Report 2015](http://www.nordjyskebank.dk/risikorapport)**  
**[is available on the bank's homepage](http://www.nordjyskebank.dk/risikorapport)**  
[www.nordjyskebank.dk/risikorapport](http://www.nordjyskebank.dk/risikorapport)

Nordjyske Bank's business model and credit policy imply a suitably cautious risk profile in the credit area. The credit policy sets the framework for the bank's credit risks and ensures a balanced relation between earnings and risks.

Among other things this means:

- that the bank does not want individual commitments of such size that loss suffered on them may threaten the bank's existence. The unsecured part of new individual commitments should as a maximum amount to 10 per cent of the bank's adjusted core capital
- that the bank's risk profile is set with the basis in the areas where the bank is physically represented
- that credit processing shall ensure that the bank only takes calculated credit risks

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

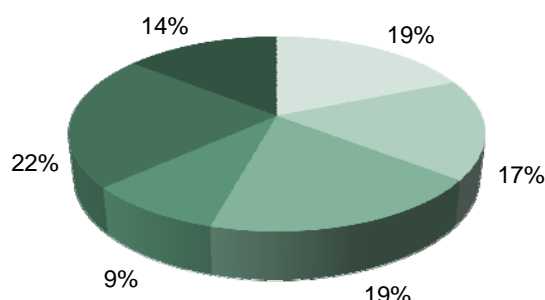
Management of the bank's credit risks is made overall by an appointed credit committee – consisting of one member of the executive board, the credit manager, head of credit committee, and the area managers. The purpose of credit committee and the credit office is to ensure that the bank's credit policy is observed in the organization, among other things by setting the framework for credit handling and monitoring of and follow-up on commitments.

Credit controlling is performed from central quarters at the bank's branches and selected risk areas with the aim to control credit risks and strengthen the employees' credit competences.

# Management Report

## Commitment size

0 - 500	500 - 1,500
1,500 - 5,000	5,000 - 10,000
10,000 - 50,000	> 50,000



Nordjyske Bank has great attention on concentration risks, including large commitments. At the same time the bank has a size and core capital where it is possible for the bank to take on more large commitments.

Large commitments may pose a bigger credit risk than may small commitments. Therefore the bank does not want new single commitments where the unsecured part amounts to more than 10 per cent of the bank's adjusted core capital.

Commitments of more than DKK 50 mill. amount to 14 per cent of the bank's total credit commitments, while commitments below DKK 10 mill. amount to 64 per cent. Thus the bank's credit risks are concentrated on smaller commitments.

## Lending in foreign exchange

The bank has only limited lending in foreign exchange, which at the end of 2015 amounts to less than 7 per cent of total lending. Of this lending in CHF amounts to less than 1 per cent and lending in EUR amounts to just over 4 per cent of total lending.

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

The bank has only limited lending in foreign exchange.

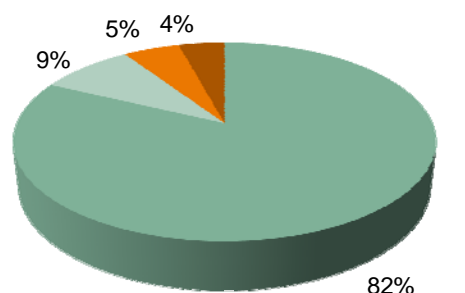
## Geographical distribution

The bank has 91 per cent of its total lending and guarantees in geographical areas in which the bank is physically represented.

Lending and guarantees in the bank's primary market area in North Jutland amount to 82 per cent, while lending and guarantees in the Capital area, where Nordjyske Bank has a branch, amounts to 9 per cent.

A material part of the bank's lending and guarantees abroad consists of lending to plant-growing in the EU. These are commitments which are estimated to have a very limited risk of loss, which is described further on page 23.

North Jutland	The capital area
The rest of Denmark	Foreign countries



# Management Report

## Credit rating

As part of the bank's credit granting and credit management, the bank uses a credit rating model, which is adjusted on a continuous basis, among other things according to guidelines from the Danish Financial Supervisory Authority.

Nordjyske Bank still experience that the bank's customers still are affected by the financial crisis, but in a number of industries signs of a positive development are showing.

In the bank's credit portfolio there are some lending and guarantees that are challenged, but it is important to notice that 83 per cent of the bank's lending and guarantees show no signs of weakness. The bank experiences an increasing share in this part of the portfolio.

The bank experiences a satisfactory credit rating by new business and private customers, which contribute to a broader portfolio. Upon influx of new customers, there has been performed ongoing monitoring and control of fixing credit rating, among other things

Commitments with some weaknesses and commitments with material weaknesses jointly have been reduced from 9 per cent in 2014 to 8 per cent in 2015 of the total portfolio. A distribution between commitments with material and some weaknesses shows which indicates that for some customers there are still challenges.

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

*83 per cent of  
the bank's lending and  
guarantees show no signs of  
weakness*

Distribution of lending and guarantees according to credit rating	2015		2014	
	(in million DKK)	(per cent)	(in million DKK)	(per cent)
Good quality	4.424	31 %	4.174	30 %
Normal quality	2.969	21 %	2.925	21 %
Slightly reduced quality	4.285	31 %	3.959	29 %
Some weaknesses	466	3 %	568	4 %
Material weaknesses, but without OIV	647	5 %	638	5 %
With objective indication of value reduction (OIV)	1.218	9 %	1.485	11 %
<b>Total lending and guarantees</b>	<b>14.009</b>	<b>100 %</b>	<b>13.749</b>	<b>100 %</b>

# Management Report

## Risks related to various sectors

Lending distributed among sectors (amounts in DKK million)	2015	2014
Commercial	6,351	6,482
Private	4,378	4,294
Public authorities	0	2
<b>Total lending</b>	<b>10,729</b>	<b>10,778</b>

Nordjyske Bank's total lending is at the same level at the end of 2015 as the year before. Lending amounts to a total of DKK 10,729 million which is a fall of DKK 49 million and should be seen in the light of annual ordinary settlement of DKK 500-600 million.

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

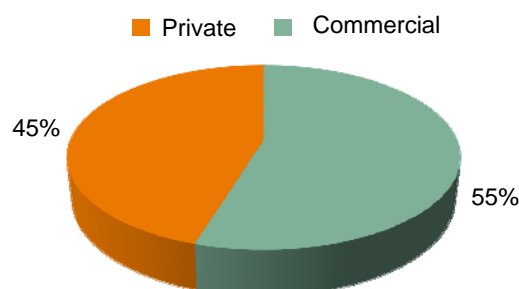
Lending to private customers increases by DKK 84 million, whereas commercial lending falls by DKK 131 million.

The bank still experiences a limited desire to lending regarding both private and commercial customers and the bank's growth is expected to have to happen with basis in customer influx.

The bank has provided guarantees for the customers at DKK 3,280 million at the end of 2015 compared with DKK 2,971 million at the end of 2014. The increase is primarily due to conversions in 2015.

The bank's lending and guarantees have increased by a total of DKK 260 million in 2015, corresponding to 2 per cent.

**Distribution of lending and guarantees as at 31.12.2015**



Lending and guarantees are distributed with 55 per cent to business and 45 per cent to private customers at the end of 2015.

The risk on the private segment is assessed to be lower than the commercial segment. The goal of the bank is at least 35 per cent lending and guarantees to private customers, which provides good opportunities for growth on both the commercial and the private customer segments.

Major financial challenges for private customers typically arise in case of divorce, unemployment and similar situations that may force housing sale. The bank registers limited signals of loss on private customers.

North Jutland has had less significant price fluctuations in property than other areas of the country both before and after the crisis, and the bank has limited challenges with property which is technically mortgaged beyond its value.

It is assessed to be positive in relation to the bank's credit risk that 84 per cent of the bank's share of loans with Totalkredit has mortgaging below 60 per cent of the technically calculated value of the property and thereby some equity in the property. At the same time the bank's customers have a higher share of loans with repayment and fixed interest than the average with Totalkredit. Out of the bank's customers 50 per cent have repayment on the loans with Totalkredit and 52 per cent pay fixed interest.

In accordance with the bank's credit policy, when calculating amounts available to private customers we base it on a calculation on a 30-year housing loan with fixed interest and repayment

In addition to stable housing prices, the private customers are favoured by continuously low interest rates.



# Management Report

Distribution as at 31 December 2015 (amounts in DKK million)	Lending and guarantees before write- downs	Accumulated write-downs and market price write-downs	in %	Lending and guarantees after write-downs	The year's write-downs over operations
Plant growing	536	20	4 %	516	9
Cattle breeding	376	146	39 %	230	52
Pig breeding	696	217	31 %	479	101
Fur farming	88	3	3 %	85	0
Danish commercial farming, total	1,696	386	23 %	1,310	162
Fishery, Plant growing abroad (EU) etc.	776	17	2 %	759	-5
Total farming etc.	2,472	403	17 %	2,069	157
Real property	1,886	160	9 %	1,726	44
Other commercial	4,154	239	6 %	3,915	21
<b>Total commercial</b>	<b>8,512</b>	<b>802</b>	<b>9 %</b>	<b>7,710</b>	<b>222</b>
<b>Private</b>	<b>6,614</b>	<b>267</b>	<b>4 %</b>	<b>6,347</b>	<b>48</b>
<b>Public authorities</b>	<b>0</b>	<b>0</b>	<b>0 %</b>	<b>0</b>	<b>0</b>
	<b>15,126</b>	<b>1,069</b>	<b>7 %</b>	<b>14,057</b>	<b>270</b>
Group write-downs		48		-48	-11
Finally lost - not previously written down individually					5
Received re. receivables, interest, etc., written down previously					58
<b>Total</b>	<b>15,126</b>	<b>1,117</b>	<b>7 %</b>	<b>14,009</b>	<b>206</b>

Nordjyske Bank's business model and credit policy sets the limits for the bank's concentration on sectors with the following limits to sector exposure calculated after write-downs and value adjustments:

- The total exposure to business as one must not exceed 65 per cent of the bank's lending and guarantees
- Lending and guarantees to farming, hunting and forestry incl. farming abroad must not exceed 16 per cent of the bank's lending and guarantees
- Lending and guarantees to fishery must not exceed 4 per cent of the bank's lending and guarantees
- Lending and guarantees to the business sector real property must not exceed 16 per cent incl. non-profit housing
- Lending and guarantees to other industries for each industry group must not exceed 9 per cent of the bank's lending and guarantees

It is the management's opinion that financing of both the agricultural area and the real property area are natural responsibilities for a local bank with a market area where farming and property are of great importance, and Nordjyske Bank expects to continue to be exposed within these sectors.

The sector concentration has diminished as a consequence of the merger between Nordjyske Bank and Nørresundby Bank, including in particular

the distribution on sectors of lending to farming and property. It is the bank's opinion that there is a suitable distribution on sectors.

Statistics Denmark has chosen to combine the fishing and farming industries in one group. However, since we are dealing with two industries that are regulated according to different regulations and with different cyclical conditions, the bank has separated the group into Danish commercial farming, fisheries, and plant growing in the EU etc.

The bank has long time experience with the fishing industry, which is naturally in the bank's primary market area. Lending and guarantees to this industry amounts to of 2.2 per cent of the bank's total lending and guarantees.

The fishing industry is of great positive importance for the bank's market area, as many companies are related to it. At the same time the fishing industry is strongly affected by the fisheries policy climate, and it is important to the bank to have experience and competences in this special area.

The fishing industry as a whole has had satisfactory results in 2015. The prices have been increasing and e.g. for shrimping also increasing quantity. The results are also positively affected by the significantly falling fuel prices.

Exposure to Danish commercial farming and the property sector will be amplified later.

# Management Report

## Agriculture exposure

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Through many years Nordjyske Bank has had relatively comprehensive agriculture exposure. When merging with Nørresundby Bank the bank doubled in size and at the same time an appropriate suitable distribution on industries relative to agriculture took place.

In the bank's primary market area the farming industry constitutes an important industry, and the bank still wants to be an attractive collaborator for farming. However, the industry has been challenged for some years, and therefore the bank finds it appropriate to have got a relatively smaller share of total lending and guarantees to agriculture.

Lending and guarantees to the total Danish commercial farming amounts to 9.4 per cent of total lending and guarantees.

The bank has reserved write-downs and provisions and discounts for commitments with Danish commercial farming at DKK 386 million, corresponding to 23 per cent of lending and guarantees to Danish commercial farming.

The financial challenges for Danish commercial farming vary a great deal between the various types of production. Milk producers and pig farmers still have the biggest financial challenges.

Nordjyske Bank has lending and guarantees to the challenged animal production of 1.6 per cent to milk production and 3.4 per cent to pig farming.

The bank has reserved write-downs and provisions and discounts at DKK 363 million corresponding to 34 per cent of lending and guarantees for this group.

The agricultural industry is still challenged and both the industry's framework conditions, cyclical conditions and settling prices are of great importance for earnings in agriculture, where in particular animal production is challenged.

The challenges are influenced by falling prices for the animal production which are both due to Russia's stop for import of food from the EU, the slowdown of the demand for milk products from China as well as large global food production.

The main part of the bank's milk producers produce conventional milk. Arla's price for conventional milk has been declining in 2015 and the beginning of 2016, and has been at a low level during the entire period. An EU-report predicts low milk prices up until 2020, whereas Arla does not think it is easy to make prognoses more than one year ahead. Arla believes in price increase on the world markets in mid-2016, which may affect the prices in Denmark.

The price for slaughter hog has been decreasing since the 2nd quarter 2015. Prognosis from Danish Agriculture & Food in January 2016 expects slightly higher prices mid-2016

There are optimistic expectations from agriculture's knowledge center, SEGES, in a prognosis in January 2016, which look slightly positive. In part this is attributable to the improved efficiency and productivity during the crisis, which applies to both milk producers and pig farmers. In part the optimistic expectations are attributable to better conditions of the agriculture package for plant growers and that SEGES expects better settling prices for milk and pork and continuous low interest rate. A positive effect of the increasing price of the dollar is also expected.

On this basis, SEGES estimates that on average a farm will reach a zero-result in 2015, a result of DKK 250,000 in 2016 and DKK 500,000 in 2017. However, the pig farmers may not expect any profit until 2017. These figures are before owner remuneration, consolidation and investments.

SEGES sees major diversity in the results where the third of the farmers making the best earnings are expected to make about DKK one million in 2015 and in 2016. Plant growers are expected to realise a positive result.

The above describes a continued uncertainty about the situation of the farmers although in some areas progress is expected. The uncertain situation of agriculture poses uncertainty about the need for future write-downs in the bank on animal production.

Plant growers do not have the same financial challenges and deliver reasonable results.

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

# Management Report

Distribution of lending and guarantees to Danish commercial farming by credit rating	2015		2014	
	(in DKK million)	(per cent)	(in DKK million)	(per cent)
Good quality	115	9 %	187	13 %
Normal quality	119	9 %	120	8 %
Slightly reduced quality	396	30 %	402	27 %
Some weaknesses	19	2 %	86	6 %
Material weaknesses, but without OIV	201	15 %	143	10 %
With objective indication of value reduction (OIV)	460	35 %	534	36 %
<b>Total lending and guarantees</b>	<b>1,310</b>	<b>100 %</b>	<b>1,472</b>	<b>100 %</b>

The above table shows a distribution on rating of the bank's lending to Danish commercial farming.

Thus, after deduction of write-downs 52 per cent of lending and guarantees shows signs of weakness or OIV. At the same time this means that the bank has 48 per cent of lending and guarantees to Danish commercial farming without signs of weakness.

For Danish commercial farming with OIV, where it is not expected that the business in the shorter or longer view is going to cease farming, in the write-down calculations are included cash flows from the operation at the level of DKK 40 million.

## Lending to plant growing in the EU

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

*Write-downs etc.  
at 34 per cent of  
lending and guarantees are  
reserved for  
animal production*

## Capital adequacy and stress test

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

Quality classification of farms is among other things based on a price of DKK 145,000 per hectare of arable land in Vendsyssel. This corresponds to the Danish Financial Supervisory Authority's announcement about the price on land in Vendsyssel. In 2015 the bank has established that there is still limited trade in farm land in free trade in the bank's area, but the known trades in farm land in the bank's area have been traded at prices up to DKK 170,000 per hectare, with some geographical spread, though.

Stress test of applied securities with a reduction of 10 per cent for agriculture commitments with OIV will lead to further write-downs at the level of DKK 40 million.

In addition to the bank's write-downs etc. of DKK 386 million to Danish commercial farming, the bank reserves capital for commitments with Danish commercial farming for value adjustment of securities and for loss as a consequence of general operating problems as well as the current agriculture crisis.

Nordjyske Bank performs stress test on the bank's commitments on an ongoing basis. A stress test of the bank's agriculture portfolio at the end of 2015 shows that the current problems in the agriculture sector cannot threaten the bank. If the bank loses the entire unsecured part on all the agriculture commitment, the bank will still have a capital adequacy ratio above the capital adequacy. It is the bank's opinion that this scenario is not likely since half of this portfolio is without weaknesses.

# Management Report

## Property exposure

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Nordjyske Bank has lending and guarantees to the property sector at 12.3 per cent of total lending and guarantees. To a great extent this share is related to Aalborg. Lending to the non-profit sector amounts to a little over 30 per cent hereof.

To a great extent the bank has contributed to the financing of dwellings, both to the non-profit and private housing sectors. The bank is hoping that there will continue to be a lot of projects in which the bank may participate as a consequence of many plans in Aalborg about hospital and educational institutions.

The price development for housing in North Jutland is still positive, and prices have been increasing in particular in Aalborg and the trade has increased on both owner-occupied flats and houses.



# Management Report

## Other risks

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### Liquidity risk and funding risk

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

- that the bank's liquidity requirement should primarily be covered by ordinary 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 in a stress scenario
- that the bank meets the limit fixed by the Financial Supervisory Authority for stable funding in the Supervision Diamond
- that the bank minimizes the funding risk by seeking stable liquidity coverage.

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

*Nordjyske Bank's policy is to finance lending with ordinary deposits from customers and equity*

## Interest risks

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The bank's lending and deposit activities as well as accounts with credit institutions are for the most part entered into on a variable basis.

The bank's interest risk amounts to 0.1 per cent as at 31 December 2015.

The primary interest risk is attached to the bank's portfolio of bonds, which is related to the bank's cash and liquidity management and deposits with a fixed rate of interest.

The bond portfolio is managed in consideration of the volatile market so that interest risk is taken into consideration. Through this the bank lives up to its objective of having a very limited interest risk.

The bank's interest risk is managed and monitored on a daily basis by the FinansCentret, whereas control and reporting about interest risk to the board of director and executive management are performed by the Finance department.

## Whistleblower-scheme

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In accordance with current regulations, Nordjyske Bank has established a whistleblower-scheme, where the bank's employees anonymously via an independent channel may report potential breaches of the financial regulations committed by the bank, including the bank's employees or members of the board of directors.

# Management Report

## Liquidity

### Excess deposits

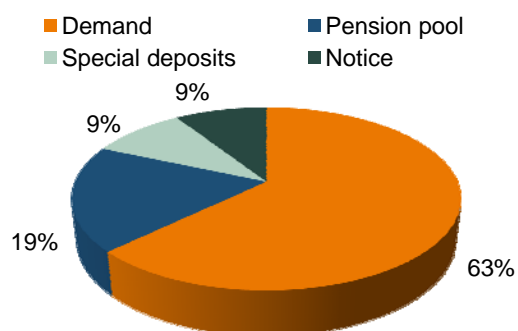
Nordjyske Bank wants to finance lending with ordinary deposits from customers and equity.

Deposits / lending (amounts in DKK million)	2015	2014
Deposits	14,975	14,488
Lending	10,729	10,778
<b>Excess deposits</b>	<b>4,246</b>	<b>3,710</b>

The current excess deposits amounts to DKK 4,246 million, which leads to a very comfortable liquidity situation.

The excess deposits have increased to DKK 536 million over the past year, which is primarily due to increase in deposits.

### Deposits distributed by category:



The bank's deposits are stable and ordinary. Less than 83 per cent of the deposits are covered by the Deposit Guarantee Fund.

The bank has no deposits amounting to more than 1 per cent of total deposits, and the 10 largest deposits amount to less than 5 per cent of total deposits. The bank does not depend on expensive fixed term deposits.

The bank's "own liquidity" in the form of deposits and equity amounts to a total of DKK 17,592 million at the end of 2015, corresponding to excess liquidity of DKK 6,863 million compared to lending.

The bank's current liquidity calculated pursuant to S 152 of Act on Financial Companies is very comfortable with excess solvency of 142 per cent, corresponding to excess liquidity of DKK 2,706 million.

The liquidity calculated according to this statutory requirement amounts to a total of DKK 4,611 million at the end of 2015, distributed on:

- DKK 350 mill. Cash in hand and demand receivables in Danmarks Nationalbank
- DKK 71 mill. in fully secured and liquid demand receivables with credit institutions
- DKK 678 mill. in certificates of deposit
- DKK 2,456 mill. in secure, easily salable listed securities
- DKK 1,056 mill. in other secure easily salable uncharged securities (pooled assets)

The liquidity key figure LCR for the bank can be calculated at 270 per cent at the end of 2015.

The LCR requirement means that the bank must have sufficient highly liquid assets to be able to withstand 30 days of liquidity stress (outflow). There are gradual phasing-rules, which means that the bank should meet 60 per cent on 1 October 2015, increasing to 100 per cent at the beginning of 2018.

Thus it is the opinion of the management that Nordjyske Bank has a very satisfactory liquidity situation.

Stable funding (amounts in DKK million)	2015
<b>Lending</b>	<b>10,729</b>
Equity	2,617
Deposits	14,975
Subordinate capital infusion	271
<b>Funding</b>	<b>17,863</b>
Excess amount	7,134
Funding ratio	0.60

# Management Report

## Capital

The bank's core capital rate amounts to 16.3 as at 31 December 2015 while the capital adequacy rate is 14.1.

Nordjyske Bank raised subordinate capital in connection with purchase of Nørresundby Bank. The bank's core capital therefore consists in part of equity and in part of subordinate capital.

The bank is considerably affected by the ownership of sector shares, which involves a deduction in the core capital at DKK 330 million.

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.

Pursuant to the stipulations in CRR regulations, the bank shall publish detailed information about risks, capital structure, capital adequacy, and risk management. This information appears from the risk report on the bank's webpage on [www.nordjyskebank.dk](http://www.nordjyskebank.dk).

### The individual capital adequacy

The bank's calculation of the individual capital adequacy results in adequate core capital of DKK 1,249 million, corresponding to an individual capital adequacy of 10.1 per cent.

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

Thus – with a capital adequacy rate of 16.3 – the bank has a capital adequacy rate relative to the individual capital adequacy, excess coverage of 6.2 percentage points.

Information about adequate core capital and individual capital adequacy appears from the bank's home page at [www.nordjyskebank.dk](http://www.nordjyskebank.dk).

<b>Core capital / risk-weighted items</b> (amounts in DKK million)	<b>2015</b>
Equity	2,617
Deduction of	
- suggested dividend	44
- unused share of framework for purchase of own shares	14
- goodwill and customer relations	477
- cautious value assessment	4
- investment shares in fin. businesses	330
Addition of subordinate capital	271
<b>Core capital</b>	<b>2,019</b>
<b>Risk-weighted exposures</b>	<b>12,389</b>
Capital adequacy rate	16.3
Core capital rate	14.1

*Further information about the calculated individual capital adequacy is found in the solvency report on the bank's homepage*

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

# Management Report

## Subsidiary

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

The result of the subsidiary for 2015 is included in the bank's income statement under "result of investments in associated and group enterprises". The shares have been included at DKK 11.5 million, which is the book value.

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

## Uncertainty in relation to inclusion and calculation

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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 affect the bank's result for 2015, the bank's assets and liabilities, and its financial position as at the end of 2015.

Just like the other Danish banks, Nordjyske Bank is liable for losses which the Guarantee Fund (formerly the Deposit Guarantee Fund) may expect in connection with the insolvency of other banks. Nordjyske Bank's most recently calculated share of the sector's liability towards the Guarantee Fund amounts to 1.36 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 significant estimates concern

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

- valuation of properties, regarding the interest rates used for 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 – are valued at market price. Decision of the market value is based on available information about current trades, e.g. in connection with redistribution among the shareholders (corresponding to level 2-input cf. definition in IFRS 13). If no current market data is available, the market value is estimated on the basis of information from the companies' accounts, experience in trade in shares in the companies in question, and input from qualified external party (corresponding to level 3-input cf. definition in IFRS 13).

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

# Management Report

## The process of 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 emphasized 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 internal auditing reporting to the Board of Directors. Internal auditing participates in the auditing of material and risk-related areas in connection with the preparation of the financial statements.

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**

The Board of Directors and the Executive Board perform an overall risk assessment on an ongoing basis in connection with the preparation of the financial statements.

As part of the risk assessment, the Board of Directors and the Executive Board will 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.



# Management Report

## Income statement and balance sheet according to the purchase method

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The income statement of the annual report, balance sheet, notes, etc. as at 31 December 2015 in the following are prepared according to current rules and regulations pursuant to the purchase method. In the following section there are comments on the income statement and balance sheet at the end 2015 pursuant to the purchase method.

The consequence of the use of this method is that Nørresundby Bank's operating results for January and February 2015 are only included in the purchased values.

Furthermore, the realised operating result for the month of March 2015 – after purchase at the end of February 2015 and until the merger at the end of March 2015 – is included in Nordjyske Bank's income statement as at 31 December 2015 only as one single amount under the item "result of investment in associated and group companies".

As a consequence of the purchase method, account figures for Nørresundby Bank are not included in comparative figures for 2014, thus limiting the value of a comparison.

## The income statement shows the following in general

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- Net interest and fee income amount to DKK 837.5 mill. in 2015 compared with DKK 488.2 mill. in 2014. The increase of DKK 349.3 mill. is due to the fact that account figures for Nørresundby Bank are not included in the statement for 2014 and are only included in the 2nd to 4th quarters of 2015.
- The market price adjustments are positive with DKK 21.0 mill., which among other things covers a positive market price adjustment on shares etc. of DKK 34.7 mill. and a negative market price adjustment on bonds of DKK 16.1 mill.
- Staff and administration costs amount to DKK 466.0 mill. in 2015 incl. merger costs. Of this salaries etc. amount to DKK 276.6 mill. and other administration costs DKK 189.4 mill.
- The result of investments in associated and group companies amounts to DKK 25.0 mill. and is primarily an indication of the operating result for March 2015 in Nørresundby Bank, which has been entered as income on this item.
- Write-downs on lending etc. have been charged to the income statement with DKK 307.1 mill.
- Under the accounts item "Other operating costs" app. DKK 25.8 mill. has been charged to income statement for the Deposit Guarantee Fund..
- Pre-tax result amounts to DKK 61.2 mill. and after tax DKK 53.7 mill. for year 2015.
- Basic earnings before merger costs pursuant to the purchase method amount to DKK 348.0 mill. The result is within the announced expectations at the level of DKK 340 to 360 mill.

## The balance sheet shows the following in general

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- The total balance sheet as at 31 December 2015 amounts to DKK 18.7 bn. compared with DKK 8.9 bn. last year. The increase is attributable to the purchase of Nørresundby Bank.
- The bank's lending amounts to DKK 10.7 bn. at the end of the year as at 31 December 2015 and deposits amount to DKK 15.0 bn.
- Goodwill and customer relations in connection with the purchase of Nørresundby Bank have been entered under the item intangible assets with app. DKK 469 mill.
- Subordinate capital infusion (Tier 2) of app. DKK 270.7 mill. has been raised as part of the financing of the purchase price for Nørresundby Bank.
- After this Nordjyske Bank's share capital amounts to DKK 183,645,150 after purchase of all the shares in Nørresundby Bank and completion of issue. Equity then amounts to DKK 2.62 billion at the end of December 2015.
- Total contingent obligations amount to DKK 3.3 billion as a 31 December 2015.

# Management Report

## Calculation of pro forma result

As indicated on page 7 the accounts statement in the report and the descriptions herein are mainly based on pro forma calculated figures which are assessed most true and fair.

Below the adjustments between the official result according to the purchase method and the pro forma calculated result are shown. The adjustments have been made based on the prospect rules and in addition to the extent it has been found true and fair.

Summary of calculation of pro forma result for 2015	Official result	Note	Pro forma adjustment	Pro forma calculated result
(amounts in DKK million)				
Net interest income	520	1 2 3 5 7	64 -0 -3 -59 -9	513
Fees and commissions, net	307	1	52	359
Other operating income etc.	16	1	1	17
<b>Core income</b>	<b>843</b>		<b>46</b>	<b>889</b>
Operating costs and operating depreciations excl. merger costs	495	1 4 9	75 3 -44	529
<b>Core earnings before merger costs</b>	<b>348</b>		<b>12</b>	<b>360</b>
Payments to the Deposit Guarantee Fund, etc.	26	1	3	29
Write-downs on lending, etc.	307	1 5 6 7	-16 -59 -17 -9	206
Market price adjustments on securities, etc.	46	1 8	27 -25	48
<b>Result before merger costs</b>	<b>61</b>		<b>112</b>	<b>173</b>
Merger costs	0	9	44	44
<b>Pre-tax result</b>	<b>61</b>		<b>68</b>	<b>129</b>

Summary of calculation of pro forma result for 2014	Official result	Note	Pro forma adjustment	Pro forma calculated result
(amounts in DKK million)				
Net interest income	323	1 2 3 5	264 -3 -16 -2	566
Fees and commissions, net	159	1	159	318
Other operating income etc..	10	1	13	23
<b>Core income</b>	<b>492</b>		<b>415</b>	<b>907</b>
Operating costs and operating depreciations excl. merger costs	274	1 4 6	253 20 -6	541
<b>Core earnings before merger costs</b>	<b>218</b>		<b>148</b>	<b>366</b>
Payments to the Deposit Guarantee Fund, etc.	15	1	14	29
Write-downs on lending, etc.	139	1 5	25 -2	162
Market price adjustments on securities, etc.	45	1	34	79
<b>Result before merger costs</b>	<b>109</b>		<b>145</b>	<b>254</b>
Merger costs	0	6	6	6
<b>Pre-tax result</b>	<b>109</b>		<b>139</b>	<b>248</b>

# Management Report

## Note on the pro forma calculations

	Pro forma adjustment 2015	Pro forma adjustment 2014
<b>1) Result in Nørresundby Bank</b> (for 2015 adjusted for 3 months incl. transfer of March 2015 as subsidiary)	82	178
<b>2) Interest income</b> As a consequence of purchase of shares in Nørresundby Bank is financed in part by sale of bonds at a value of DKK 561 mill., interest income of the bank's cash is reduced. This is included with a minor income corresponding to market based revenue of 0.5 % p.a. of DKK 561 mill. (for 2015 adjusted for 2 months.)	-0	-3
<b>3) Interest expenses</b> In connection with completion of the Purchase bid, new subordinate capital has been purchased at a total of DKK 275 mill. – gross, which is used for part financing of shares in Nørresundby Bank. The subordinate capital infusion carries interest at the rate of 5.341 % p.a. (for 2015 adjusted for 2 months) Initial expenses for subordinate capital of DKK 5 mill. are distributed over 5 years (for 2015 adjusted for 2 months)	-3 -0	-15 -1
<b>4) Depreciations and write-downs on intangible and tangible assets</b> Customer relations at DKK 201 mill. arising from the transaction are expected to be written down by the straight-line method over a ten year period (for 2015 adjusted for 2 months)	3	20
<b>5) Value adjustment of lending taken over at a discount primarily conc. Nørresundby Bank</b> When merging with other banks, part of lending is valued lower than par (primarily lending with individual write-downs). The difference between market price and nominal value is amortised (booked as income) over the term of the loan and booked as income in the official accounts as interest income on loan. If the loan is not improved at the same rate as the amortisation, there will be corresponding write-down on lending etc. If the loans has always been part of Nordjyske Bank's lending, these movements would have been entered as movements on write-down on lending etc. Regulation conc. lending taken over from Nørresundby Bank Regulation conc. lending taken over from Løkken Sparekasse and Øster Brønderslev Sparekasse	-47 -12	- -2
<b>6) Value adjusted lending valued higher with regard to quality than amortisation taken over at a discount</b> When merging with other banks, part of lending is valued lower than par (primarily lending with individual write-downs). The difference between market price and nominal value is amortised (booked as income) over the term of the loan and booked as income in the official accounts as interest income on loan. If the loan is improved faster than the amortization, it will not be possible to immediately book the improvement with regards to quality, and it will not be possible to take the difference that occurs by this as income in the official accounts until later periods. If the loans had always been part of Nordjyske Bank's lending, these movements would be booked as income immediately as movements on write-downs on lending etc.	-17	-
<b>7) Interest income conc. the value adjusted part of lending from Nørresundby Bank</b> If the original write-downs from Nørresundby Bank had been write-downs from Nordjyske Bank and not re-classified at a discount, the interest hereof would have been adjusted between interest on lending and write-downs on lending etc.	-9	-
<b>8) Nørresundby Bank's result March 2015 as subsidiary</b>	-25	-
<b>9) Merger costs</b>	44	6

# Management Report

## Shareholders

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

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. However, 1,000 votes are the largest number of votes any shareholder is able to cast on his/her own behalf.

The bank's representatives, board of directors or shareholders may make proposals for amendments to the Articles to be discussed at the annual general meeting. Approval of proposals takes place in accordance with the bank's Articles, which are available at the bank's homepage [www.nordjyskebank.dk](http://www.nordjyskebank.dk).

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. 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.

With the approval of the Committee of Representatives, the Board of Directors is authorised to increase the share capital by up to DKK 4,784,950 with pre-emptive rights for the bank's shareholders. The capital increase shall take place at market value or advantageous price fixed by the Board of Directors.

Furthermore, the Board of Directors is authorised to increase the share capital by up to DKK 3,700,890 by non-cash contribution and without pre-emptive rights for the bank's shareholders. The capital increase shall take place at market value. The two above authorisations are temporary and are related to the purchase bid to Nørresundby Bank.

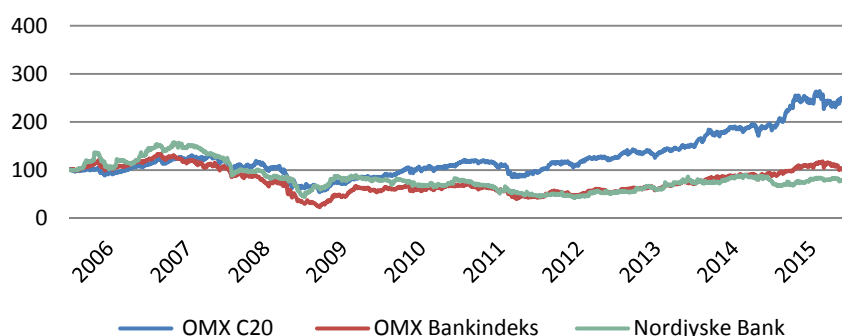
Likewise, the Board of Directors is authorised by the general meeting to allow the bank to acquire own shares at any time, corresponding to a maximum of 10 per cent of the bank's nominal share capital if the shares can be acquired at the current listed price with a deviation of up to 10 per cent.

From the Danish Financial Supervisory Authority the bank has been allowed to possess own shares for market-maker purposes of up to DKK 16.0 million.

### Large shareholder

Nordjyske Bank has one large shareholder as Jyske Bank A/S owns more than 30 per cent of the share capital in Nordjyske Bank A/S as at 31 December 2015.

**Index 100 = 30.12.2005**



### The Nordjyske Bank share

In 2015 the share provided a return of 6 per cent in capital gain and dividend.

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

## Recommendation to the general meeting

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The board of directors will recommend to the general meeting that dividend be paid for the financial year 2015 at 24 per cent of the nominal share capital corresponding to DKK 2.4 per share and a total of DKK 44 million.

The bank's general meeting will be held on 15 March 2016 at Arena Nord in Frederikshavn with transmission to Aalborg Congress & Culture Centre in Aalborg. The shareholders are free to choose to which one of the venues they want entrance cards just like the shareholders have the same rights and possibilities both places.

The agenda and the complete proposals as well as the documents to be presented at the general meeting will be available for review at the bank's headquarters and on [www.nordjyskebank.dk](http://www.nordjyskebank.dk) from 18 February 2016 up to and included 15 March 2016.

## Company announcements issued in 2015

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07.01.2015	Supplementary information about submission of a purchase bid for all the shares in A/S Nørresundby Bank and the suggested capital infusion
13.01.2015	Supplementary information about the intention of the board of directors concerning distribution of dividend
13.01.2015	The course of events at the extraordinary general meeting held on 13 January 2015
14.01.2015	Nordjyske Bank A/S publishes contract document in connection with the conditioned, voluntary purchase bid for all the shares in A/S Nørresundby Bank
30.01.2015	Nordjyske Bank A/S has obtained approval from the Danish Competition and Consumer Authority about acquisition of exclusive control of A/S Nørresundby Bank
06.02.2015	Nordjyske Bank A/S has received approval from the Danish Financial Supervisory Authority to acquire a qualified share of A/S Nørresundby Bank
10.02.2015	Announcement of financial statements and Annual Report 2014
11.02.2015	Notice of convening Ordinary General Meeting
26.02.2015	Announcement of preliminary result of the Purchase Bid of 14 January 2015
27.02.2015	Carrying out the voluntary recommended public purchase bid to the shareholder in A/S Nørresundby Bank
27.02.2015	Nordjyske Bank A/S issues nominal DKK 275 mill. of tier 2 capital certificates
27.02.2015	Large shareholder in Nordjyske Bank A/S
27.02.2015	Report of the management and their connected parties' transactions with Nordjyske Bank's shares
02.03.2015	Merger of Nordjyske Bank A/S and A/S Nørresundby Bank
04.03.2015	Notice of convening Extraordinary General Meeting on 31 March 2015 at 09:00
04.03.2015	Notice of convening Extraordinary General Meeting on 31 March 2015 at 10:00
04.03.2015	Announcement from Nordjyske Bank A/S about large shareholder
10.03.2015	Summary from the bank's ordinary general meeting on 10 March 2015
31.03.2015	The course of events at the extraordinary general meeting held on 31 March 2015 at 09:00
31.03.2015	The course of events at the extraordinary general meeting held on 31 March 2015 at 10:00
31.03.2015	Changes in the management in Nordjyske Bank A/S
31.03.2015	Announcement of the Danish Financial Supervisory Authority's announcement of approval of merger between Nordjyske Bank A/S and A/S Nørresundby Bank
05.05.2015	Interim report for 1st quarter of 2015
06.05.2015	Report of the management and their connected parties' transactions with Nordjyske Bank's shares
08.05.2015	Report of the management and their connected parties' transactions with Nordjyske Bank's shares
11.05.2015	Report of the management and their connected parties' transactions with Nordjyske Bank's shares



# Management Report

12.05.2015	Election of employee board members for Nordjyske Bank's board of directors
13.05.2015	Report of the management and their connected parties' transactions with Nordjyske Bank's shares
20.05.2015	Report of the management and their connected parties' transactions with Nordjyske Bank's shares
01.06.2015	Nordjyske Bank A/S publishes prospect in connection with pre-emption issue
10.06.2015	Report of the management and their connected parties' transactions with Nordjyske Bank's shares
11.06.2015	Report of the management and their connected parties' transactions with Nordjyske Bank's shares
12.06.2015	Report of the management and their connected parties' transactions with Nordjyske Bank's shares
25.06.2015	Result of Nordjyske Bank A/S' pre-emption issue
25.06.2015	Nordjyske Bank A/S carries out pre-emption issue
25.06.2015	Announcement of large shareholder in Nordjyske Bank A/S
30.06.2015	Announcement of adjustments in the total capital in Nordjyske Bank
11.08.2015	Interim announcement and interim report as at 30 June 2015
13.08.2015	Insiders' trades
26.08.2015	Insiders' trades
03.11.2015	Interim report for the 1st – 3rd quarters of 2015
03.11.2015	Financial calendar 2016 for Nordjyske Bank A/S
15.12.2015	Changes in the executive board of Nordjyske Bank

## Financial calendar 2016

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15.03.2016	Ordinary General Meeting
18.05.2016	Publication of interim report as at 31 March 2016
11.08.2016	Publication of interim report as at 30 June 2016
15.11.2016	Publication of interim report as at 30 September 2016



# Management Report

## Management

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### Committee of Representatives

The Committee of representatives shall have at least 40 and no more than 80 members, at present 70 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 70, the member in question retires from the Committee of Representatives at the subsequent ordinary general meeting. Members of the Committee of Representatives are elected for a period of three years and re-election may take place.

The Committee of Representatives itself elects its chairman and deputy chairman among its members each year.

### Board of Directors

The Board of Directors consists of 4-8 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 may take place. If such a member retires from the Committee of Representatives, the membership of the Board of Directors shall terminate.

In addition, the Committee of Representatives may elect two members of the Board of Directors who are not a member of the Committee of Representatives when this is considered appropriate considering the composition of the Board of Directors.

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

At present, the Board of Directors consists of 12 members, eight of which have been elected by and among the Committee of Representatives and four members have been elected by the employees.

The Board of Directors itself elects its chairman and deputy chairman each year.

The Board of Directors holds ordinary Board meetings 12 times each year.

Under the management of the chairman, the Board of Directors performs an annual evaluation of the performance, information level etc. of the board meetings and of the competences and composition of

the board both in the short and the long term. In 2015 there has been external assistance for the evaluation.

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 importance to 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, including the financial sector and its competitive conditions
- Competences in farming, fisheries, and real property
- Insight into the conditions of commercial and private customers
- 

Add to these personal competences are weighted:

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

At the same time the Board of Directors wants a multitude of professional experience and age.

The composition of the Board of Directors is established pursuant to fixed general and specific statutory requirements as well as in consideration of the recommendation for good company management

The Board of Director'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 John Chr. Aasted as qualified and independent member of the Audit Committee in the light of his job experience and qualifications from participation in audit committee in another listed company. It is the opinion of the board of the directors that John Chr. Aasted possesses the necessary qualifications for this.

The Audit Committee consists of the following members:

- John Chr. Aasted, chairman of the committee
- Mads Hvolby
- Hans Jørgen Kaptain
- Sten Uggerhøj

## **Risk Committee**

Furthermore the Board of Directors has established a separate Risk Committee, which shall prepare the Board's work and advise the Board of Directors about the bank's risk profile and risk strategy as well as monitor implementation of the Board's risk strategy, etc.

In accordance with legislation the Risk Committee does not have independent decision competence.

The risk committee holds at least two meetings per year.

The risk committee consists of the following members:

- John Chr. Aasted, chairman of the committee
- Mads Hvolby
- Hans Jørgen Kaptain
- Sten Uggerhøj

## **Nomination Committee.**

The Board of Directors has established a Nomination Committee to ensure that the Board of Directors continuously has the required knowledge and experience to undertake the tasks of the Board of Directors. The Nomination Committee does not have independent decision-making competence.

The Nomination Committee holds at least two meetings per year.

The Nomination Committee consists of all members of the Board of Directors. Mads Hvolby is chairman and Hans Jørgen Kaptain is deputy chairman of the committee.

## **Remuneration committee and policy**

Furthermore, the Board of Directors has established a Remuneration Committee in accordance with legislation. The committee shall be in charge of the preparatory work concerning remuneration, including remuneration policy and identification of material risk takers.

The committee holds at least two meetings per year

The remuneration committee consists of all members of the Board of Directors. Mads Hvolby is chairman and Hans Jørgen Kaptain is deputy chairman of the committee.

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 salary. 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 three 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.

# Management Report

## Good corporate management and the Corporate Governance Code of the Danish Bankers Association

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As a listed Danish company and a Danish financial institute, Nordjyske Bank gives an account of how the bank relates to the "Recommendation for good corporate management" by the Committee of Good Corporate Management, as well as the Danish Bankers Association's Corporate Governance Code.

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

In general, the bank is positive with regard to both sets of recommendation and with its corporate management it wants to have open and constructive cooperation with all the bank's stakeholders.

There are 47 recommendations to good corporate management – Corporate Governance – and 12 recommendations in the Danish Bankers Association's Corporate Governance Code.

The bank's Board of Directors and Executive Board have chosen to adopt all the recommendations except for two recommendations which are observed partially, and one recommendation which is not observed.

Read more about it on [www.nordjyskebank.dk/ombanken/godselskabsledelse](http://www.nordjyskebank.dk/ombanken/godselskabsledelse), 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's vision to be "A decent bank – the safe choice" is the basis for the bank's social responsibility. In combination with the bank's values: Decent, Dynamic and Competent it sets the framework for the bank's policy for social responsibility (Corporate Social Responsibility - CSR).

The bank wants to ensure fair treatment of its stakeholders, limit any negative effects on environment and local society and to contribute to mutual favourable financial results – based on social and societal responsibility.

Part of this is the bank's desire of a close and personal relationship with the customers where the customers are treated with respect for each individual and for the local society.

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/ombanken/csr](http://www.nordjyskebank.dk/ombanken/csr).

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

# Management Report

## Information about the Board of Directors



**Mads Hvolby**  
**Chairman of the**  
**Board of Directors**

Born 1956  
Address in Nørre-  
sundby



**Hans Jørgen Kaptain**  
**Deputy chairman of the Board of**  
**Directors**

Born 1946  
Address in Sæby

Member of the Board of Directors since 2015  
Up for election in 2017  
Chairman of the Board of Directors since 2015  
Chairman of the Remuneration Committee  
Chairman of the Nomination Committee

Fee received in 2015 a total of DKK 427,000 \*)

Chartered surveyor and partner in the surveyor  
company LE34 A/S.

Former chairman of the Board of Directors of  
A/S Nørresundby Bank 2009-2015

### Education

Cand.geom.

### Executive positions and directorships

#### Director

Landinspektørernes gensidige  
Erhvervsansvarsforsikring (LgE)

#### Chairman of the Board of Directors

NB Gruppen A/S  
Nellemann Survey A/S

### Independent

### Special competences

Management of medium sized company  
Strategy and business development  
Accounting and budgeting  
Financial legislation

### Shareholding

- Beginning of 2015: 0 shares.
- End of 2015: 6,046 shares.

Member of the Board of Directors since 1993  
Up for election in 2016  
Deputy Chairman of the Remuneration  
Committee  
Deputy Chairman of the Nomination  
Committee

Fee received in 2015 a total of DKK 582,000

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

Former chairman of the Board of Directors of  
Nordjyske Bank A/S in 1997-2015

### Education

LLM

### Executive positions and directorships

#### Director

Kaptain ApS

#### Chairman of the Board of Directors

Aktieselskabet Sæby Fiske-Industri  
Dafolo A/S  
Dafolo Holding A/S  
Den Grevelige Oberbech-Clausen-Peanske  
Familiefond (Voergaard Slot)  
Dokøen A/S  
Elworks A/S  
IE Holding, Hirtshals A/S  
Jarnes A/S  
Nordjysk Luftteknik A/S  
Nordjyllands Hallens Fond  
Skagens Museum  
Skagens Museums Ejendomsselskab ApS  
Skagerak Holding A/S

### Member of the Board of Directors

Ann Birgitte og Niels Ørskov Christensens  
Familiefond (Ørskov Koncernen)  
Dafolo Fonden  
Dansk Træemballage Holding A/S with 5  
subsidiaries  
GMC Holding A/S  
HTHH A/S  
Hydratech Industries A/S  
Købstædernes Forsikring  
OY Ejendom Nord ApS  
RAIS A/S  
Sigurd og Margit Espersens Familiefond  
(Skagerak Koncernen)  
Skagerak Fiskeeksport A/S  
Stiholt Holding A/S  
Vanggaard Fonden (Sæby Fiske-Industri  
Koncernen)

### 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 2015: 18,230 shares.
- End of 2015: 30,045 shares.

\*) Joined the board of directors on 31 March 2015

and participated in the board of directors in an affiliated company (Nørresundby Bank) in March 2015.



# Management Report



**Per Lykkegaard  
Christensen**

Born 1959  
Address in Hjallerup



**Morten Jensen**

Born 1961  
Address in  
Dronninglund

Member of the Board of Directors since 2008  
Up for election in 2016

Member of the Board of Directors since 2015  
Up for election in 2017

Fee received in 2015 a total of DKK 238,000.

Farm owner

## **Education**

Qualified farmer

## **Executive positions and directorships** *Director and member of the Board of Directors*

Blahova ApS  
Lykkegaard Landbrug ApS  
Lykkegaard Landbrug Holding ApS

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

AKV-Cargill I/S  
AKV-Langholt AMBA  
Danfoil A/S  
Donau Agro ApS  
Farmas A/S

## **Special competences**

Management  
Strategy and business development  
Negotiating technique  
Farming

## **Independent**

## **Shareholding**

- Beginning of 2015: 3,475 shares.
- End of 2015: 4,428 shares.

Fee received in 2015 a total of DKK 177,000 \*)

Attorney (H) and partner in the  
Advokatfirmaet Børge Nielsen in Aalborg

## **Education**

LLM.  
HD(R)

## **Executive positions and directorships** *Director*

Badehotellerne Pepita og Sandvig Havn ApS  
Komplementaranpartsselskabet  
Langebjergvej 1  
Lundagergaard Holding ApS  
Vibeke Emborg Holding ApS  
Vibeke Emborg Invest ApS

## **Chairman of the Board of Directors**

Andersen & Aaquist A/S  
Dansk Bilglas A/S  
Felix Arden A/S  
Kevin A/S  
Novagraf A/S  
Skandia Kalk Holding ApS

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

C. Flauenskjold A/S  
Dansk Facility Service Holding A/S  
Desmi Contracting A/S  
RengøringsCompagniet A/S  
Madera Holding Aps  
Ejendomsselskabet Nordtyskland  
Kommanditaktieselskab (and 9 affiliated  
investment companies)

Ergonomic Solutions International Ltd.

Ergonomic Solutions Manufacturing A/S  
Ergonomic Solutions Nordic A/S  
Hadsundvej 33 A/S JM Marine Consult A/S  
Mesterbyg Klokkeholm A/S  
Micodan A/S  
Micodan Holding A/S  
Miljø-Art A/S  
Micodan Ejendomme A/S  
Micodan Norge AS  
Munkholm Consult A/S  
PM Parts A/S  
Square Holding A/S  
Square Oil A/S  
Tribodan A/S  
Saga Shipping A/S  
Svend Aage Christiansen Høllum A/S  
Svend Aage Christiansen Jerslev A/S  
S.C.J. Invest A/S  
Vibeke Emborg Holding ApS  
Vibeke Emborg Invest ApS

## **Special competences**

Experience with board work  
Legal matters, including financial legislation  
and commercial law  
Real property  
Risk analysis and risk management  
Budgeting and financial management  
Tax law  
Transfer of ownership of business

## **Independent**

## **Shareholding**

- Beginning of 2015: 0 shares.
- End of 2015: 1,210 shares.

\*) Joined the board of directors on 31 March 2015  
and participated in the board of directors in an affiliated company (Nørresundby Bank) in March 2015.

# Management Report



**Poul Søren Jeppesen**  
Deputy Chairman of  
the Committee of  
Representatives  
Born 1952  
Address in Aalborg



**Henrik Lintner**  
  
Born 1955  
Address in Hjørring



**Sten Uggerhøj**  
Chairman of the  
Committee of  
Representatives  
Born 1959  
Address in  
Frederikshavn

Member of the Board of Directors since 2015  
Up for election in 2017

Fee received in 2015 a total of DKK 186,000  
(\*)

Director of Aalborg Business College

**Education**  
MA

**Executive positions and directorships**  
**Member of the Board of Directors**

Blegkildekollegiet  
Danske Erhvervsskoler  
Erhvervsskolelederne i DJØF  
Forlaget Praxis  
Handelskollegiet  
SOSU-Randers  
Aalborg Studenterkursus

**Special competences**  
Management of large company  
Budgeting and resource management  
HR  
Communication and marketing

**Independent**

**Shareholding**

- Beginning of 2015: 0 shares
- End of 2015: 752 shares

Member of the Board of Directors since 2007  
Up for election in 2017

Fee received in 2015 a total of DKK 238,000

Pharmacist

**Education**  
Graduate in pharmacology.

**Executive positions and directorships**  
**Member of the Board of Directors**  
Bryghuset Vendia ApS

**Special competences**  
Management  
HR  
IT  
Retail

**Independent**

**Shareholding**

- Beginning of 2015: 4,112 Shares.
- End of 2015: 5,412 shares.

Member of the Board of Directors since 2005  
Up for election in 2016

Fee received in 2015 a total of DKK 352,000

Car dealer and director of Uggerhøj A/S  
Runs business in Frederikshavn, Brønderslev,  
Herning, Hjørring, Aalborg 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**

Ejendomsselskabet Weddelsborgvej 1 A/S  
Uggerhøj A/S  
Uggerhøj Aarhus A/S  
Uggerhøj Holding ApS and three 100 %-  
owned subsidiaries

**Member of the Board of Directors**  
A/S Knud Uggerhøj  
Civilingeniør Bent Bøgh og Hustru Inge  
Bøgh's Fond  
Ejendomsselskabet Møllehuset A/S  
Fortin Madrejon A/S  
Frederikshavn Handelsskole  
Knud Uggerhøj Kapital ApS  
Techno Danmark F.M.B.A.  
Techno Fosikring A/S  
Tegllund A/S  
Trigon Holding A/S and two 100 %-owned  
subsidiaries  
Uggerhøj Herning A/S

**Special competences**  
Management  
Strategy  
Sale

**Independent**

**Shareholding**

- Beginning of 2015: 66,532 shares.
- End of 2015: 76,432 shares.

\*) Joined the board of directors on 31 March 2015  
and participated in the board of directors in an affiliated company (Nørresundby Bank) in March 2015.

# Management Report



**John Chr. Aasted**

Born 1961  
Address in Aalborg



**Hanne Karlshøj**

Born 1957  
Address in Bindslev



**Helle Juul Lynge**

Born 1963  
Address in Vester  
Hassing, Vodskov

Member of the Board of Directors since 2015  
Up for election in 2017  
Chairman of the Audit Committee  
Chairman of the Risk Committee  
Fee received in 2015 a total of DKK 250,000.  
(\*)

Director

#### **Education**

Dairy Engineer  
HD(U)  
MBA

#### **Executive positions and directorships**

**Chairman of the Board of Directors**  
Svend Aage Christiansen - Hllum A/S

#### **Special competences**

FirstFarms A/S  
Fonden Gissselfeld Kloster  
Graintec A/S  
SKIOLD A/S  
SC Holding 2013 A/S  
System Cleaners A/S

#### **Special competences**

Management of large company  
Strategy and business development  
Farming and agro industry  
Sales, export and IT

#### **Independent**

#### **Shareholding**

- Beginning of 2015: 0 shares.
- End of 2015: 3,710 shares.

Member of the Board of Directors elected by  
the employees since 2002  
Up for election in 2018

Fee received in 2015 a total of DKK 226,000.

Customer advisor  
Joint union delegate

#### **Education**

Finance course

#### **Special competences**

Private customer advisor  
Joint union delegate

#### **Shareholding**

- Beginning of 2015: 3,059 shares.
- End of 2015: 3,059 shares.

Member of the Board of Directors elected by  
the employees since 2015  
Up for election in 2018

Fee received in 2015 a total of DKK 164,000.  
(\*\*)

Property specialist

#### **Education**

Finance course  
HD(F)

#### **Special competences**

Organisation  
Accounting and financing  
Market risks

#### **Shareholding**

- Beginning of 2015: 0 shares.
- End of 2015: 1,225 shares.

\*) Joined the board of directors of Nordjyske Bank on 31 March 2015 and participated in the board of directors in an affiliated company (Nørresundby Bank) in March 2015.

\*\*) Joined the board of directors on 12 May 2015 and participated in the board of directors in an affiliated company (Nørresundby Bank) in March 2015.

# Management Report



**Arne Ugilt**

Born 1956  
Address in Uggerby,  
Hjørring



**Finn Aaen**

Born 1970  
Address in Frejlev,  
Aalborg

Member of the Board of Directors elected by the employees since 2015  
Up for election in 2018

Member of the Board of Directors elected by the employees since 2015  
Up for election in 2018

Fee received in 2015 a total of DKK 117,000 \*)

Fee received in 2015 a total of DKK 164,000.  
\*\*)

Credit employee

Business advisor

## Education

Finance course  
HD(R)

## Education

Finance course  
HD(R)  
Diploma in property administration  
Holder of a business diploma as estate agent

## Special competences

Commitments in distress  
Sale of assets

## Special competences

Credit risks  
Financing and risk management  
Real property

## Shareholding

- Beginning of 2015: 2,529 shares.
- End of 2015: 2,529 shares.

## Shareholding

- Beginning of 2015: 0 shares.
- End of 2015: 802 shares.

\*) Joined the board of directors on 12 May 2015.

\*\*) Joined the board of directors on 12 May 2015 and participated in the board of directors in an affiliated company (Nørresundby Bank) in March 2015.

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

## Information about members resigned of the board of directors in 2015:

Erik Broholm Andersen	Resigned on 31 March 2015	Fee received in 2015 a total of DKK 82,000.
Ole Kristensen	Resigned on 31 March 2015	Fee received in 2015 a total of DKK 117,000.
Tina Conradsen	Resigned on 12 May 2015	Fee received in 2015 a total of DKK 110,000.
Helle Emborg Nielsen	Resigned on 12 May 2015	Fee received in 2015 a total of DKK 226,000.

## Information about members resigned from the executive board in 2015:

Andreas Rasmussen	Resigned on 15 December 2015. Joined the executive board on Nordjyske Bank A/S on 31 March 2015.	Remuneration received in 2015: Fixed salary etc. DKK 2,702,000. Pension contribution DKK 0. The statement is excl. the value of company car etc.
Finn Øst Andersson	Resigned on 30 September 2015. Joined the executive board on Nordjyske Bank A/S on 31 March 2015.	Remuneration received in 2015: Fixed salary etc. DKK 1,022,000. Pension contribution DKK 0. The statement is excl. the value of company car etc.

They are both former member of the executive board of A/S Nørresundby Bank and in the remuneration is including for salary for March 2015 from the affiliated company. In addition severance pay has been paid from A/S Nørresundby Bank.

# Management Report

## Information about the executive board



**Claus Andersen**  
managing director

Born 1966  
Address in  
Frederikshavn



**Carl Pedersen**  
deputy managing  
director

Born 1962  
Address in  
Nørresundby



**Mikael Jakobsen**  
bank director

Born 1958  
Address in Hjørring

Appointed in 2000  
Joined the Executive Board in 2010

Payment received in 2015:  
Fixed salary, etc. DKK. 2,770,000  
Pension contribution DKK 300,000  
The calculation does not include 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

Foreningen Bankdata  
Foreningen Lokale Pengeinstitutter  
BI Holding A/S (BankInvest)  
Swipp Holding ApS  
Swipp ApS

#### Area of responsibility

Finance and IT operation  
Finance centre  
Investor Relations  
Risk management  
Compliance

#### Shareholding

- Beginning of 2015: 1,801 shares.
- End of 2015: 2,914 shares.

Appointed in 1982  
Joined the Executive Board in 2015

Payment received in 2015:  
Fixed salary, etc. DKK 94,000 \*)  
Pension contribution DKK 10,000 \*)  
The calculation does not include the value of company car, etc.

### Previous employments

A/S Nørresundby Bank

### Education

Finance course  
HD(R)  
Master, Management  
eMBA at Business Strategy

### Executive positions and directorships

#### Member of the Board of Directors

Byggesocietetet Aalborg

#### Area of responsibility

Credit  
Business development, business

#### Shareholding

- Beginning of 2015: 0 shares.
- End of 2015: 1,972 shares.

Appointed in 1977  
Joined the Executive Board in 2010

Payment received in 2015:  
Fixed salary, etc. DKK 2,187,000  
Pension contribution DKK 236,000  
The calculation does not include 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, private  
IT development  
Business support

#### Shareholding

- Beginning of 2015: 4,071 shares.
- End of 2015: 6,386 shares.

\*) Joined the Executive Board on 15 December 2015

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







# Endorsements

## Statements and opinions

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We have today presented the Annual Report for 1 January - 31 December 2015 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 true and fair picture of the bank's assets and liabilities, the financial position and the result.

The Management's Report includes a true and fair account of the development of the bank's activities and financial situation, and a true and fair 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  
Nørresundby, 11 February 2016

Claus Andersen  
Managing Director

Carl Pedersen  
Deputy Managing Director

Mikael Jakobsen  
Bank Director

Pia Foss Henriksen  
Finance Manager

The Board of Directors  
Nørresundby, 11 February 2016

Mads Hvolby  
Chairman

Hans Jørgen Kaptain  
Deputy Chairman

Per Lykkegaard Christensen

Morten Jensen

Poul Søren Jeppesen

Henrik Lintner

Sten Uggerhøj

John Chr. Aasted

Hanne Karlshøj

Helle Juul Lynge

Arne Ugilt

Finn Aaen

# Endorsements

## 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 2015, including income statement, statement of total gains and losses, balance sheet, equity statement, core capital and notes, including applied accounting policy. 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 true and fair picture of the bank's assets, liabilities and financial situation as at 31 December 2015 and the result of the bank's activities for the financial year 1 January - 31 December 2015 are 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 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 Report is in accordance with the financial statements.

Nørresundby, 11 February 2016

Ove Steen Nielsen  
Head of Internal Audit

# Endorsements

## The independent auditors' opinion

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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 2014, including income statement, statement of total gains and losses, balance sheet, equity statement, core capital 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 true and fair picture in accordance with the Danish Financial Business Act and Danish disclosure requirements for listed financial companies. Furthermore, the management is responsible for the internal control which the management considers necessary 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 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 true and fair 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 true and fair picture of the bank's assets, liabilities and financial situation as at 31 December 2015 and the result of the bank's activities for the financial year 1 January - 31 December 2015 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.

Frederikshavn, 11 February 2016

BDO  
Statsautoriseret revisionsaktieselskab  
(state-authorised public accountants company)

Flemming Bro Lund  
State-authorised public accountant

Aalborg, 11 February 2016

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

Jens Rytter Andersen  
State-authorised  
public accountant

Per Lindholt  
State-authorised public  
public accountant

# Annual Account

## Income Statement

Amounts in DKK 1,000	note	2015	2014
Interest income	6	582,217	371,591
Interest expenses	7	62,235	48,178
<b>Net interest income</b>		<b>519,982</b>	<b>323,413</b>
Dividend of shares, etc.		10,034	5,790
Fees and commission income	9	327,347	164,402
Fees and commission income paid		19,851	5,446
<b>Net interest and fee income</b>	8	<b>837,512</b>	<b>488,159</b>
Market value adjustments	10	20,958	43,817
Other operating income		5,193	4,467
Staff and administration costs	11	466,039	265,603
Depr. and write-downs, intangible and tangible assets	12	26,683	6,837
Other operating costs		27,673	16,363
Write-downs on loans and receivables, etc.		307,077	139,230
Profit or loss from investments in associated and group enterprises	20	25,000	979
<b>Pre-tax result</b>		<b>61,191</b>	<b>109,389</b>
Tax	13	7,528	21,236
<b>The year's result</b>		<b>53,663</b>	<b>88,153</b>

## Suggested disposal of the result

Amounts in DKK 1,000	2015	2014
The year's result	53,663	88,153
Suggested dividend	44,075	23,160
Provisions for equity	9,588	64,993
<b>The year's result, total</b>	<b>53,663</b>	<b>88,153</b>

## Statement of total income

Beløb i 1.000 kroner	2015	2014
The year's result	53,663	88,153
Increases in reassessed value of headquarters properties	- 8,775	- 1,091
Tax conc. increased and reassessed value of headquarters prop.	- 334	0
Provisions for pension liability	- 355	0
Tax conc. provisions for pension liability	17	0
<b>The year's total income</b>	<b>44,216</b>	<b>87,062</b>



# Annual Account

## Balance Sheet, 31 December

<b>Assets</b>			
Amounts in DKK 1,000	note	2015	2014
Cash balance and demand deposits at central banks		349,848	279,585
Receivables from credit institutions and central banks	15	755,836	238,817
Loans and other receivables at amortised cost price	16+17	10,729,109	5,498,850
Bonds at market value	18	2,556,847	1,058,785
Shares, etc.	19	580,850	271,475
Investments in group enterprises	20	11,548	11,382
Assets related to pooled schemes	21	2,668,272	1,303,328
Intangible assets	22	477,079	9,981
Land and buildings, total	23	303,003	128,145
- Investment properties		73,715	33,871
- Headquarters properties		229,288	94,274
Other tangible assets	24	8,548	5,048
Deferred tax assets	32	0	3,900
Temporary assets		45,119	1,811
Other assets		162,965	64,686
Prepayments and accrued income		10,999	5,584
<b>Total assets</b>		<b>18,660,023</b>	<b>8,881,377</b>

# Annual Account

## Balance Sheet, 31 December

<b>Liabilities</b>			
Amounts in DKK 1,000	note	2015	2014
<b>Payables</b>			
Payables to credit institutions and central banks	28	454,118	141,409
Total deposits and other payables		14,975,173	7,207,595
Deposits and other payables	29	12,172,764	5,720,228
Deposits in pooled schemes		2,802,409	1,487,367
Issued bonds at amortised cost	30	0	39
Current tax liabilities		13,741	10,363
Other liabilities		266,987	86,689
Prepayments and deferred income		185	0
<b>Total payables</b>		<b>15,710,204</b>	<b>7,446,095</b>
<b>Provisions</b>			
Provisions for pensions and similar liabilities	31	9,758	2,992
Provisions for deferred tax	32	29,158	0
Provisions for losses on guarantees		7,182	3,079
Other provisions		15,758	5,082
<b>Total provisions</b>		<b>61,856</b>	<b>11,153</b>
<b>Subordinated investments</b>			
<b>Subordinated investments, total</b>	33	<b>270,729</b>	<b>2,838</b>
<b>Equity</b>			
Share capital	34	183,645	77,200
Revaluation reserves		33,680	25,444
Other reserves		3,303	3,137
Retained earnings		2,352,531	1,292,350
Suggested dividend		44,075	23,160
<b>Total equity</b>		<b>2,617,234</b>	<b>1,421,291</b>
<b>Total liabilities</b>		<b>18,660,023</b>	<b>8,881,377</b>
<b>Contingent liabilities</b>			
	35	3,280,329	1,171,814
<b>Other notes</b>	36-37		

# Annual Account

## Equity Movements

Amounts in DKK 1,000	2015	2014
<b>Share capital</b>		
Share capital, start of the year	77,200	77,200
Increase from merger (4,229,911 shares)	42,299	
Increase from merger (293,099 shares)	2,931	0
Increase from issue (6,121,505 shares)	61,215	0
Share capital, end of the year	183,645	77,200
<b>Additional paid-in capital (distributable reserves)</b>		
Additional paid-in capital, start of the year	0	0
Cancellation of own shares	- 2,966	
Capital increase less costs	630,879	0
Carried forward to retained profit	- 627,913	0
Additional paid-in capital, end of the year	0	0
<b>Provisions for appreciation</b>		
Provisions for appreciation, start of the year	25,444	26,535
Increase from merger	18,860	0
Other total income		
- reassessed headquarters properties	- 8,775	- 1,091
- tax conc. reassessed headquarters prop.	- 334	0
Decrease from changed used	- 1,515	0
Provisions for appreciation, end of the year	33,680	25,444
<b>Other reserves</b>		
Statutory reserves, start of the year	3,137	3,067
The year's profit	166	70
Statutory reserves, end of the year	3,303	3,137
<b>Retained profit</b>		
Retained profit, start of the year	1,292,350	1,227,112
Increase from acquisition and merger (balance)	485,772	0
- transferred to increase of share capital	- 45,230	0
- transferred to provisions for appreciation	- 18,860	0
Transferred from additional paid-in capital	627,913	0
The year's profit	9,588	64,993
Dividend of own shares	45	42
Purchase/sale of own shares	- 58	273
Transferred to other reserves	- 166	- 70
Provisions for appreciation, relaised	1,515	0
Other total income		
- Provisions for pension liability	- 355	0
- Tax conc. provisions for pension liability	17	0
Retained profit, end of the year	2,352,531	1,292,350
<b>Suggested dividend</b>		
Suggested dividend, start of the year	23,160	15,440
Dividend paid	- 23,160	- 15,440
Suggested dividend, end of the year	44,075	23,160
<b>Equity, end of the year</b>	<b>2,617,234</b>	<b>1,421,291</b>

# Annual Account

## Core capital (solvency)

Amounts in DKK 1,000	2015	2014
Equity	2,617,234	1,421,291
Less:		
Suggested dividend	44,075	23,160
Intangible assets	477,079	9,984
Non-material investment in entities in the financial sector	329,687	109,491
Conservative valuation	3,930	0
Other deductions	13,922	26,436
	<u>868,693</u>	<u>169,071</u>
<b>Actual core capital after deductions</b>	<b>1,748,541</b>	<b>1,252,220</b>
Additional capital	<u>270,729</u>	<u>284</u>
<b>Core capital</b>	<b>2,019,270</b>	<b>1,252,504</b>
Capital requirement pursuant to Article 92 of the EU regulation no. 575/2013	<u>991,102</u>	<u>511,947</u>
Risk exposure		
Total risk exposure	<u>12,388,777</u>	<u>6,399,335</u>
<b>Actual core capital rate</b>	<b>14.1</b>	<b>19.6</b>
<b>Core capital rate</b>	<b>14.1</b>	<b>19.6</b>
<b>Capital adequacy rate</b>	<b>16.3</b>	<b>19.6</b>

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

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

## Notes overview

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# Annual Account

## Notes

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### 1. Applied accounting policies

#### In General

The annual account for 2015 is presented in accordance with the Financial Activities Act and the Executive Order on financial reports for credit institutions and stockbroker companies, etc. (the Accounting directive). In addition the annual report is presented in accordance with further Danish requirements on information on annual reports for listed financial companies.

The annual account is presented in DKK and rounded to nearest DKK 1,000.

The annual account is presented according to the same accounting policies as last year. Minor adjustments have been made in a few notes and calculations.

In addition to that, the following changes in accounting estimates have been made:

Changes of estimates in relation to accrual and inclusion of commission income etc. from mortgage banks. This has increased the year's result and equity by DKK 5.6 mill.

Changes in estimates in relation to group based write-downs when using segmentation model of The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark to calculate group based write-downs. Nordjyske Bank has previously used a model with portfolio assessment based on credit rating of the customers based on financial key figures. The changed estimate has increased the year's result and equity by DKK 0.5 mill.

#### In general on inclusion and calculation

Assets are included in the balance sheet when it is probable as a consequence of a previous event that future financial advantages will accrue to the bank and the value of the asset can be reliably calculated.

Liabilities are included in the balance sheet when the bank as a consequence of a previous event has a legal or actual liability and it is probable that future financial advantages will be deducted from the bank and the value of the value of the liability can be reliably calculated.

Upon the first inclusion assets and liabilities are in terms of market value. However, intangible and tangible assets are included at cost price at the time of the first inclusion. Measuring after first inclusion takes place as described for each individual account item below.

Upon inclusion and calculation, predictable risks and losses, which appear before presentation of the income statement and which confirm or invalidate conditions existing on the balance sheet date, are taken into consideration

Proceeds are included in the income statement as they are earned whereas costs are included with the amounts that concern the financial year. However, increase in value of headquarters properties are included directly in the equity unless the regulation offsets a decrease in value previously included in the income statement t.

Purchase and sale of financial instruments are also included on trading date at market value, and the inclusion ends when the right to receive/cede cash flow from the financial asset or liability has expired, or if it has been transferred and the bank essentially has transferred all risks and proceeds attached to the right of ownership. The bank does not use the rules of reclassification of certain financial assets from market price to amortised cost price.

In connection with calculation at market value etc. on shares and bonds, valuation categories in accordance with the IFRS 7 hierarchy consisting of 3 levels are used:

- Level 1: Listed prices on an active market for the same type of instrument, i.e. without changes in form or composition, including listed shares and bonds.
- Level 2: Listed prices on an active market for similar assets or other valuation methods, where all essential input is based on observable market data.
- Level 3: Valuation methods where any essential input is not based on observable market data.

#### Establishment of market value

The market value is the amount at which an asset can be sold or an obligation discharged in trade under normal circumstances between qualified, willing and mutually independent parties.

The market value of financial instruments for which there is in an active market, is set at the closing market rate on the balance sheet date or, if this is not available, another published rate which presumably best corresponds with it.

For financial instruments, for which there is no active market, the market value is set via generally acknowledged valuation techniques based on observable current market data.



# Annual Account

## Notes

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### 1. Applied accounting policies (continued)

#### Accounting estimates

The annual account is prepared on the basis of certain preconditions, which involve use of accounting estimates. These estimates are made by the bank management in accordance with accounting policy and on the basis of historical experience as well as preconditions, which the management consider reliable and realistic.

The calculation of the accounting value of certain assets and liabilities, involves an estimate of how future events affect the value of these assets and liabilities. The most significant estimates relate to write-downs on lending, provisions for guarantees, calculations of market values for real property, valuation of unlisted financial instruments as well as provisions for liabilities.

For write-downs on lending, material estimates are connected with the quantification of the risk that not all future payments are received. If it is possible to determine that not all future payments be received, assessment of the size of the expected payments is also subject to material estimates, including the realization value of securities and expected dividend payments from estates. Likewise, material estimates are related to calculation of the market value of unlisted shares and other financial instruments, assets in temporary possession as well as investment and headquarters properties. Regarding provisions for liabilities etc., material estimates are involved in assessment of the future employee turnover ratio.

The estimates and evaluations made are based on preconditions that the management finds reliable. However, the preconditions are naturally uncertain and characterized by unpredictability. In addition the bank is under influence of risks and uncertainties which may have as a result that the actual results deviate from the estimates.

#### Conversion of foreign exchange

Transactions in foreign exchange are converted at the first inclusion at the exchange rate at the time of transaction. Balances in foreign exchange that are not settled at the balance sheet date are converted at the closing market rate at the end of the financial year. Exchange rate differences that occur between the exchange rate on the transaction date and the exchange rate at the payment date, respectively the balance sheet date, are included in the income statement as exchange rate adjustments.

#### Merger

In connection with acquisition of a company, assets are in terms of value, including identifiable intangible assets, liabilities and contingency liabilities at market value at the acquisition date according to the purchase method.

As a consequence of using the purchase method, the comparative figures shall not be adjusted and therefore only express Nordjyske Bank before merger with Nørresundby Bank.

A possible positive balance between the cost price and the market value of the identifiable net assets are included as goodwill. A possible negative balance between the cost price and the market value of the identifiable net assets are included under other operating income in the statement account as badwill.

#### Group

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

As a consequence of Nordjyske Bank's acquisition of Nørresundby Bank at the end of February 2015 and subsequent merger between the 2 banks at the end of March 2015, Nørresundby Bank's operating result for January and February is included in the acquired values. Furthermore, the realised operating result for the month of March 2015 is included in Nordjyske Bank's income statement only as one single amount under the item result of investment in associated and group companies.

#### The Account Statement

##### Interest, fees and commissions etc.

Interest income and –expenses and commission income and the part of fee income which is an integral part of effective interest on lending are stated on an accrual basis. The accrual is made according to the effective interest method, through which income recognition takes place using the fixed effective interest rate used on the current size of lending.

Fees that are gained over a period are accrued to the greatest possible extent across the period. Transaction fees are booked as income at the time of the transaction.

Interest income from lending, which is either fully or partly written down, is included under the item "Write-downs on lending and receivables etc." regarding the interest of the written down part of the loans.

##### Market price adjustments

Market price adjustments include market price adjustments on bonds, shares, and derivative financial instruments. In addition foreign exchange rates, accounting safeguarding of market value as well as price adjustments on investment properties.

# Annual Account

## Notes

### 1. Applied accounting policies (continued)

#### Other operating income

Other operating income mainly consists of rent receipts concerning those of the bank's headquarters properties which are also let out, and the result of operation of the bank's investment properties.

#### Staff and administration costs

Staff costs include remuneration and salary as well as social costs and pensions, etc. to the bank's staff. Expenses on allowances and benefits to the employees, including anniversary bonuses, are included in line with the employees' performance and the working performances that entitle to the allowances and benefits in question.

The bank has entered into contribution based pension schemes with all current employees. The bank has no obligation to pay further contributions.

Nordjyske Bank's costs in connection with acquisition of and merger with Nørresundby Bank are included under staff and administration costs, whereas corresponding costs in Nørresundby Bank are included in the acquisition balance sheet.

#### Other operating costs

Other operating costs include expenses of secondary character in relation to the bank's activities, including contributions to sector solution concerning insolvent banks /banks in distress.

#### Write-downs on lending and receivables etc.

Write-downs on lending and receivables etc. include loss and write-downs on loans and unused credit facilities, loss and write-downs concerning Bank package I, loss and provisions on guarantees as well as loss and write-downs concerning temporarily acquired assets.

#### Tax

The year's tax, which consists of the year's current tax and changes in deferred tax, is calculated in the income statement with the share that is attributable to the year's result and in other total income or directly on equity with the share that is attributable to entries, respectively in other total income and directly on equity.

Current tax liabilities, respectively receivable current tax, is included in the balance sheet calculated as calculated tax of the year's taxable income adjusted for tax paid on account. When calculating the year's current tax, the tax rates and tax rules applying on balance sheet date are applied.

Deferred tax is included in temporary differences between accounting and tax related values of assets and liabilities. Deferred tax assets are included in the balance sheet with the value at which the asset is expected to be realized. Deferred tax liabilities are set in the balance sheet under "Provisions for liabilities". Deferred tax is calculated net.

The bank is jointly taxed with the affiliates company Sæbygård Skov A/S and A/S Nørresundby Bank for march 2015. Corporate tax is paid in accordance with the on-account tax scheme.

#### Balance Sheet

##### Receivables with credit institutes and central banks

Receivables with credit institutions and central banks include receivables with other credit institutions as well as time deposits in central banks.

Receivables are in terms of market value.

##### Lending and other receivables at amortised cost price

Lending and other receivables are included at first inclusion at market value. Fees and initial commissions etc. considered an integral part of the effective interest on the loan are equal to current interest payment and is included over the term of each individual loan.

Lending and other receivables are subsequently in terms of amortised cost price less write-downs for losses.

Write-downs on lending and other receivables are performed both individually and on a group basis. Write-downs are performed when there is an objective indication of decrease in value.

For individual write-downs objective indication has taken place if one or more of the following events has occurred:

- The lender is in considerable financial trouble
- The lender's breach of contract, e.g. in the form of lack of observance of payment obligation for instalments and interest
- The bank grants the lender relief in the terms, which would not have been considered if it was not because of the lender's financial trouble
- It is probable that the lender will become bankrupt or be included in some other financial reconstruction.

# Annual Account

## Notes

### 1. Applied accounting policies (continued)

Writing down is carried out as the difference between the accounting value before writing down and the market value of the expected future payments. The expected future payments are calculated on the basis of the most probable future payments, including the realization value of any security. The bank uses the currently fixed weighted interest rate as discounting factor.

Discount in connection with taking over loans from other financial institutions is amortised (booked as income) over the expected term of the loans as interest income in consideration of the bank's normal quality assessment of the customers.

Lending and other receivables that are not individually written down are included in the group based write-downs where a group based evaluation is made as to whether an objective indication of decrease in value has taken place.

The group based evaluation is performed on homogeneous groups of loans and other receivables. The operation is with 12 groups distributed on one group of public authorities, one group of private customers, and 10 groups of business customers, as the business customers are subdivided into industry groups.

The group based evaluation is performed via a segmentation model developed by The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, which performs maintenance and development on an ongoing basis. The segmentation model determines the connection in each individual group between established losses and a number of significant explanatory macro economical variables via a regression analysis on a linear basis. The macro economical variables include unemployment, housing prices, interest, number of bankruptcies/compulsory sales, etc.

The macro economical segmentation model is basically calculated on the basis of loss data from the entire bank sector. Subsequently the result of the calculation has been the object of an assessment of whether the model estimates should be adapted to the bank's own loan portfolio, including assessment of previous events which the model does not take into consideration.

This assessment has resulted in an adaptation of the model estimates to own conditions after which the adapted estimates form the basis for the calculation of the group based write-down. For each group of lending and other receivables an estimate results which expresses the percentage decrease in value that is attached to a given group of lending and other receivables on the balance sheet date.

When comparing with each individual loan's original loss potential and the loan's loss potential at the beginning of the current accounting period, the result is each individual loan's contribution to the group based write-down. The write-down is calculated as the difference between the accounting value and the discounted value of the expected future payments.

### Bonds at market value

Listed bonds are in terms of market value determined by the market closing rate on the balance sheet date (level 1).

Unlisted bonds are in terms of market value calculated with basis on price information from the issuer (levels 2 and 3).

### Shares, etc.

Listed shares are in terms of market value determined by the market closing rate on the balance sheet date (level 1).

Unlisted shares are in terms of market value calculated on the basis of what the transaction price would be in trade between independent parties. It is based on available information about trades, published account announcements or alternatively net present value calculations (levels 2 and 3).

For unlisted shares in the form of sector owned companies, where redistribution of the shares takes place, redistribution is considered to be the primary market for the shares. The market value is determined as the redistribution price and the shares are included as level 2 shares.

Unlisted shares, where reliable market value cannot be determined, are in terms of cost price less write-downs (level 3).

### Investments in group companies

Investment in group companies is in terms of book value, calculated according to accounting policies corresponding to those used by the bank. In connection with valuation of the most important asset Sæbygård Skov in the group company Sæbygård Skov A/S an external expert has been used.

The result for March 2015 for Nørresundby Bank (subsidiary in March 2015) is included under result of investments.

# Annual Account

## Notes

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### 1. Applied accounting policies (continued)

#### Assets in pooled schemes

All pooled scheme assets and deposits are included in separate balance sheet items. Return on pooled scheme assets and dividend to the pooled scheme participants are entered under "Price adjustments" in the statement of accounts.

#### Intangible assets

Intangible assets include goodwill and customer relations.

Included goodwill amounts to the amount with which the cost price for an acquired company exceeds the market value of the identifiable assets, liabilities and contingency liabilities at the time of acquisition. Goodwill is not depreciated but is tested as a minimum on an annual basis for writing down needs. The first writing down test is performed before the end of the year of acquisition.

Identifiable intangible assets, including customer relations, acquired in connection with the acquisition of the company are included at market value at the time of acquisition and subsequently depreciated over 10 years.

If, after the first inclusion, changes are established in the values of assets, liabilities, and contingency liabilities calculated at the acquisition, then the calculation will be adjusted retroactively, including goodwill, until 12 months after the acquisition. After that, goodwill is not adjusted.

#### Land and buildings

Land and buildings include the two items "Investment properties" and "Headquarters properties". Property which is primarily used for banking operation (the bank's branches) are categorised as headquarters properties and other property is considered investment properties. If banking operation in a headquarters property comes to an end, the property is reclassified to investment property in the financial year in question.

Investment properties are in terms of market value calculated on the basis of a profit based model, based on an external expert estimate of the price per square meter and profit requirement within a short period of sales efforts. Ongoing value adjustments concerning investment properties are included in the account statement under "Price adjustments". Depreciation on investment properties does not take place.

Headquarters properties are in terms of reassessed value, which is the market value calculated on the basis of a profit based model based on an external expert estimate of the price per square meter and profit requirement within a short period of sales efforts, less accumulated depreciations. Depreciations are calculated on a linear basis based on an estimated economic life of 50 years in consideration of the expected scrap value of the building. Depreciations and loss on decrease in value are included in the income statement under "Depreciation and write-down on intangible and tangible assets", whereas the increase in the of reassessed value is included directly in equity under the item "Revaluation reserves", unless the increase offsets a decrease in value previously included in the income statement.

#### Other tangible assets

Other tangible assets, including operating equipment and leasehold improvements, are in terms of cost price less accumulated depreciations and write-downs. Linear depreciations are made on the basis of the expected useful life of the assets, which for IT equipment as a maximum amounts to 3 years and for other tangible assets amounts to 5 years.

#### Current tax assets / current tax liabilities

Current tax assets consist of receivable current tax calculated as tax on account paid reduced by tax of the year's taxable income. Current tax liabilities consist of tax payable calculated as tax of the year's taxable income reduced by tax on account paid.

#### Assets in temporary possession

Assets in temporary possession include tangible assets acquired as a consequence of liquidation of customer commitments in distress, where it is the intent to sell the assets as quickly as possible. Acquired assets are included at market value at the acquisition and are subsequently in terms of expected realisation value. Any market price adjustment in temporary possession is included in the income statement under "Write-downs on loans and receivables, etc.". No writing down is performed on the assets from the time where they are classified as assets in temporary possession.

# Annual Account

## Notes

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### 1. Applied accounting policies (continued)

#### Other assets

Other assets include other assets that do not belong under other asset items. The item includes positive market value of derived financial instruments and income which are not due for payment until after the end of the accounting year, including receivable interest and dividend. Except for the derived financial instruments which have a positive value on the balance sheet date and which are in terms of market value, the accounting item is calculated at the first inclusion at cost price and subsequently at amortised cost price.

#### Accrual accounting items

Prepayments and accrued income included under assets include paid costs concerning the subsequent financial year. Prepayments and deferred charges included under liabilities include income concerning the subsequent financial year. Accrual accounting items are calculated at cost price.

#### Payables to credit institutions and central banks

Payables to credit institutions and central banks are calculated at amortised cost price, which usually corresponds to nominal value.

#### Deposits and other payables and deposits in pooled schemes

Deposits and other payables and deposits in pooled schemes are calculated at amortised cost price, which usually corresponds to nominal value.

#### Issued bonds at amortised cost price

Issued bonds include employee bonds and are calculated at amortised cost price.

#### Other liabilities

Other liabilities include other liabilities that do not belong under other liability items. The item includes negative market value of derived financial instruments and expenses which are not due for payment until after the end of the financial year, including accrued interest. Except for derived financial instruments that have a negative value on the balance sheet date and which are calculated at market value, the accounting item is calculated at the first inclusion at cost price and subsequently at amortised cost price.

#### Provisions

Liabilities that are uncertain with regard to size or the time of settlement are included as provisions when it is likely that the liability will lead to draw on the bank's economic resources and the liability can be reliably calculated. The liability is calculated at the market value of the costs that are necessary to redeem the liability.

Uncovered pension liabilities concerning former management members are itemized in the balance sheet under the item "Provisions for pensions and similar liabilities". The liability is calculated as the capitalized value of the expected future pension payments. This item further includes liabilities concerning anniversary bonuses, which are provided for based on experience.

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

#### Subordinated investments

Subordinated investments are calculated at amortised cost price.

#### Revaluation reserves

Revaluation reserves include revaluation of the bank's headquarters properties after calculation of deferred tax. The reserve is dissolved when the properties are written down or sold.

#### Suggested dividend

Dividend is included as a liability at the time of the approval at the general meeting. The suggested dividend for the financial year is shown as a separate item under equity. The suggested dividend for the financial year is shown under suggested disposal of result.

#### Own shares

Purchase and sales sums concerning purchase and sale of own shares as well as dividend from own shares are included directly in the equity. Pursuant to the Accounting directive holding of own shares are admitted at DKK 0 under equity.



# Annual Account

## Notes

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### 1. Applied accounting policies (continued)

#### Contingent liabilities

Contingent liabilities consist of the bank's ceded guarantees. The guarantees are reviewed on an ongoing basis and assessed to secure whether there is objective indication that there has been a decrease in value. Provisions for losses on guarantees are included under provisions in the balance sheet.

Furthermore, under contingent liabilities provisions of security in the bank's assets are stated as well as information about any pending legal disputes.

#### Derived financial instruments and accounting security

Forward transactions, interest- and currency swaps and other derived financial instruments are calculated at market value at the balance sheet date, which basically is based on listed market prices. To the extent that it is not a matter of listed instruments, the market value is calculated according to generally known principles building on market based parameters. Positive market values are included under other assets and negative market values are included under other liabilities. In the event that the bank has an offsetting agreement with the counterparty, the market value is calculated as a net market value in certain instances.

To a great extent, limitation of the currency risk is made via uncovering currency loans with currency forward transaction and limitation of the interest risk by covering with interest swap.

Interest swaps that meet the criteria for accounting security of fixed rate loans are included as hedge transactions, as the value adjustment takes place on the fixed rate loans and on other assets/other liabilities. The calculated value adjustment of the secured items is included in the income statement under the items "Price adjustments – Other lending and receivables" and "Price adjustments – Interest contracts".

All value adjustments concerning derived financial instruments are entered under the item "Price adjustments" in the income statement.

#### Future standards and interpretation contributions, etc.

At the time of publication of this annual report, a number of new and changed standards as well as interpretation contributions have not come into force or been approved for use in the EU and thereby not been implemented in the Danish accounting directive either. The bank does not expect to implement the new accounting standards and interpretation contributions until they become mandatory. Except from the below, none of the new standards or interpretation contributions are expected to be of significant influence on the bank's accounting presentation.

IFRS 9 Financial instruments, which replaces IAS 39, includes classification and calculation of financial assets and liabilities, writing down of financial assets as well as accounting security. Compared with the current standard, IFRS 9 involves among other things that the current writing down model which is based on incurred losses ("incurred loss"-model), will be replaced by a writing down model based on expected loss ("expected loss"-model). The new writing down model based on expectations involves that at the time of the first inclusion, writing down corresponding to 12 months' expected credit loss is included. If subsequently a considerable increase in the credit risk of the loan takes place, writing down corresponding to the expected credit loss over the remaining term of the loan is included.

It is not possible at this time to make a total assessment of the effect with regard to accounting of the standard for Nordjyske Bank.

The IFRS 9 standard is not expected to become mandatory until the financial year beginning on 1 January 2018 or later.

Banks in groups 1, 2, 3 and 6 shall every 6 months report the holdings of non-performing loans (NPL) and loans with special credit terms (Forbearance). The first time at the end of April 2016 based on detailed information about non-performing loans and special credit terms as at 31. December 2015. At the time for publication of the annual account 2015 it is not possible to give information about definitions and scope etc., as the bank at this moment, together with Bankdata, is working on collecting information and defining a data basis.



# Annual Account

## Noter

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### 2. Material accounting estimates, preconditions and uncertainties

The year's result has not been affected by unusual conditions – apart from those already mentioned in the management report.

No events have occurred after the conclusion of the financial year with any effect on the bank's result for 2015, the bank's assets and liabilities or the financial position at the end of 2015.

Just like other Danish financial institutions, Nordjyske Bank is liable for losses that the Guarantee Fund may see in connection with the bankruptcy of other financial institutions. Nordjyske Bank's latest calculated share of the sector's guarantee towards the Guarantee Fund amounts to 1.36 per cent.

The calculation of the accounting values are based on estimates. The estimates are based on preconditions that the management finds reasonable.

The most significant estimates concern

- writing down on lending and receivables where the quantification of the risk for missing future payments is connected with material estimate – not least in the agricultural area,
- valuation of intangible assets with regard to quantification of future income and discount rate,
- valuation of property with regard to the applied discount rate and the internal rental value,
- valuation of unlisted sector shares, cf. below.

Unlisted shares in companies owned by the bank jointly with a number of other financial institutions etc. – the so-called sector shares – are valued at market value. Calculation of the market value is based on available information about current transactions, e.g. in connection with redistribution among the shareholders (corresponding to level 2-input, cf. definition in note 1). If no current market data is available, the market value is determined on estimate based on information from the companies' accounts, experience with trade in shares in the companies in question as well as input from external party (corresponding to level 3-input, cf. definition in note 1).

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

# Annual Account

## Notes with five-year surveys

### 3. Five years' selected financial data

(amount in DKK million)

	2015	2014	2013	2012	2011
<b>Income statement:</b>					
Net interest income	520.0	323.4	337.3	352.6	357.3
Fees and commission income, net	307.5	159.0	129.5	113.0	102.4
Net interest and fee income	837.5	488.2	472.2	472.1	461.2
Market value adjustments	21.0	43.8	18.6	22.6	5.2
Staff and administration costs	466.0	265.6	270.6	262.5	262.7
Write-downs on loans and receivables, etc.	307.1	139.2	129.3	130.7	112.7
Result of investments in associated and group companies	25.0	1.0 -	1.8	0.0 -	1.0
Pre-tax result	61.2	109.4	70.8	86.6	67.6
The year's result	53.7	88.1	52.9	61.1	50.5
<b>Balance sheet:</b>					
Lending	10,729	5,499	5,553	5,557	5,755
Bonds	2,557	1,059	1,126	1,042	665
Shares, etc.	581	271	252	227	221
Investments in associated and group companies	12	11	11	13	13
Investment properties	74	34	36	39	40
Headquarters properties	229	94	100	101	106
Assets in temporary possession	45	2	5	3	13
Deposits, incl. pooled schemes	14,975	7,208	7,297	6,847	6,353
Subordinated loan capital	271	3	6	7	7
Equity	2,617	1,421	1,349	1,304	1,245
Total assets	18,660	8,881	8,915	8,420	8,374
<b>Guarantees</b>	3,280	1,172	841	995	934

# Annual Account

## Notes with five-year surveys

4. Five years' selected key figures (amount in DKK million)	2015	2014	2013	2012	2011
<b>Capital adequacy</b>					
Capital adequacy rate	16.3	19.6	19.9 *)	19.3 *)	18.8 *)
Core capital percentage	14.1	19.6	19.9 *)	19.2 *)	18.7 *)
<b>Earnings</b>					
Return on equity before tax	3.0	7.9	5.3	6.8	5.5
Return on equity after tax	2.7	6.4	4.0	4.8	4.1
Earnings per cost krone	1.1	1.3	1.2	1.2	1.2
Costs as a percentage of core earnings	58.5	54.9	57.6	56.3	58.9
Return on net assets as a percentage after tax	0.3	1.0	0.6	0.7	0.6
<b>Market risks</b>					
Interest risk as a percentage of core capital	0.1	0.4 -	0.5 -	0.8 -	1.0
Foreign exchange position as a percentage of core capital	0.6	1.3	0.8	0.9	1.4
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 (gearing)	4.1	3.9	4.1	4.3	4.6
The year's lending growth percentage	95.1 -	1.0 -	0.1 -	3.4 -	4.0
The sum of large commitments as a percentage of adjusted core capital	27.5	11.1	11.6 *)	23.3 *)	37.1 *)
The year's write-down percentage	2.1	1.9	1.9	1.8	1.6
Accumulated write-down percentage	5.7	9.0	8.2	7.5	5.8
Property exposure before write-downs	12.4	6.5	6.7	6.4	5.9
<b>Liquidity risks</b>					
Lending including write-downs in proportion to deposits	77.3	85.4	83.9	88.9	97.1
Excess cover compared with statutory liquidity as a percentage	142.0	173.9	215.0	209.7	178.9
Stable funding-ratio	0.60	0.64	0.64	0.68	0.76
<b>The Nordjyske Bank share</b>					
DKK per share of DKK 10					
The year's result per share	4.1	11.4	6.7	7.6	6.3
Book value per share	142.7	184.5	175.2	169.1	162.6
Listed price	114.5	105.0	109.0	83.0	66.0
Dividend per share	2.4	3.0	2.0	1.0	1.0
Listed price/the year's result per share	27.8	9.2	16.2	10.9	10.5
Listed price/book value per share	0.8	0.6	0.6	0.5	0.4

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

The key figures for 2015 are not comparable with those from previous years since the key figures for 2011 to 2014 only apply to Nordjyske Bank A/S prior to the merger with Nørresundby Bank.

# Annual Account

## Notes with five years' surveys

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### 5. Key figure definitions

<b>Costs as a percentage of core earnings:</b>	Staff and administration costs, Depreciations and write-downs on intangible and tangible assets as a percentage of Net interest and fee income, and Other operating income
<b>Earnings per cost krone:</b>	Net interest and fee income , Market price adjustment, Other operating income and Result of investment in affiliated company as a percentage of Staff and administration costs, Depreciations and write-downs on intangible and tangible assets, Andre operating costs and Write-downs on lending and receivables, etc.
<b>Return on net assets as a percentage after tax:</b>	The year's result as a percentage of total assets
<b>Return on equity before tax:</b>	Pre-tax result as a percentage of average equity. Average equity is calculated as a simple average of beginning and end of the year
<b>Return on equity after tax:</b>	Result after tax of average equity. Average equity is calculated as a simple average of beginning and end of the year.
<b>The year's result after tax per share:</b>	The year's result/average number of shares. Average number of shares is calculated as a simple average of beginning and end of the year.
<b>Book value per share:</b>	Equity/number of shares excl. own shares
<b>Dividend per share:</b>	Suggested dividend/number of shares
<b>Market price:</b>	Closing market rate, end of period
<b>Market price / result per share (P/E):</b>	Market price/the year's result per share
<b>Market price / book value per share:</b>	Market price /book value per share
<b>Capital adequacy rate:</b>	Capital base as a percentage of total risk exposure
<b>Core capital rate:</b>	Core capital after deductions as a percentage of total risk exposure
<b>Interest risk as a percentage of core capital:</b>	Interest risk as a percentage of core capital after deductions
<b>Currency position as a percentage of core capital:</b>	Currency indicator 1 as a percentage of core capital after deductions
<b>Currency risk as a percentage of core capital :</b>	Currency indicator 2 as a percentage of core capital after deductions
<b>Lending before write-downs as a percentage of core capital:</b>	Lending before write-downs as a percentage of deposits
<b>Excess solvency relative to statutory requirement on liquidity as a percentage:</b>	Cash, Demand deposits in Danmarks Nationalbank, Fully secure and liquid receivables on demand in credit institutions and insurance companies, Uncharged certificates of deposit issued by Danmarks Nationalbank and Secure easily salable (listed) uncharged securities in relation to 10 per cent. of Reduced debt- and guarantee obligations
<b>The year's write-down rate:</b>	The year's write-downs and provisions as a percentage of lending plus write-downs on loans plus guarantees plus provisions for guarantees
<b>Accumulated write-down rate:</b>	Accumulated write-downs and provisions as a percentage of lending plus write-downs on loans plus guarantees plus provisions for guarantees
<b>The sum of large exposures as a percentage of adjusted core capital:</b>	The sum of large exposures as a percentage of core capital after deduction corrected for exposures with credit institutions under DKK 1 bn.
<b>The year's growth in lending:</b>	Growth in lending from beginning to end of the year as a percentage.
<b>Lending relative to equity (gearing):</b>	Lending/equity.
<b>Property exposure before write-downs:</b>	Real property exposure before write-downs as a percentage of lending and guarantees.
<b>Stable funding ratio:</b>	Lending / working capital (total deposits, issued bonds, subordinate capital, equity).

# Annual Account

## Notes to the Income Statement

### 6. Interest income

Amounts in DKK 1,000

	2015	2014
Receivables from credit institutions and central banks	653	767
Lending and other receivables	568,595	358,514
Bonds	12,561	11,399
Derived financial instruments, total		
- foreign exchange contracts	- 2,080	- 348
- interest contracts	1,044 - 1,036	1,227 879
Other interest income	1,444	32
Total interest income	582,217	371,591

There is no interest income from genuine purchasing and repurchasing transactions.

### 7. Interest expenses

Amounts in DKK 1,000

	2015	2014
Debt to credit institutions and central banks	9,270	3,571
Deposits and other debts	39,000	44,336
Bonds issued	0	2
Subordinated capital	13,249	85
Other interest expenses	716	184
Total interest expenses	62,235	48,178

There are no interest expenses from genuine purchasing and repurchasing transactions.

### 8. Trade

Amounts in DKK 1,000

	2015	2014
Nordjyske Bank A/S conducts traditional banking business in the North Denmark region and in Copenhagen with headquarters in Nørresundby. No branches are established abroad and no public subsidies are received.		
Interest income	582,217	371,591
Fees and commission income	327,347	164,402
Other operating income	5,193	4,467
Total income	914,757	540,460

# Annual Account

## Notes to the Income Statement

### 9. Fees and commission income

Amounts in DKK 1,000

	2015	2014
Security trading and custody accounts	131,204	55,756
Payment services	26,497	16,289
Loan transaction fees	93,434	55,729
Guarantee commission	18,634	9,693
Other fees and commission income	<u>57,578</u>	<u>26,935</u>
Total fees and commission income	<u>327,347</u>	<u>164,402</u>

### 10. Market value adjustments

Amounts in DKK 1,000

	2015	2014
Loans and other receivables at market value	- 3,347	0
Bonds	- 16,149	5,309
Shares, etc.	34,726	35,331
Investment properties	- 6,075	- 4,060
Foreign exchange	8,786	6,079
Derived financial instruments		
- interest swap	3,357	1,396
Assets related to pooled schemes	23,737	77,822
Deposits in pooled schemes	- <u>24,077</u>	- <u>78,060</u>
Total market value adjustments	<u>20,958</u>	<u>43,817</u>



# Annual Account

## Notes to the Income Statement

### 11. Staff and administration costs

Amounts in DKK 1,000

	2015		2014	
Staff costs:				
Salaries	220,705		124,633	
Pension	25,430		16,478	
Costs of social security, etc.	2,057		2,242	
Charges calculated on the basis of size of staff or payroll cost	28,441	276,633	15,635	158,988
Other administration costs		189,406		106,615
Total staff and administration costs		466,039		265,603
<b>Remuneration for Board of Directors</b>		2,941		1,633
Number of people during the whole or part of the year	16		9	
<b>Remuneration for the of representatives</b>		859		430
Number of people during the whole or part of the year	72		43	
<b>Remuneration for the Executive Board *)</b>				
Fixed salary, etc.		7,920		3,879
Pension		546		417
Remuneration for the Executive Board, total		8,466		4,296
*) Calculated excl. of the value of company car, etc				
Number of people during the whole or part of the year	5		2	

# Annual Account

## Notes to the Income Statement

### 11. Staff and administration costs, continued

Amounts in DKK 1,000

	2015	2014
<b>Remuneration for employees whose activities materially influence the bank's risk profile</b>		
Fixed salary, etc.	6,314	5,130
Pension	709	567
<b>Total remuneration</b>	<b>7,023</b>	<b>5,697</b>
*) Calculated excl. value of company car etc.		
 Number of people during the whole or part of the year	 11	 5

#### Incentive schemes

No incentive scheme has been established for members of the bank's management. Thus, variable salary is not paid.

#### Retirement of the members of the Executive Board:

The bank's directors can retire with six months' notice and 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.

If the bank's directors are terminated in connection with a merger, they are entitled to 24 months' pay in addition to the period of notice.

#### Number of employees

The average number of employees during the financial year, calculated as full-time employees

	418	257
<b>Auditing fee for:</b>		
Statutory auditing of financial statements	899	918
Statement tasks with security	1,969	113
Fee for tax advice	54	45
Other services	53	63
<b>Total</b>	<b>2,975</b>	<b>1,139</b>

### 12. Depreciation and write-downs on intangible and tangible assets

Amounts in DKK 1,000

	2015	2014
Depreciation on intangible assets	18,674	1,900
Depreciation on headquarters properties	1,825	1,621
Write-downs and write-downs carried back on headquarters properties, net	1,541	450
Depreciations on other tangible assets	4,643	2,866
<b>Depreciations and write-downs, total</b>	<b>26,683</b>	<b>6,837</b>

# Annual Account

## Notes to the Income Statement

### 13. Tax

Amounts in DKK 1,000

	2015	2014
The year's tax may be distributed like this:		
Tax on the year's income:	7,528	21,236
Tax on other total income (equity movements)	316	0
Tax, total	7,844	21,236
The tax charged to the profit and loss account may be specified like this:		
Current tax	16,155	21,050
Regulation of deferred tax	- 9,066	- 100
Regulation of previous years' calculated tax	439	286
Total tax on the year's result	7,528	21,236
Current tax rate	23.5%	24.5%
Not taxable income and not deductible expense etc.	- 2.4%	- 5.2%
Share of result in group companies	- 9.6%	- 0.2%
Regulation of previous years' calculated tax	0.8%	0.3%
Effective tax percentage	12.3%	19.4%

The effective tax percentage is tax of the year's result relative to the pre-tax result.

# Annual Account

## Notes for the balance sheet

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### 14. 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 prices.

Liquidity risk is the risk that the bank's costs of procuring liquidity will increase disproportionately and/or that 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 errors in internal processes and systems, human errors, 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

It is a consequence of the bank's business model and credit policy that the bank's risk profile in the credit area shall be appropriately cautious, which results in concrete guidelines for the bank's lending activities.

Among other things this means

- that the bank does not want individual commitments of a size that a loss may threaten the bank's existence,
- that the bank attaches importance to local knowledge, which means that the risk profile is fixed on the basis on the locations where the bank is physically represented,
- that the credit administration shall ensure that the bank only takes calculated risks.

Maximum gearing on the equity is set at 5.5 in the bank's business model.

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. The unsecured part of individual commitments must not exceed 10 per cent of the bank's adjusted core capital regarding the non-secured share of the exposure.

The sum of large commitments must be below 75 per cent of the bank's 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 principle of caution and according to the following principles:

- Operating equipment :  
Calculation of the loan value for operating equipment is made according to the straight-line method. Typically 15-33 per cent will be written-down of the value of the assets on an ongoing basis during the useful life.
- Real property :  
The loan value of mortgages in private properties is typically at the level of 90 per cent of the market value less higher-ranking mortgages. 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 Danish Financial Supervisory Authority's market control price per hectare.

# Annual Account

## Notes for the balance sheet

### 14. Financial risks (continued)

- Guarantees :  
The loan value for guarantees from Danish public authorities is 100 per cent. Other guarantees are fixed individually.
- 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 as starting point.
- 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.

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 indication of value reduction
41, 42, 50	commitments with objective indication of reduced quality

Close follow-up is performed on commitments with some or material weaknesses and on commitments with objective indication of reduced quality, and a plan of action is prepared for each individual commitment in which it is decided how to improve the commitment or how it is proposed to be settled.

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 on page 17, and in note 17.

### 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 for the greater part 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. 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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### 14. Financial risks (continued)

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 of the bank's current market risks is described in note 27.

#### 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 aim that it shall be possible to finance the lending portfolio with the sum of

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

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

See also a description of the bank's current liquidity situation on page 26 of the management report.

#### 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.



# Annual Account

## Notes for the Balance Sheet

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

Amounts in DKK 1,000

	2015	2014
Receivables on demand	749,126	232,185
Remaining term:		
- from 3 months up to and including 1 year	0	3,172
- from 1 year up to and including 5 years	5,000	0
- more than 5 years	1,710	3,460
Total receivables from credit institutions and central banks	<u>755,836</u>	<u>238,817</u>
Time receivables from credit institutions and central banks	678,127	0
Receivables from credit institutions	<u>77,709</u>	<u>238,817</u>
Total receivable from credit institutions and central banks	<u>755,836</u>	<u>238,817</u>

### 16. Lending and other receivables

Amounts in DKK 1,000

	2015	2014
Demand receivables	743,485	250,118
Remaining term:		
- up to and including 3 month	514,369	266,853
- from 3 months up to and including 1 year	4,301,029	2,368,346
- from 1 year up to and including 5 years	2,690,224	1,346,920
- more than 5 years	2,480,002	1,266,613
Total lending	<u>10,729,109</u>	<u>5,498,850</u>

# Annual Account

## Notes for the Balance Sheet

### 17. Credit risk

Amounts in DKK 1,000

	2015		2014	
<b>A Lending and guarantees (after write-down) by sectors and industries</b>				
Public authorities		102		6,674
Agriculture, hunting, forestry and fishing::				
Agriculture	1,285,171		1,194,711	
Plant growing abroad	364,274		307,021	
Fur farming	85,932		73,418	
Fishing	305,512		340,393	
Agriculture, hunting, forestry and fishing, total	2,040,889		1,915,543	
Industry and raw material extraction	527,361		246,951	
Energy supply	45,105		13,349	
Building and construction	466,574		206,905	
Trade	935,920		307,021	
Transport, hotels and restaurants	364,207		133,487	
Information and communication	61,920		33,372	
Financing and insurance	826,561		233,603	
Real property	1,718,459		387,113	
Other industries	680,838	7,667,834	240,277	3,717,621
Private		6,341,502		2,950,069
Total		14,009,438		6,674,364
<b>B Lending and guarantees (after write-down) by sectors and industries as a percentage</b>				
Public authorities		0.0%		0.1%
Agriculture, hunting, forestry and fishing::				
Agriculture	9.2%		17.9%	
Plant growing abroad	2.6%		4.6%	
Fur farming	0.6%		1.1%	
Fishing	2.2%		5.1%	
Agriculture, hunting, forestry and fishing, total	14.6%		28.7%	
Industry and raw material extraction	3.8%		3.7%	
Energy supply	0.3%		0.2%	
Building and construction	3.3%		3.1%	
Trade	6.7%		4.6%	
Transport, hotels and restaurants	2.6%		2.0%	
Information and communication	0.4%		0.5%	
Financing and insurance	5.9%		3.5%	
Real property	12.3%		5.8%	
Other industries	4.8%	54.7%	3.6%	55.7%
Private		45.3%		44.2%
Total		100.0%		100.0%

# Annual Account

## Notes for the Balance Sheet

### 17. Credit risk (continued)

Amounts in DKK 1,000

	2015		2014	
<b>C Maximum credit exposure (lending, guarantees, and credit commitment) distributed by sectors and industries</b>				
Public authorities		192		5,550
Agriculture, hunting, forestry and fishing::				
Agriculture	1,975,441		1,724,202	
Plant growing abroad	402,875		334,605	
Fur farming	116,413		94,145	
Fishing	404,577		417,459	
Agriculture, hunting, forestry and fishing, total	2,899,306		2,570,411	
Industry and raw material extraction	856,331		506,860	
Energy supply	70,476		22,880	
Building and construction	713,196		319,805	
Trade	1,325,216		546,064	
Transport, hotels and restaurants	551,681		190,882	
Information and communication	85,027		45,160	
Financing and insurance	956,287		241,048	
Real property	2,896,684		591,614	
Other industries	1,057,547	11,411,751	394,669	5,429,393
Private		8,792,042		3,605,157
Total		20,203,985		9,040,100
<b>D Maximum credit exposure (lending, guarantees, and credit commitment) distributed by sectors and industries as a percentage</b>				
Public authorities		0.0%		0.1%
Agriculture, hunting, forestry and fishing::				
Agriculture	9.8%		19.1%	
Plant growing abroad	2.0%		3.7%	
Fur farming	0.6%		1.0%	
Fishing	2.0%		4.6%	
Agriculture, hunting, forestry and fishing, total	14.4%		28.4%	
Industry and raw material extraction	4.3%		5.6%	
Energy supply	0.4%		0.3%	
Building and construction	3.5%		3.5%	
Trade	6.6%		6.0%	
Transport, hotels and restaurants	2.7%		2.1%	
Information and communication	0.4%		0.5%	
Financing and insurance	4.7%		2.7%	
Real property	14.3%		6.5%	
Other industries	5.2%	56.5%	4.4%	60.0%
Private		43.5%		39.9%
Total		100.0%		100.0%

# Annual Account

## Notes for the Balance Sheet

### 17. Credit risk (continued)

Amounts in DKK 1,000

	2015		2014	
<b>E Maximum credit exposure (lending, guarantees, and credit commitment)</b>		Incl. in Balance Sheet*)		Incl. in Balance Sheet*)
Business	11,411,751	7,667,834	5,429,393	3,717,621
Public authorities	192	102	5,550	6,674
Private	8,792,042	6,341,502	3,605,157	2,950,069
<b>Total</b>	<b>20,203,985</b>	<b>14,009,438</b>	<b>9,040,100</b>	<b>6,674,364</b>
*) incl. guarantees				
<b>F Security received for maximum credit exposure distributed by sectors and industries</b>	2015		2014	
Public authorities		50		5,550
Agriculture, hunting, forestry and fishing::	1,716,509		1,565,844	
Industry and raw material extraction	342,917		257,925	
Energy supply	20,384		12,877	
Building and construction	274,827		133,626	
Trade	384,491		225,900	
Transport, hotels and restaurants	175,401		82,622	
Information and communication	29,242		18,057	
Financing and insurance	378,853		39,032	
Real property	1,104,709		312,860	
Other industries	353,753	4,781,086	174,702	2,823,445
Private		2,911,859		1,275,314
<b>Total</b>		<b>7,692,995</b>		<b>4,104,309</b>
<b>G Security received for maximum credit exposure distributed by types</b>				
Operating equipment		1,368,548		977,296
Property		4,048,103		2,610,402
Securities and cash deposits etc.		1,688,405		370,243
Guarantees		587,939		146,368
<b>Total</b>		<b>7,692,995</b>		<b>4,104,309</b>
Business		4,781,086		2,732,303
Public authorities		50		8,354
Private		2,911,859		1,363,652
<b>Total</b>		<b>7,692,995</b>		<b>4,104,309</b>

# Annual Account

## Notes for the Balance Sheet

### 17. Credit risk (continued)

Amounts in DKK 1,000

	2015	2014
<b>H Security received for maximum credit exposure exposure distributed by types as a percentage</b>		
Operating equipment	17.8%	23.8%
Property	52.6%	63.6%
Securities and cash deposits	22.0%	9.0%
Guarantees	7.6%	3.6%
Total	<u>100.0%</u>	<u>100.0%</u>
<b>I Lending with individual write-down (before deduction of write-downs)</b>		
Business	1,524,313	1,360,361
Private	<u>299,407</u>	<u>215,478</u>
Total	<u>1,823,720</u>	<u>1,575,839</u>
<b>J Lending with individual write-down (before write-downs) carried out because of:</b>		
Liquidation	94,498	78,390
Collection and suspension of payments	276,212	247,788
Other financial difficulties	<u>1,453,010</u>	<u>1,249,661</u>
Total	<u>1,823,720</u>	<u>1,575,839</u>
<b>K Lending at book value &gt; 0, on which objective indication of value reduction has occurred:</b>		
Individually written-down lending:		
Value before write-down	1,772,915	1,551,039
Value after write-down	1,019,882	945,249
Lending written down on a group basis:		
Value before write-down	9,342,051	4,580,422
Value after write-down	9,311,022	4,553,718



# Annual Account

## Notes for the Balance Sheet

### 17. Credit risk (continued)

Amounts in DKK 1,000

	2015		2014	
<b>L Write-downs on loans</b>				
Individual write-downs:				
Start of the year		630,847		540,132
Write-downs during the year		352,287		174,091
Reversal of write-downs carried out during previous financial years		45,895		28,274
Other movements		40,595		34,846
Final loss, previously written down individually		166,345		89,948
End of the year		811,489		630,847
Group-based write-downs				
Start of the year		26,704		26,871
Write-downs during the year		16,208		4,251
Reversal of write-downs carried out during previous financial years		11,883		4,418
End of the year		31,029		26,704
<b>M Lending which has not been written down and is not in arrears, by credit rating</b>				
	Public authorities and Business	Private	Public authorities and Business	Private
Rating category:				
10 - 23 good quality commitments	1,878,518	1,086,317	870,450	697,907
31 normal quality commitments	973,166	722,014	241,241	135,620
32 - 33 commitments of slightly reduced quality	1,205,673	1,346,784	623,154	684,525
38 commitments with some weaknesses	133,330	164,443	139,571	100,027
39 commitments with material weaknesses	297,236	118,040	184,578	92,158
Total	4,487,923	3,437,598	2,058,994	1,710,237
<b>N Credit exposure (lending, guarantees and credit commitments) by credit rating</b>				
	Public authorities and Business	Private	Public authorities and Business	Private
Rating category:				
10 - 23 good quality commitments	3,818,668	3,392,806	1,727,551	1,592,929
31 normal quality commitments	2,468,200	1,715,549	556,751	249,196
32 - 33 commitments of slightly reduced quality	2,616,028	2,821,204	1,092,598	1,238,994
38 commitments with some weaknesses	247,601	286,039	257,286	152,646
39 commitments with material weaknesses	510,902	216,089	259,517	148,801
Total	9,661,399	8,431,687	3,893,703	3,382,566

# Annual Account

## Notes for the Balance Sheet

### 17. Credit risk (continued)

Amounts in DKK 1,000

	2015		2014	
<b>O Security received for credit exposure by credit rating</b>	Public authorities and Business	Private	Public authorities and Business	Private
Rating category:				
10 - 23 good quality commitments	1,551,285	1,227,809	950,775	703,182
31 normal quality commitments	818,293	619,610	238,458	85,372
32 - 33 commitments of slightly reduced quality	1,198,163	857,159	667,868	366,375
38 commitments with some weaknesses	127,273	72,481	144,766	29,519
39 commitments with material weaknesses	277,113	46,171	141,491	33,947
Total	<u>3,972,127</u>	<u>2,823,230</u>	<u>2,143,358</u>	<u>1,218,395</u>
<b>P Arrears by period;</b>				
Up to 90 days		73,270		35,363
More than 90 days		39,985		3,514
Total		<u>113,255</u>		<u>38,877</u>
<b>Q Loans at reset interest</b>				
Loans at reset interest		350,160		298,102
Write-downs hereon		272,301		212,349

### 18. Bonds at market value

Amounts in DKK 1,000

	2015	2014
Listed mortgage bonds at market value	2,428,657	1,027,113
Unlisted bonds at market value	<u>128,190</u>	<u>31,672</u>
Total bonds at market value	<u>2,556,847</u>	<u>1,058,785</u>
Distributed like this:		
Level 1 cf. description in applied accounting policies	2,428,657	1,027,113
Level 2 cf. description in applied accounting policies	118,794	26,232
Level 3 cf. description in applied accounting policies	<u>9,396</u>	<u>5,440</u>
Total bonds at market value	<u>2,556,847</u>	<u>1,058,785</u>

# Annual Account

## Notes for the Balance Sheet

### 19. Shares etc.

Amounts in DKK 1,000	2015	2014
Listed shares at market value	31,456	31,570
Unlisted shares, etc., at market value	544,637	237,546
Unlisted shares at market value less write-downs	4,757	2,359
Shares, etc. Total	580,850	271,475
Distributed like this:		
Level 1 cf. description in applied accounting policies	31,456	31,570
Level 2 cf. description in applied accounting policies	428,348	182,808
Level 3 cf. description in applied accounting policies	121,046	57,097
Shares, etc. Total	580,850	271,475

The unlisted sector shares includes shares at a value of DKK 98,965 acquired with redemption right but not obligation, to seller at market price. Seller may use the redemption right once a year for a period of 14 days. The bank cannot sell the shares to a third party until expiry of the redemption right in 2019.

### 20. Investments in associated companies

Amounts in DKK 1,000	2015	2014
Purchase price, start of the year	8,245	8,245
Increase by investment	2,009,257	0
Decrease by merger	2,009,257	0
Purchase price, end of the year	8,245	8,245
Write-up and -down, start of the year	3,137	3,067
Share of the year's profit	25,000	70
Reversal by merger	-24,834	0
Write-up and -down, end of the year	3,303	3,137
Book value, end of the year	11,548	11,382

#### Investments in associated companies

Sæbygård Skov A/S with registered office in Frederikshavn, owns 100%. The company runs Sæbygård Skov. The year's result amounts to DKK 166,000 (DKK 70,000 in 2014) and equity amounts to DKK 11,548,000 as at 31 December 2015 (DKK 11,382,000 as at 31 December 2014).

Nordjyske Bank A/S acquired A/S Nørresundby Bank on 27 February 2015, and the banks merged on 31 March 2015. Nørresundby Bank's result for March 2015, DKK 24,834,000 is included as the result of an associated company.

In the income statement for 2014 is included further DKK 909,000 concerning profit from sale of a share of the associated company Ejendomsselskabet Møllehuset A/S, Frederikshavn.

# Annual Account

## Notes for the Balance Sheet

### 21. Assets related to pooled schemes:

Amounts in DKK 1,000

	2015		2014	
Bonds:				
Index-linked bonds	123,073		147,074	
Other bonds	<u>1,051,778</u>	1,174,851	<u>328,407</u>	475,481
Shares:				
Unit certificates	1,130,148		702,082	
Other shares	<u>363,273</u>	1,493,421	<u>125,765</u>	827,847
Assets related to pooled schemes, total		<u>2,668,272</u>		<u>1,303,328</u>

### 22. Intangible assets

Amounts in DKK 1,000

	2015		2014	
Customer relations:				
Total cost price, start of the year	19,000		19,000	
Added during the year	<u>201,300</u>	220,300	<u>0</u>	19,000
Depreciation, start of the year	10,800		8,900	
Depreciation during the year	<u>18,674</u>	29,474	<u>1,900</u>	10,800
Booked value, end of the year		<u>190,826</u>		<u>8,200</u>
Goodwill:				
Total cost price, start of the year	1,985		1,985	
Added during the year	<u>284,472</u>	286,457	<u>0</u>	1,985
Write-downs, start of the year	204		204	
Write-downs during the year	<u>0</u>	204	<u>0</u>	204
Booked value, end of the year		<u>286,253</u>		<u>1,781</u>
Intangible assets, total		<u>477,079</u>		<u>9,981</u>

# Annual Account

## Notes for the Balance Sheet

### 22. Intangible assets (continued)

Amounts in DKK 1,000

#### Value reduction test

The bank's goodwill primarily refers to the purchase of A/S Nørresundby Bank, which was acquired as at 27 February 2015 and merged with Nordjyske Bank A/S as at 31 March 2015.

Goodwill is as a minimum tested for value reduction annually. This year's goodwill test has not resulted in value reduction.

Goodwill is tested on the identified cash flow generating entities to which the assets are allocated, which means the bank as a whole, since, at the merger, the activities are combined in one cash flow generating entity.

The value reduction test compares the book value with the estimated present value of expected future cashflows. The special debt structure in financial companies implies that the basis for calculation of the present value of future cash flows is based on a simplified equity model.

The applied equity model, which estimates the present value of the expected future cash flows is influenced by estimates for the projection, where in particular the development in interest margin, cost percentage, and write-downs on lending is of importance for the present value.

The equity model is based on the approved strategy and earning estimates for the coming 10 years with an added growth of 2% per year. No growth rates are applied for the terminal period.

The estimated cash flows are discounted with a profit requirement of 11.5% before tax and 9% after tax.

### 23. Land and buildings

Amounts in DKK 1,000

	2015	2014
Investment property:		
Market value, start of the year	33,871	35,520
Added during the year, including improvements	48,803	2,410
Disposed of during the year	- 2,884	0
The year's value regulation to market value	- 6,075	- 4,059
Market value, end of the year	<u>73,715</u>	<u>33,871</u>



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## Notes for the Balance Sheet

### 23. Land and buildings (continued)

Amounts in DKK 1,000

	2015	2014
Headquarters properties:		
Re-assessed value, start of the year	94,274	99,846
Added during the year, including improvements	150,952	0
Disposed of during the year	- 4,068	- 2,410
Depreciation	- 1,825	- 1,621
Value changes during the year, included directly in other total income	- 8,504	- 1,091
Value changes during the year, included directly in the income statement	- 1,541	- 450
Reassessed value end of the year	<u>229,288</u>	<u>94,274</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 4% and 10% p.a. has been used, depending on the location of each individual property. In 2015, the bank has used external estate agents in connection with the valuation of the property.

### 24. Other tangible assets:

Amounts in DKK 1,000

	2015	2014
Total cost price, start of the year	52,961	50,754
Added during the year, including improvements	8,892	3,368
Disposed of during the year	- 1,609	- 1,161
Depreciation and write-downs, start of the year	47,913	46,005
The year's allowances for depreciation	4,643	2,866
The year's reversed depreciations and write-downs	- 860	- 958
Book value, end of the year	<u>8,548</u>	<u>5,048</u>

### 25. 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 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 in the market conditions after the first inclusion of the instrument in question, including in particular changes to interest rates.

## Notes for the Balance Sheet

### 25. 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		2015		2014	
		Book value	Market value	Book value	Market value
<b>Financial assets</b>					
Cash in hand and demand deposits		349,848	349,848	279,585	279,585
Receivables from credit institutions and central banks		755,836	755,836	238,817	240,009
Loans and other receivables at amortised cost price		10,729,109	10,816,809	5,498,849	5,503,666
Bonds at market value		2,556,847	2,556,847	1,058,785	1,058,785
Shares, etc.		580,850	580,850	271,475	271,475
Assets related to pooled schemes		2,668,272	2,668,272	1,303,328	1,303,328
Derived financial instruments		69,118	69,118	26,606	26,606
<b>Financial assets, total</b>		<b>17,709,880</b>	<b>17,797,580</b>	<b>8,677,445</b>	<b>8,683,454</b>
<b>Financial obligations</b>					
Debt to credit institutions and central banks		454,118	454,118	141,409	141,409
Deposits and other debts		12,172,764	12,183,528	5,720,228	5,731,250
Deposits in pooled schemes		2,802,409	2,802,409	1,487,367	1,487,367
Issued bonds at amortised cost price		0	0	39	39
Derived financial instruments		67,243	67,243	23,755	23,755
Subordinated capital investments		270,729	275,000	2,838	2,900
<b>Financial obligations, total</b>		<b>15,767,263</b>	<b>15,782,298</b>	<b>7,375,636</b>	<b>7,386,720</b>

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## Notes for the Balance Sheet

### 26. Derived financial instruments

Amounts in DKK 1,000

					2015	2014
	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., purchase	343,228	104,079			447,307	268,859
forward trans., sale	695,965	121,611			817,576	589,530
unsettled spot transact., purch.	12,811				12,811	5,183
unsettled spot transact., sale	92,116				92,116	23,098
currency swaps		47,014		149,623	196,637	0
Interest-related transactions:						
forward transact., purchase	41,835	1,000			42,835	27,807
forward transact., sale	6,126				6,126	0
unsettled spot transact., purch	6,049				6,049	5,941
unsettled spot transact., sale	14,918				14,918	21,963
interest swaps		171,752	527,989	253,274	953,015	284,756
Share-related transactions:						
unsettled spot transact., purch.	14,261				14,261	2,230
unsettled spot transact., sale	15,948				15,948	2,442
<b>Net market values</b>						
Foreign exchange-rel. transact.:						
forward transact., purchase	1,166	1,404			2,570	1,714
forward transact., sale	6,248	-1,271			4,977	3,326
unsettled spot transact, purch.	-9				-9	- 299
unsettled spot transact., sale	95				95	- 2
currency swaps		-8		209	201	0
Interest-related transactions:						
forward transactions, purch.	192	12			204	391
forward transactions, sale	14				14	
unsettled spot transact., purch.	1				1	24
unsettled spot transact., sale	6				6	- 93
interest swaps		-1,883	-4,239	-92	-6,214	- 439
Share-related transactions:						
unsettled spot transact., purch.	239				239	- 4
unsettled spot transact., sale	-208				-208	6

# Annual Account

## Notes for the Balance Sheet

### 26. Derived financial instruments, continued

Amounts in DKK 1,000

Market values	Contracts, total 2015			Contracts, total 2014		
	Positive	Negative	Net	Positive	Negative	Net
Foreign exchange-rel. transact.:						
forward transactions, purch.	8,254	5,684	2,570	4,968	3,254	1,714
forward transactions, sale	11,615	6,638	4,977	5,985	2,659	3,326
unsettled spot transact., purch.	61	70	-9	1	300	- 299
unsettled spot transact., sale	100	5	95	4	6	- 2
currency swaps	1,812	1,611	201	0	0	0
average market value	29,899	23,206				
Interest-related transactions:						
forward transactions, purch.	205	1	204	391	0	391
forward transactions, sale	36	22	14	0	0	0
unsettled spot transact., purch.	5	5	0	25	1	24
unsettled spot transact., sale	8	2	6	3	96	- 93
interest swaps	46,661	52,875	-6,214	15,186	15,625	- 439
average market value	54,777	62,811				
Share-related transactions:						
unsettled spot transact., purch.	290	51	239	19	23	- 4
unsettled spot transact., sale	71	279	-208	25	19	6
average market value	635	535				
Market value included in balance sheet with the following amounts						
Other assets	69,118			26,606		
Other liabilities		67,243			23,755	

# Annual Account

## Notes for the Balance Sheet

### 27. Market risks

Amounts in DKK 1,000

	2015	2014
<b>Interest risk, debt instruments</b>		
Distributed by type of instrument		
- trading activity	12,644	10,957
- non-trading activity	- 11,315	- 5,525
Total	1,329	5,432
By currency		
DKK	- 1,899	5,063
EUR	3,341	413
CHF	- 108	- 37
Other currencies, net	- 5	- 7
Total	1,329	5,432
percentage of equity	0.1	0.4
Effect on the year's result before tax if the interest rate increases by 1%	- 1,329	- 5,432
Effect on equity if the interest rate increases by 1%	- 1,017	- 4,101
The interest risk is an expression of the loss/gain which the bank will suffer/obtain because of reasonably probable changes to the effective rate of interest of 1 percentage point.		
<b>Foreign exchange risk</b>		
Exchange rate indicator 1	10,030	15,937
Exchange rate indicator 1 as a percentage of core capital after deductions	0.6	1.3
Exchange rate indicator 2	108	67
Exchange rate indicator 2 as a percentage of core capital after deductions	0.0	0.0

The exchange rate indicator is calculated as the largest sum of positions in foreign currencies where the bank has net receivables, and sum of positions where the bank has net debt, respectively. The key figure is reported to the Danish Financial Supervisory Authority. In addition the risk per currency is calculated and reported

The exchange rate indicator 2 is based on a statistical method, where historic data are calculated by the Danish authorities and is an expression of the total loss potential. If the bank does not change the currency positions during the following 10 days there is a 1% risk that the bank will suffer a loss that exceeds the value of the indicator. The key figure is reported to the Danish Financial Supervisory Authority.



# Annual Account

## Notes for the Balance Sheet

### 27. Market risks (continued)

Amounts in DKK 1,000

	2015	2014
Exposure in Euro	3,798	10,571
- sensitivity 2.25 per cent	85	238
Exposure in other currencies	6,232	5,365
- sensitivity 12 per cent	748	644
Total sensitivity	833	882
Effect on the year's pre-tax result from the calculated currency rate risk	- 833	- 882
Effect on equity according to the calculated currency risk	637	666
<b>Share risk</b>		
Listed shares and unlisted shares excl. sector shares	39,039	34,740
- sensitivity 30 per cent	11,712	10,422
Sector shares	541,811	236,735
- sensitivity 15 per cent	81,272	35,510
Total sensitivity	92,984	45,932
Share risk as a percentage of core capital after deductions	5.3	3.7
Effect on the year's pre-tax result from the calculated share risk	- 92,984	- 45,932
Effect on equity according to the calculated share risk	- 71,132	- 34,679

### Accounting safeguards

The bank uses the rules of accounting safeguards to avoid the inconsistency that occurs when loans and deposits on fixed interest rate are calculated at amortised cost price, while the safeguards instruments (interest and currency swaps) are calculated at market price. When the criteria for application of the rules of accounting safeguards are met, the book value of the secured loans and deposits of the income statement concerning the secured risks are adjusted.

The following fixed rate assets and liabilities are covered with regard to risk:

Nominal value of loans	243,353	0
Regulation to market value (hedge)	3,440	0
Book value of loans	246,793	0
Nominal value of deposits	86,351	86,735
Regulation to market value (hedge)	- 854	- 1,358
Book value of deposits	85,497	85,377
Cover has taken place like this:		
Interest swaps (synthetic principal amount)	178,710	0
Currency swaps (synthetic principal amount)	149,623	87,000
Market value	- 4,294	- 1,358

# Annual Account

## Notes for the Balance Sheet

### 28. Debt to credit institutions and central banks

Amounts in DKK 1,000

	2015	2014
On demand	423,880	141,409
Remaining term		
- more than 5 years	<u>30,238</u>	<u>0</u>
Total debt to credit institutions and central banks	<u>454,118</u>	<u>141,409</u>
Unutilised credit undertakings	0	400,000

### 29. Deposits and other debts

Amounts in DKK 1,000

	2015	2014
On demand	9,463,239	4,032,799
Remaining term		
- up to and including 3 months	424,062	127,362
- from 3 months up to and including 1 year	341,599	232,020
- from 1 year up to and including 5 years	1,040,488	464,579
- more than 5 years	<u>903,376</u>	<u>863,468</u>
Deposits and other debts, total	<u>12,172,764</u>	<u>5,720,228</u>
<b>By categories</b>		
- on demand	9,409,142	3,533,248
- notice	1,312,844	1,181,865
- time deposits	54,559	47,126
- special deposits	<u>1,396,219</u>	<u>957,989</u>
Deposits and other debts, total	<u>12,172,764</u>	<u>5,720,228</u>
Share of deposits incl. pooled schemes covered by the Deposit Guarantee Fund	<u>83</u>	<u>90</u>

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

### 30. Issued bonds at amortised cost price

Amounts in DKK 1,000

	2015	2014
Remaining term		
- up to and including 3 months	<u>0</u>	<u>39</u>
Issued bonds at amortised cost price, total	<u>0</u>	<u>39</u>

# Annual Account

## Notes for the Balance Sheet

### 31. Provisions for pension and similar obligations

Amounts in DKK 1,000

	2015	2014
Anniversary bonus etc.	6,723	2,526
Salary and pension obligations taken over in connection with business acquisition	3,035	466
Total provisions for pension and similar obligations	9,758	2,992

### 32. Provisions for deferred tax / deferred tax activities

Amounts in DKK 1,000

	2015	2014
Lending and other receivables	-11,027	-2,993
Securities and financial instruments	296	661
Tangible assets	2,259	-582
Intangible assets	39,957	-453
Allocated liabilities	-2,327	-533
Total	29,158	-3,900
Included in the balance sheet like this:		
Deferred tax	29,158	0
Deferred tax activities	0	3,900

Changes in deferred tax are influenced by the merger with A/S Nørresundby Bank, where, in connection with the calculation of acquired liabilities, deferred tax concerning customer relations has been included.

### 33. Subordinated capital

Amounts in DKK 1,000

	2015	2014
Additional capital	270,729	0
Employee bonds	0	2,838
Subordinated capital, total	270,729	2,838
In this is included when calculating the core capital	270,729	284
Interest	13,249	85
Costs from raising additional capital	5,125	0

In February 2015, DKK 275 mill. was issued as capital certificates at a price of 100.

The capital certificates have a 10 year term and cannot be redeemed neither in full nor part until the day that occurs 5 years after the issue date. The issue takes place at an interest rate measured as the 5-year swap interest rate plus 5.00 %-points p.a., applying for 5 years from the issue date, corresponding to 5.341% p.a.

After that, the interest rate will be Cibur 6 months plus 5.00 %-points p.a.

# Annual Account

## Notes for the Balance Sheet

### 34. Share capital

Amounts in DKK 1,000

Amounts in DKK 1,000	2015		2014	
The bank's share capital is divided into 18,364,515 shares of DKK 10 each				
<b>Holding of own shares</b>				
Acquired				
Number of own shares	723,861		503,919	
Nominal value		7,239		5,039
Percentage of the share capital	3.9%		6.5%	
Total purchase price		80,876		60,034
Sold				
Number of own shares	723,459		505,802	
Nominal value		7,235		5,058
Percentage of the share capital	3.9%		6.6%	
Total sales price		80,818		60,308
End of the year				
Number of own shares	18,156		17,754	
Nominal value		182		178
Percentage of the share capital	0.1%		0.2%	

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

In the list of large shareholders Jyske Bank A/S, Vestergade 8-16, 8600 Silkeborg, is listed with an ownership interest of more than 30%. As a consequence of the limitations in voting rights, Jyske Bank A/S has 1,000 votes

# Annual Account

## Notes with additional information

### 35. Contingent liabilities

Amounts in DKK 1,000

	2015	2014
Finance guarantees	1,955,567	603,250
Loss guarantees for mortgage loans	548,730	159,550
Other contingent liabilities	<u>776,032</u>	<u>409,014</u>
Total	<u>3,280,329</u>	<u>1,171,814</u>
<b>Pledges</b>		
For drawing right with the Danish Central Bank bonds have been pledged	<u>88,384</u>	<u>98,958</u>

Nordjyske Bank A/S is the administration company in a Danish joint taxation, which includes Sæbygaard Skov A/S. Likewise, A/S Nørresundby Bank is included in the joint taxation in March 2015.

Therefore, Nordjyske Bank A/S is, according to the rules of company law hereon, liable from and including 1 July 2012 for income tax etc. in the jointly taxed companies, and from and including 1 July 2012 for any liabilities to include withholding tax on interest, royalties, and dividend for the jointly taxed companies.

### 36. Connected parties

Amounts in DKK 1,000

	2015	2014
Size of loan, pledges or guarantees for members of the bank's:		
Executive Board	795	1,050
Board of Directors	48,228	34,293
The commitments have been granted on market conditions and in accordance with the bank's usual business terms		
Rates of interest at the end of the year, per cent p.a.		
Executive Board	4,82 - 6,00	4,125 - 6,00
Board of Directors (elected by the general meeting)	1,85 - 13,875	1,85 - 13,875

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

## Notes with additional information

### 37. Merger / business integration

Nordjyske Bank A/S acquired A/S Nørresundby Bank on 27 February 2015 and merged on 31 March 2015.

In accordance with the accounting rules, the merger took place according to the purchase method. Among other things this implies that the assets and liabilities acquired from A/S Nørresundby Bank are included and valued at market value at the time of acquisition. Comparative figures for 2014 in the annual report as at 31 December 2015 do not include the acquired assets and liabilities.

#### Distribution of net assets on the purchase price

Amounts in DKK 1,000

#### Market price at the time of acquisition

#### Assets

Cash balance and demand deposits at central banks	241,689
Receivables from credit institutions and central banks	234,830
Loans and other receivables	5,214,925
Bonds at market value	2,205,798
Shares, etc.	412,246
Assets related to pooled schemes	1,029,540
Land and buildings, total	171,553
- investment properties	45,000
- headquarters properties	126,553
Other tangible assets	2,376
Other assets	140,598
Prepayments and accrued income	18,340
<b>Total assets</b>	<b>9,671,895</b>



# Annual Account

## Notes with additional information

37. Merger / business integration (continued) Amounts in DKK 1,000	Market price at the time of acquisition
<b>Payables</b>	
Payables to credit institutions and central banks	484,521
Deposits and other payables	6,364,702
Deposits in pooled schemes	1,030,984
Current tax liabilities	2,620
Other liabilities	197,738
Prepayments and deferred income	6,658
<b>Total debts</b>	<b>8,087,223</b>
<b>Provisions</b>	
Provisions for pensions and similar liabilities	6,107
Provisions for deferred tax	39,799
Provisions for losses on guarantees	2,863
Other provisions	12,418
<b>Total provisions</b>	<b>61,187</b>
<b>Total liabilities</b>	<b>8,148,410</b>
<b>Purchase price</b>	
Acquired net assets	1,523,485
Goodwill	284,472
Customer relations	201,300
<b>Total purchase price</b>	<b>2,009,257</b>

Lending and other receivables are included in the acquired net assets with a market value of DKK 5,215 mill. The market value on loans is based on an assessment of the market value of the acquired portfolio, which is calculated as the present value of the expected cash flows.

The contractual receivables amounted to DKK 5,539 mill. at the end of March 2015, while the write-downs made in Nørresundby Bank as well as market value adjustments amounted to a total of DKK 324 mill.

In connection with the acquisition of Nørresundby Bank, the bank has calculated identifiable intangible assets in the form of customer relations, which are included in the acquisition balance sheet at market value. The market value of customer relations reflects the value of the acquired customer base from Nørresundby Bank. The market value is calculated as the present value of the net cash flow expected through sale of the customers after deduction of reasonable return of all other assets, which help generate the cash flow in question. The value of customer relations will be written down over 10 years in the bank's income statement.

The bank has acquired guarantees at DKK 2,061 mill. in addition to the acquired net assets.

In connection with preparation of the annual report 2015, the bank has chosen to adjust the preliminary opening balance sheet from the merger between Nordjyske Bank and Nørresundby Bank at the end of March 2015. The result of the adjustments is a change in goodwill at DKK 6.2 mill.

Nordjyske Bank A/S has paid transaction costs connected with the acquisition of A/S Nørresundby Bank at DKK 14.8 mill. to advisors, etc., which are included in the accounting item staff and administration costs in the income statement for the financial year 2015.

# Bank management

## Committee of Representatives

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- Sten Uggerhøj, Car Dealer, Frederikshavn (Chairman)
- Poul Søe Jeppesen, Director, (Deputy Chairman)
- Erik Broholm Andersen, Farm Owner, Skagen
- Inge Kjær Andersen, Dentist, Sæby
- Kjeld Andersen, Service Advisor, Øster Brønderslev
- Palle Joest Andersen, Farm Owner, Hjørring
- Peter Andersen, Director, Hjørring
- Svend-Erik Andersen, Chairman of the Fishing Association, Strandby
- Børge Bech, Head of Secretariat, Løkken
- Anders Bentsen, Head of Department, Øster Brønderslev
- Ib Bergkjær, Managing Director, Aalborg
- Erling Christensen, Furniture Dealer, Hørnsted
- Inge Christensen, Bookkeeper, Østervrå
- Lars Ingemann Christensen, Manufacturer, Hjørring
- Per Lykkegaard Christensen, Farm Owner, Hjøllerup
- Nina Friis Christiansen, Shop Owner, Vittrup
- Thomas Christiansen, Fishing Vessel Master, Læsø
- Jørn Bo Clausen, Fish Exporter, Strandby
- Ole Conradsen, Director, Strandby
- Peter Conradsen, Director, Frederikshavn
- John Elling, Fur Farmer, Strandby
- Lene Frandsen, Center Manager, Sindal
- Trine Frisgaard, Leading Bio-Analyst, Dronninglund
- Svend Erik Frøstrup, Shop Owner, Løkken
- Birthe Gadekær, Principal, Hjørring
- Hans-Christian Holst, Farmer, Asaa
- Mads Hvolby, Chartered surveyor, Nørresundby
- Bettina Schou Ifversen, Shop Owner, Skagen
- Kim Jacobsen, State-authorized Estate Agent, Aalborg
- Kurt Elbo Jensen, Warehouse Manager, Brønderslev
- Morten Jensen, Attorney, Dronninglund
- Søren Faurholt Jensen, Farm Owner, Tylstrup
- Torben Gyde Jensen, State-authorized Public Accountant, Vester Hassing
- Bent Johansen, Regional Head of Accounting, Øster Brønderslev
- Per Jørgensen, Farmer, Brovst
- Anne Kaptain, Attorney, Legal and HR manager, Sæby
- Hans Jørgen Kaptain, Attorney, Sæby
- Tom Karlshøj, Farm Owner, Tversted
- Peter Dengsø Kjærsgaard, Car Dealer, Aalborg
- Lars Krull, Director, Aalborg
- Susanne Bruun Ladefoged, Dentist, Aalborg
- Anker Laden-Andersen, Attorney, Sæby
- Bente Larsen, Veterinarian, Dybvad
- Per Drustrup Larsen, Librarian, Øster Brønderslev
- Thomas Overgaard Larsen, Veterinarian, Frejlev
- Henrik Lintner, Pharmacist, Hjørring
- Peter Mortensen, Forwarding Agent, Hirtshals
- Jens Jørgen Nielsen, Concreter, Skagen
- Jesper Nyborg, Radio and TV Dealer, Vodskov
- Inger Marie Grund Petersen, Head of Marketing, Sæby
- Lars Petersen, Engineer, Gærum
- Anette Pilgaard, Shop Owner, Nørresundby
- Niels H. Pedersen Qvist, Farm Owner, Vester Hassing
- Keld Ramlov, Certified Electrician, Aalborg
- Jørn Rosenmeier jun., Managing Director, Aalborg
- Torben Røgild, Economist, Nørresundby
- Kathrine Sandeløv, Director, Skørping
- Søren Gyldenhof Schilder, Complaints Manager, Aalborg
- Peter Schou, Fishing Vessel Master, Skagen
- Yvonne Skagen, Director, Aalborg
- Peter Sloth, Wholesale Dealer, Nibe
- Jens Otto Størup, Director, Tornby
- Jan Leth Sørensen, Haulier, Sæby
- Peer Buch Sørensen, Draper, Frederikshavn
- Ingeborg Thusgaard, Consultant, Frederikshavn
- Claus Uttrup, Brigadier General, Hjørring
- Margrethe Vejby, Nurse, Aalbæk
- Director, Morten Vestergaard, Sæby
- Niels-Erik Østergaard, Registered Accountant, Brønderslev
- John Chr. Aasted, Director, Aalborg

# Bank management

## Board of Directors

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- Mads Hvolby, Chartered Surveyor, Nørresundby (Chairman)
- Hans Jørgen Kaptain, Attorney, Sæby (Deputy chairman)
- Per Lykkegaard Christensen, Farm Owner, Hjallerup
- Morten Jensen, Attorney, Dronninglund
- Poul Søren Jeppesen, Director, Aalborg
- Henrik Lintner, Pharmacist, Hjørring
- Sten Uggerhøj, Car Dealer, Frederikshavn
- John Chr. Aasted, Director, Aalborg
- Hanne Karlshøj, Customer Advisor, Bindslev (elected by the employees)
- Helle Juul Lynge, Property specialist, Vester Hassing (elected by the employees)
- Arne Ugilt, Credit Employee, Uggerby (elected by the employees)
- Finn Aaen, Business Advisor, Frejlev (elected by the employees)

## Executive Board

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- Claus Andersen, Managing Director
- Carl Pedersen, Deputy Managing Director
- Mikael Jakobsen, Bank Director

# Bank management

## The bank's branches

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Brønderslev	Thomas Jørgensen, Area Director
Dronninglund	Ole Andersen, Branch Director
Frederikshavn, Bangsbostrand	Peter K. Madsen, Branch Director
Frederikshavn, Jernbanegade	Brian Thomsen, Branch Director
	Lejf Andersen, Business Customer Manager
	Anders Nielsen, Fiskerikundechef
	Marianne Nordmann, Private Customer Manager
Hirtshals	Jens Buje, Branch Director
Hjallerup	Christian Pedersen, Branch Director
Hjørring	Henrik Aaen, Area Director
	Lotte Hørsel, Business Customer Manager
	Ulla Magersholt, Private Customer Manager
København	Kim Vagner, Branch Director
Læsø	Karsten Nielsen, Branch Director
Løkken	Mads Gade, Branch Director
Nibe	Tom Solvang, Branch Director
Nørresundby	Allan Nielsen, Business Customer Manager
	Lars Skov, Branch Director Private
Sindal	Klaus Christensen, Branch Director
Skagen	Allan Kastor Andersen, Branch Director
Strandby	Kirsten Poulsen, Branch Director
Sæby	Torben Schioldan, Area Director
	Stig Elversøe, Business Customer Manager
	Annemette Mæhle, Private Customer Manager
Vestbjerg	Paw Winther, Branch Director
Vodskov	Gert Zinndorff, Branch Director
Aabybro	Tommy Kristensen, Branch Director
Aalborg, Bredegade	Anders Tetsche, Branch Director
Aalborg, Kastetvej	Michael Kristensen, Branch Director
Aalborg, Vejgaard	Jesper Nielsen, Branch Director
Aalborg, Vesterbro	Jacob Jensen, Area Director
	Jørgen Maibom, Private Customer Manager
Aalborg, Vestre Alle	Michael Thoft, Branch Director
Management Secretariat	Hanne Fynbo, Secretariat Manager
FinansCentret	Lars Kiærskou, Finance Manager
Merger / Integration	Bjarne Haugaard, Project Manager
HR, Business support and IT development	Marian Andreasen, HR Manager
Internal Audit	Ove Steen Nielsen, Audit Manager
IR and Risk	Alma Lund Høj, Investor Relations- and Risk Manager
Credit	Claus Kongsgaard, Credit Manager
Sales and Marketing	Palle Skyum, Sales- and Marketing Manager
Finance	Pia Foss Henriksen, Financial Manager