

# Annual Report

## 2012



Nordjyske Bank





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# Annual Report 2012



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# Management Report

## 2012 – a satisfactory year for Nordjyske Bank

### The year's result

Nordjyske Bank has an operating result of DKK 87 million for 2012. This corresponds to an improvement of 28% compared with 2011, when the pre-tax result was DKK 68 million. The result for 2012 equals a return on the average equity of 6.8%.

### Deposits increasing - lending declining slightly

2012 was characterised by a slightly declining demand for lending and credits and an increase in the savings of both private and business customers. Combined with a historically low level of interest this means that the bank's net interest earnings have at DKK 353 million been reduced by 1% compared with the previous year.

### Other earnings increasing

Fees and commission earnings on the other hand have seen a net increase of DKK 11 million to a total of DKK 113 million. The increase is the result of the historically low level of interest rates which has led to large conversion activity within the mortgage credit area.

### Best core earnings ever

The total core earnings increased by DKK 11 million in 2012 to a total of DKK 484 million. At the same time, the bank has succeeded in reversing the development in operating costs and depreciation on operations, which were reduced by DKK 4 million to a total of DKK 273 million.

The bank's core earnings for 2012 have been calculated at DKK 211 million. This is the best result ever and DKK 15 million better than the figure for 2011.

Write-downs on own lending, calculated at a total of DKK 131 million, were in 2012 affected by extraordinarily large write-downs on one single commitment.

The bank's management considers the year's result, which is slightly higher than the previously predicted core earnings at the top end of the range of DKK 175-200 million, satisfactory.

**>> The bank has succeeded in reversing the development in operating costs and depreciation on operations**

<<

*Claus Andersen, Bank Director*

Condensed income statement (amounts in million DKK)	2012	2011	2010	2009	2008
Net interest earnings	353	357	353	340	286
Fees and commission earnings, net	113	102	97	90	81
Other operating income, etc.	18	14	13	18	15
<b>Core earnings</b>	<b>484</b>	<b>473</b>	<b>463</b>	<b>448</b>	<b>382</b>
Operating costs and write-down on operations	273	277	265	260	224
<b>Core earnings</b>	<b>211</b>	<b>196</b>	<b>198</b>	<b>188</b>	<b>158</b>
Payments to the Deposit Guarantee Fund, etc.	11	14	20	25	6
Write-downs re the Contingency Association	-	-	16	15	-
Write-downs on own lending, etc.	131	112	81	86	38
Market price regulations for securities, etc.	18	-2	39	8	-33
<b>Pre-tax result</b>	<b>87</b>	<b>68</b>	<b>120</b>	<b>70</b>	<b>81</b>

Return on total assets (amounts in million DKK)	2012	2011	2010	2009	2008
Pre-tax result as a percentage of average equity	6.8	5.5	10.4	6.5	7.8
Result after taxes as a percentage of average equity	4.8	4.1	8.0	5.8	5.8

# Management Report

Costs as a percentage of core earnings	56.4	58.5	57.1	58.1	58.5
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## Favourable development in North Jutland

2012 was yet another year characterised by crisis. The financial crisis and the subsequent economic crisis have lasted since 2008, and many signs indicate that market trends will continue to be low during the years to come. Perhaps this is a new economic era rather than an actual crisis.

Many key figures indicate that the crisis has affected North Jutland less than other parts of the country. The explanation is partly that the increases before the crisis in for example property prices were lower in North Jutland, but that is only part of the explanation.

There is for example a very favourable development in the harbour areas in both Hirtshals, Skagen and Frederikshavn within offshore and the maritime industry. There are major plans for expansion in all three towns and large expectations for growth in these areas.

Furthermore, several small industries benefit from the fact that Norwegians and Swedes are increasingly going to Denmark to shop and buy services.

North Jutland is also doing well within another essential area, namely employment. Unemployment in North Jutland has fallen by more than 6% during the past year, whereas there has only been a marginal fall in the country as a whole. The employment region sees this as a favourable sign of a stable level of employment and a business sector in recovery.

Nordjyske Bank considers this an important indication of the favourable development in the area and looks forward to supporting a development towards an even higher level of activity to the benefit of employment, property prices and real earnings during the coming years.

## Main activities in Nordjyske Bank

Nordjyske Bank's business model and principles are based on a wish to serve both private and business customers in an independent bank in which the decision-making powers are located in the market area. We stick to the banking transactions and customers in the local market area which/who we know and understand and are trying to serve in a serious and durable way.

Nordjyske Bank has 277 well-qualified employees, including specially qualified employees within the most important advice areas. The bank has high-technological aids and a large number of competent collaborators.

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

Nordjyske Bank has:

- 53,000 private customers
- 4,000 commercial customers
- 23,000 shareholders
- Business volume - lending, guarantees, deposits and asset management - of DKK 17.1 billion

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

- 90 per cent owned by individual shareholders the large majority of whom are also customers in the bank.
- No large shareholder, i.e. shareholders owning 5 per cent or more of the share capital.

# Management Report

## Optimisation of the bank's activities in 2012

### Competent customer advice

Nordjyske Bank wants to be among the best within customer advice. Therefore, we have also in 2012 focussed on creating the best possible framework for customer advice. We have among other things carried out a large organisational change with a view to optimising the resources of our staff within customer advice. The changes are due to a change in customer behaviour, so that our customers are now to a large extent using credit/payment cards, online and mobile banking and require fewer cashier services.

In 2012, the bank focussed on collecting proposals for rationalisation from our employees, which has been a major success. This means that we can on an ongoing basis add resources to our competent customer advice.

### Strong IT cooperation

Just like other banks, Nordjyske Bank provided just under 40 employees for a couple of weeks to work with Jyske Bank's conversion to the Bankdata systems.

The inclusion of Jyske Bank in the cooperation about Bankdata means that in future, Bankdata will be a strong and competitive supplier of IT services to the members. Nordjyske Bank has reasons to expect improved IT solutions at a lower price.

An additional benefit from the cooperation about conversion of Jyske Bank is that the bank's employees returned with much inspiration and good ideas from which the bank will benefit.

### Large customer satisfaction

Just over a year ago, the bank carried out a large customer satisfaction analysis for the bank and the bank branches, and the result was that the customers are generally highly satisfied with the bank. It is decisive for the bank to be aware of the customers' and the shareholders' satisfaction with the bank, so that we can develop in the right way.

### Additional private and commercial customers

We have experienced increasing interest from new customers and in particular new commercial customers, which confirms our focus on the commercial area where we have appointed several new employees in 2012.

Furthermore, we have established a fishing centre as an element in our efforts to strengthen our services within commercial advice.

### Visit from the Danish Financial Supervisory Authority

Nordjyske Bank received a visit from the Danish Financial Supervisory Authority in May-June 2012 for an ordinary inspection.

After receiving the report from the Financial Supervisory Authority on 28 September 2012, we found that the report is in general satisfactory, and that the bank's result was not materially affected by the inspection. The Financial Supervisory Authority concluded that the bank has allowed for the known risks.

Nordjyske Bank did, however, receive some orders as the Financial Supervisory Authority wanted better and more specific guidelines, which have been implemented during the period until the end of 2012.

*>>The report from the  
Financial Supervisory  
Authority was generally  
satisfactory and has not  
affected the bank's result  
materially<<*

*Claus Andersen, Bank Director*



# Management Report

## Development in business volume

The weak economic development continues to lead to a low demand for lending and increasing deposits. This means that the bank's excess deposits are increasing, leading to extremely good liquidity, and the combination with low interest rates is challenging the bank's earnings.

There is still competition about the deposits with relatively high rates for selected products. The increased deposits with the banks as such and the general improvement of the liquidity situation in the sector have, however, generally reduced the rates of interest for the bank's deposit products.

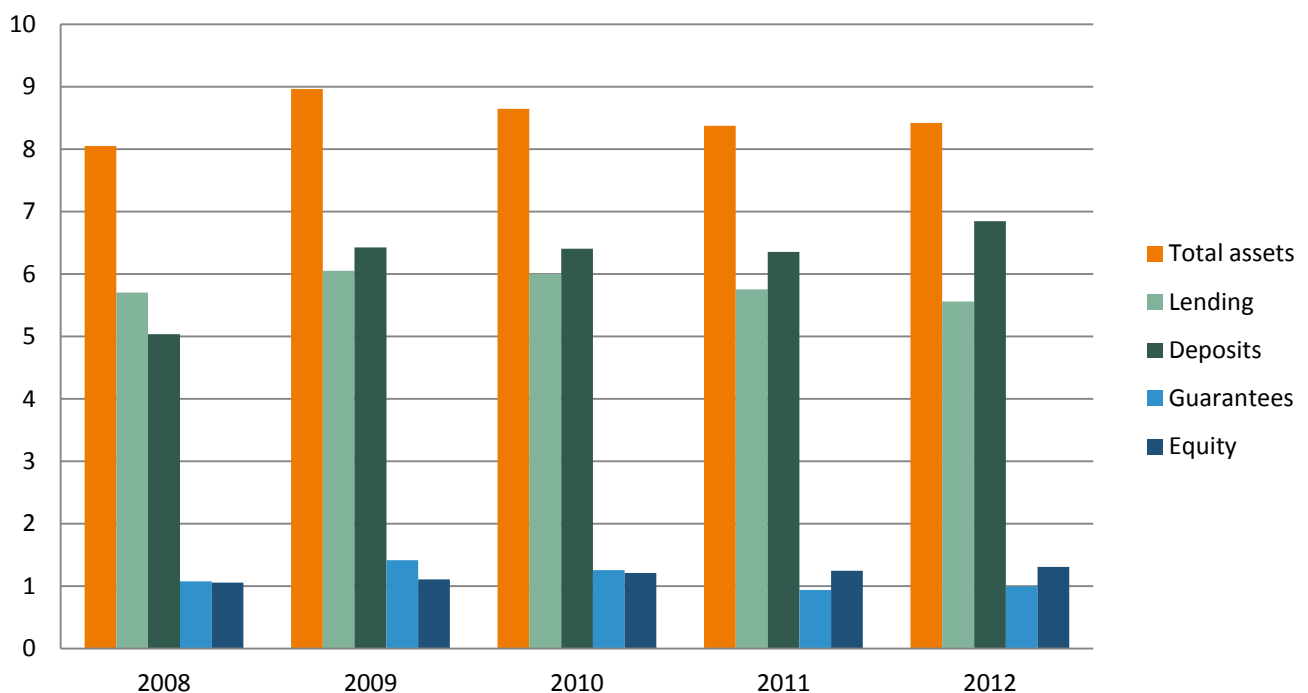
Deposits with the bank increased in 2012 by DKK 494 million, corresponding to an increase of 8 per cent to a total of DKK 6,847 million.

The bank's total lending amounts to DKK 5,557 million, which is a reduction of DKK 198 million, corresponding to 3 per cent. The figure covers a reduction in commercial lending of DKK 51 million and in private lending of DKK 148 million.

Part of the reduction in private lending is due to large conversion activity in 2012, where some customers have raised additional loans at low rates of interest.

In 2012, guarantees increased by DKK 61 million, corresponding to 7 per cent, among other things because of increased conversion activity.

**Billion DKK**



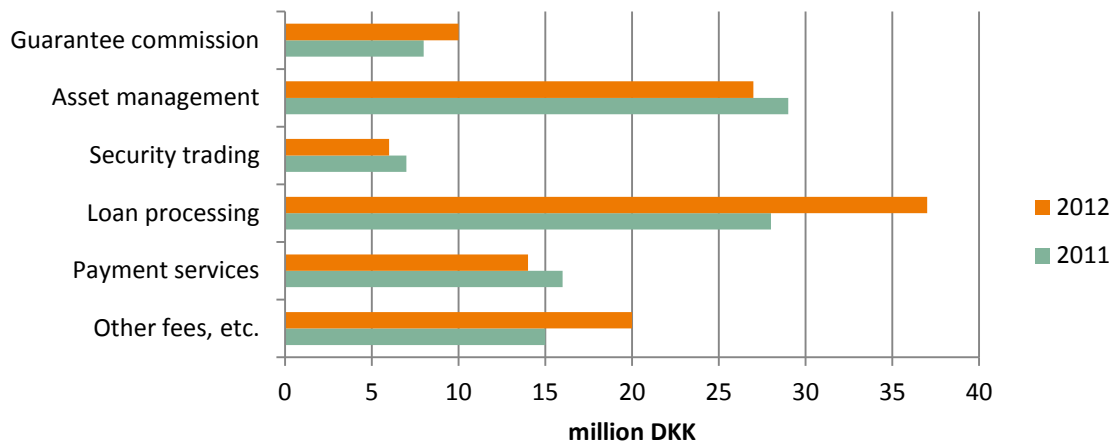
# Management Report

## Increasing earnings from services

Because of the record low interest rates, many mortgage loans were converted - in particular during the first six months of 2012.

The many conversions have caused an increase in the bank's fee earnings of 11 per cent

### Development in fee income





# Management Report

## Falling operating costs and operating depreciation, etc.

The total costs, operating costs and operating depreciation have been calculated at a total of DKK 273 million, which is DKK 4 million lower than in 2011. This corresponds to a reduction of 1.4 per cent. This development is among other things due to a reduction in the number of employees of the bank by 7 fulltime-employees during the year.

The bank's contribution to restoring financial stability was smaller in 2012 than during previous years, but still covers a considerable amount. In 2012, the bank contributed a total of DKK 11 million. This primarily covers ordinary contributions to the new Deposit Guarantee fund and is only to a limited extent due to the collapse of other banks.

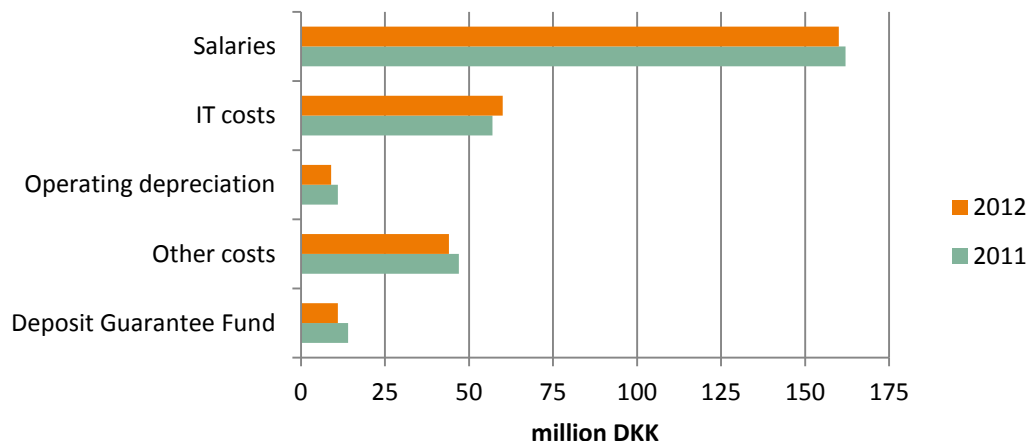
In the course of the past five years, Nordjyske Bank has contributed a total of DKK 107 million to restoring financial stability.

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

In 2012, the bank paid payroll tax of about DKK 14.4 million, just as lack of allowances for input VAT amounts to DKK 8.3 million.

Together with the direct income tax of DKK 25.5 million, the bank has for 2012 paid taxes and charges of a total of DKK 48.2 million, corresponding to an effective rate of taxation and charges of 44.

### Development in operating costs



# Management Report

## Small increase in write-downs

Write-downs on own lending and other receivables have been calculated at a total of DKK 131 million, which is DKK 19 million more than in 2011. It corresponds to a write-down percentage of 1.8, compared with last year's 1.6 per cent.

A material part of the increase in individual write-downs can be attributed to a single commitment, and half of this write-down has affected the fourth quarter of 2012. This happened independently of the inspection carried out by the Financial Supervisory Authority.

Write-downs on farming and fishing amounts to DKK 45 million compared with DKK 36 million last year.

The bank finds it satisfactory that the review carried out by the Financial Supervisory Authority in 2012 did not have any major effect on the bank's write-downs.

Furthermore, it appears from the report from the Danish Financial Supervisory Authority of 28 September 2012 that the bank has allowed for the known risks.

<b>Write-downs on lending</b> (amounts in million DKK)	<b>2012</b>	<b>2011</b>
Write-downs on individually assessed lending	154	116
Write-downs on lending assessed on a group basis	- 1	6
<b>Write-downs, total</b>	<b>153</b>	<b>122</b>
Received from receivables previously written down	2	3
Finally lost, not previously written down individually	8	14
Interest received regarding receivables written down	28	21
<b>Total effect on operations</b>	<b>131</b>	<b>112</b>



# Management Report



## Development in the bank's branches and staff

On the basis of the changed customer behaviour regarding their use of the bank, Nordjyske Bank has during recent years focussed a lot on adapting the branch structure. The number of cashier services has fallen considerably, and the customers are using credit/payment cards, online and mobile banking instead. At the same time, the advice provided has become more complex.

Therefore the bank closed down six offices in 2011, and in 2012, the bank chose to close down three branches. Employees are now employed in larger branches, leading to considerably more synergy and a possibility of efficient competence development with a view to being able to offer increased qualitative advice to the benefit of our customers.

At the same time, the opening hours for the cashiers have been reduced in five branches, leaving more time for customer advice.

In 2012 Nordjyske Bank moved its Copenhagen branch to a better location at Kultorvet.

In 2008, Nordjyske Bank introduced an intelligent employment freeze in order to reduce salary costs through natural turnover. The term "intelligent employment freeze" indicates that all terminations are assessed individually in relation to the need for reemployment and that the bank continues to carry out strategic employment.

Since the implementation of the intelligent employment freeze, the bank has implemented a net reduction of 34 employees, exclusively through natural turnover.

At the end of 2012, Nordjyske Bank had 277 employees, compared with 284 at the end of 2011.

*Security  
Efficiency  
Competence*

# Management Report

## Expectations for 2013

Nordjyske bank expects that also 2013 will be characterised by weak economic development.

The demand for lending to both private and commercial customers will continue to be moderate as a consequence of the general uncertainty regarding the market trends.

We expect continued growth in the bank's ordinary deposits of about 4-5 per cent. This growth is, however, expected to be balanced by a corresponding fall in the bank's pension deposits in connection with the customers' conversion of endowment contracts to retirement deposits.



For 2013, we expect core earnings before payments to the Deposit Guarantee Fund, write-downs on lending and price adjustment for securities in the range of DKK 175-210 million.

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

The most important uncertainty factor is the write-down item regarding lending and guarantees. Write-downs in 2013 are expected to continue to be at a relatively high level of 1.50-1.75 per cent of lending and guarantees.

### **Nordjyske Bank - the safe choice**

The bank expects the consolidation among Danish banks to continue during the years to come, and the bank expects to continue to be proactive in the expected structural adaptation. It is natural for us to want to grow in the northern part of Jutland, but also Copenhagen and Aarhus are extremely interesting for the bank. We will primarily focus on private customers and small and medium-sized commercial customers.

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

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

Nordjyske Bank  
- the safe choice



# Management Report

## Risk and risk management

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

These types of risks are described in detail in note 9 in the present annual report and in Risk Report 2012 which is available from the bank's website  
<http://alm.nordjyskebank.dk/Financial-Reports.129.aspx>

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

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

## Credit Risks

Key credit figures	2012	2011	2010	2009	2008
Lending in proportion to equity	4.3	4.6	5.0	5.5	5.4
The year's growth in lending as a percentage	- 3.4	- 4.0	- 0.9	6.2	12.2
Sum of large commitments as a percentage of core capital	23.3	37.1	33.0	*13.2	*41.1
The year's write-down percentage	1.8	1.6	1.3	1.3	0.6
Accumulated write-down percentage	7.5	5.8	4.1	3.6	2.5
Share of receivables with reduced interest rates as a percentage	2.7	1.1	0.9	0.6	0.4

*\* calculated according to previous rules*

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

This means among other things

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

The bank also carries out an ongoing credit rating of the customers by ability and preparedness to meet obligations.

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

**Risk report 2012  
is available at the bank's  
website**

<http://alm.nordjyskebank.dk/Financial-Reports.129.aspx>

# Management Report

## Credit rating

The economic situation has had its effect, but it is worth noting that almost 2/3 of the bank's lending and guarantees show no signs of weakness.

The table to the right shows the unsecured share of the bank's lending and guarantees at the end of 2012 after deduction of security which reduces the bank's risk materially.

Material changes have been made to the criteria in the bank's rating model, among other things on the basis of the changed guidelines for risk classification from the Danish Financial Supervisory Authority in 2012. Therefore, the risk classification cannot be compared with previous years.

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

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

### Lending and guarantees after write-downs

Distribution according to rating as at 31.12.2012 (amounts in million DKK)	Before deduction of security	After deduction of security
Good quality	1,789	511
Normal quality	484	152
Slightly reduced quality	2,072	951
Some weaknesses	583	300
Material weaknesses	534	290
With objective indication of value reduction	1,090	281
<b>Total lending and guarantees</b>	<b>6,552</b>	<b>2,485</b>

A quarterly stress test is carried out of the bank's lending and guarantee portfolio, together with a test of the ability of the credit rating model to capture commitments threatened by loss and write-down.

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

# Management Report

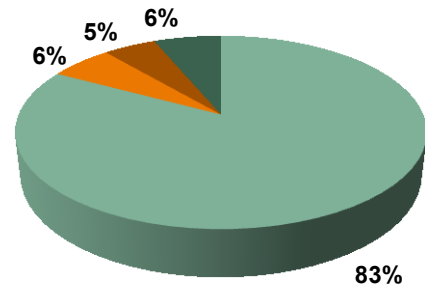
## Geographical distribution

The bank's lending and guarantees are distributed with 83 per cent in North Jutland and 6 per cent in the capital area where Nordjyske Bank has had - and continues to have - a branch for 27 years.

This means that 89 per cent of the bank's lending and guarantees originate from geographical areas in which the bank is physically represented.

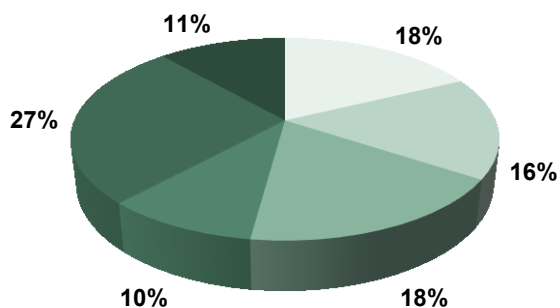
A material part of the bank's lending and guarantees abroad consists of lending to plant-growing abroad which is described on page 19 and where the risk of loss is considered highly limited.

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



## Commitment size

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



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

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

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

## Lending in foreign currencies

The Danish Financial Supervisory Authority stated in its report after its inspection that Nordjyske Bank has a number of customers who used to be financed in CHF, but that the vast majority of loans in CHF had been closed down in the course of 2011.

At the end of 2012, less than one per cent of the bank's lending is in CHF. The bank has a total of 6 per cent of its lending in foreign currencies, EUR accounting for 5 per cent. The bank is therefore of the opinion that the bank's lending involves limited foreign exchange risk.

# Management Report

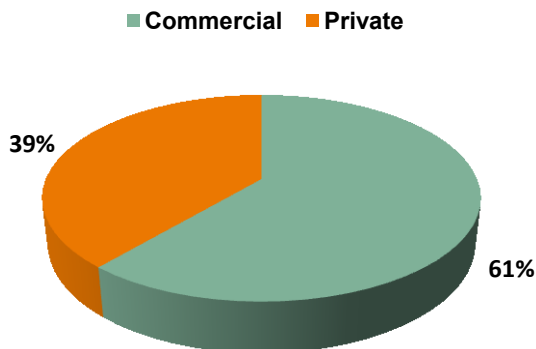
## Lending and guarantees

### Lending and guarantees

In the course of 2012, the bank's lending and guarantees fell by DKK 137 million, corresponding to a fall of just below 2 per cent.

The bank's gross lending and guarantees - before deduction of write-downs - have, however, increased marginally, which the bank considers highly positive. There is a fixed reflux of instalments on lending, which means that there is a need for new lending on an ongoing basis, just to ensure a constant volume.

### Distribution of lending and guarantees as at 31.12.2012



At the same time, the reason for the fall in lending and guarantees after write-downs is an increase in the bank's accumulated write-downs. The bank has charged relatively large write-downs to income during recent years because the current social risk involved in lending and guarantees is larger today than it was a few years ago. This is reflected in the bank's financial statements.

The bank's lending and guarantees are distributed as 61 per cent to commercial and 39 per cent to private customers. The goal of the bank is at least 35 per cent lending and guarantees to private customers, as the risk is considered smaller in the private segment.

### Lending

Distribution among sectors (amounts in million DKK)	2012	2011
Industry	3,600	3,651
Private clients	1,952	2,100
Public authorities	5	4
<b>Total lending</b>	<b>5,557</b>	<b>5,755</b>

The bank's total lending amounts to DKK 5,557 million. This corresponds to a reduction of DKK 198 million in 2011, or 3 per cent.

Industrial lending has been reduced by DKK 51 million, corresponding to 1 per cent, whereas lending to private individuals has decreased by DKK 148 million, corresponding to a reduction of 7 per cent.

For a long period of time, various media have shown statistics and articles about the general tendency to save, or lack of will to raise loans, among private customers. The development of the bank's lending is affected by the increasing savings ratio, the continued weak market conditions, and the derived weak investment climate for both commercial and private customers.

At the same time, part of the reduction in private lending is due to a large conversion activity in 2012, where some customers have raised additional loans at low rates of interest.

*The bank has charged relatively large write-downs to income during recent years.*



# Management Report

Distribution on lines of business as at 31. December 2012 (amounts in million DKK)	Lending and guarantees before write-downs	Accumulated write-downs and market price write-downs	The year's write-downs over operations
Public authorities	7	0	0
Danish commercial farming	1,420	210	44
Other lines of business	3,061	241	85
<b>Commercial, total</b>	<b>4,481</b>	<b>451</b>	<b>129</b>
Private clients	2,639	82	25
<b>Total</b>	<b>7,127</b>	<b>533</b>	<b>154</b>
Group write-downs		42	-1
Finally lost - not previously written down individually			8
Received regarding receivables, interest, etc., written down previously			30
<b>Total reservations</b>		<b>575</b>	<b>131</b>

The bank's private customers continue to show limited loss signals. Most private customers are not affected by the financial crisis in their day-to-day finances. On the contrary, some customers benefit from a low rate of interest on loans.

Challenges for private customers typically occur when they lose their income or are for other reasons forced to sell their home, which means that they may suffer a loss.

The write-downs on private customers in 2012 are relatively small compared with the share of private customers of lending and guarantees of 37 per cent.

The concentration on certain industries may - like any other concentration - lead to a larger risk. Consequently, Nordjyske Bank has fixed limits for all industries.

The property business is still facing challenges, but the bank has only limited lending to and risk from this industry with a share of 6 per cent.

Danish commercial farming constitutes an important concentration within the bank's lending and guarantees of 18 per cent. The bank's exposure to Danish commercial farming is explained in detail in the following.

Nordjyske Bank has lending and guarantees to the fishing industry amounting to 5 per cent of the bank's total lending and guarantees. The fishing industry has a natural position in the bank's primary market area, and the bank has long-standing experience with this industry, which is at the same time very important to the market area.

In 2012, a fishing centre has been established in the bank, as the fishing industry requires special competence for commercial advisors. The bank has much focus on the fishing industry, as this industry is highly susceptible to the political climate towards the fishing industry.

*Nordjyske Bank has in 2012 established a competence centre within fishing to provide advice to the bank's many customers within the fishing industry*

# Management Report

## Lending and guarantees to the agricultural sector

Farming is an important industry in the bank's market area, and the bank has relatively large lending to farming. It is an industry which has always made a favourable contribution to the earnings of Nordjyske Bank, and at the same time an industry very much in focus with the Bank. Partly because of the concentration, partly because the industry continues to face financial challenges.

In its report at the end of September 2012, the Financial Supervisory Authority stated that Nordjyske Bank is to a smaller extent than similar banks financing agricultural customers with high gearing. It is a general characteristic of the bank's agricultural clients that most of them have been in the industry for many years.

Distribution on types of farm as at 31. December 2012 (amounts in million DKK)	Lending and guarantees before write-downs	Accumulated write-downs and market price write-downs	Lending and guarantees after write-downs
Plant growing	378	25	353
Cattle breeding	427	110	317
Pig breeding	558	70	488
Fur farming	57	5	52
<b>Danish commercial farming</b>	<b>1,420</b>	<b>210</b>	<b>1,210</b>
Other farming	115	7	108
Fishery	367	20	347
Plant growing abroad	287	0	287
<b>Total</b>	<b>2,189</b>	<b>237</b>	<b>1,952</b>

The economic challenges for Danish commercial farming vary a lot among the different types of production, which is reflected in the bank's distribution of write-downs.

Write-downs and provisions for commitments with Danish commercial farming amount to DKK 187 million at the end of 2012. Add to this market value reductions for lending to Danish commercial farming received in connection with take-over of lending from Løkken Sparekasse and Øster Brønderslev Sparekasse of a total of DKK 23 million.

Write-downs, provisions and market price write-downs for commitments with Danish commercial farming thus amount to a total of DKK 210 million, corresponding to 15 per cent of lending and guarantees to the industry.

The bank's write-downs and provisions within Danish commercial farming are concentrated within cattle and pig breeding, where in particular cattle breeding is facing the largest financial challenges, because milk prices are falling and the price of feedstuffs increasing. Write-downs of DKK 110 million have been made on cattle breeding, corresponding to just over 25 per cent of the bank's lending and guarantees to this type of production.

In general, plant growing and fur farming have good financial results. Pig breeding benefits from a higher prices and low rate of interest in 2012, but is adversely affected by high purchase prices for feedstuffs. This is a benefit to pig breeders with a high own production of feedstuffs.

The security values for the calculation of write-downs do not exceed the value assessments for farming assets used by the Financial Supervisory Authority for farming assets when calculating write-downs.

*Nordjyske Bank has a relatively low exposure to farm customers with high gearing*

# Management Report

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

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

Of course, the bank is affected by the current financial challenges in the agricultural sector. A current stress test of the bank's agriculture portfolio shows that the current difficulties within the agricultural sector cannot threaten the bank.

### Lending to plant growing abroad

Lending to plant growing abroad amounts to 4 per cent of the bank's lending and guarantees. Such loans are considered to involve a very limited risk of loss for the bank, as they are secured by first-ranking mortgages together with state guarantee in the form of a guarantee issued by the Danish Export Credit Fund. At the same time, the equity contributed cash amounts to 45-50 per cent of the investment.

### Lending and guarantees to the agricultural sector after write-downs

Distribution according to rating as at 31. December 2012 (amounts in million DKK)	Before deduction of security	After deduction of security
Good quality	450	26
Normal quality	147	4
Slightly reduced quality	379	17
Some weaknesses	211	65
Material weaknesses	249	106
With objective indication of value reduction	516	163
<b>Total lending</b>	<b>1,952</b>	<b>381</b>

## Other risks

### Liquidity risk

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

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

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

### Market risk

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

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

# Management Report

## Liquidity

The bank's excess liquidity is 210 per cent, corresponding to DKK 1,700 million. The total liquidity calculated according to section 152 of FIL amounts to DKK 2,511 million at the end of 2012 and is to be compared with the statutory liquidity requirement of DKK 811 million.

In 2012, the bank repaid a syndicated loan of about DKK 470 million by means of own funds, which means that the total funding costs have been reduced even more.

Nordjyske Bank has reserves in the form of confirmed lines which have not been utilised.

The bank has not utilised the loan scheme of the Danish Central Bank with the extended security basis covering good quality lending. The loan scheme of the Danish Central Bank is an important liquidity reserve, although the bank does not expect to need additional liquidity because of the considerable "own liquidity" at the bank's disposal.

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

*The bank's excess liquidity is 210 per cent, corresponding to DKK 1,700 million*

<b>Deposits / lending</b> (amounts in million DKK)	<b>2012</b>	<b>2011</b>
Deposits	6,847	6,353
Lending	5,557	5,755
<b>Excess deposits</b>	<b>1,290</b>	<b>598</b>

### Development in deposits

The bank's excess deposits have increased a lot during the year because of people's increasing propensity to save. The excess deposits have increased by DKK 692 million and now amount to DKK 1,290 million.

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

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

<b>Stable funding</b> (amounts in million DKK)	<b>2012</b>	<b>2011</b>
<b>Lending</b>	<b>5,557</b>	<b>5,755</b>
Equity	1,304	1,245
Deposits, etc.	6,851	6,361
<b>Funding</b>	<b>8,155</b>	<b>7,606</b>
Excess amount	2,598	1,851
Funding ratio	0.68	0.76



# Management Report

## Capital

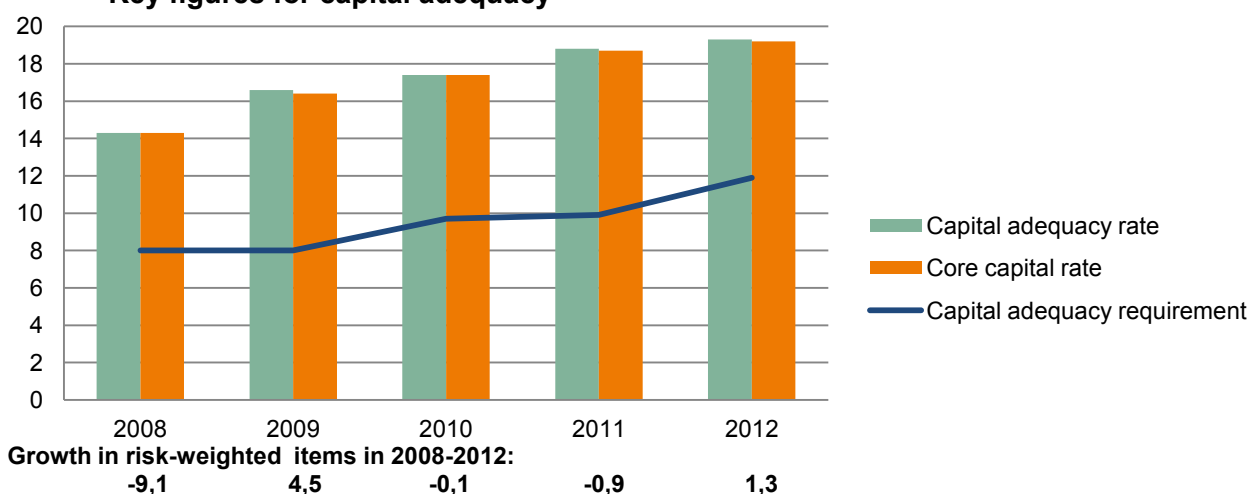
The bank's capital adequacy (solvency) is calculated by means of the standard methods for the calculation of credit risks outside the trading portfolio and market risks. The operational risks are calculated by means of the so-called basic indicator method.

As at 31 December 2012, the bank's capital adequacy rate amounts to 19.3%. The core capital percentage on the basis of equity amounts to 19.2.

According to the stipulation in the executive order on capital adequacy, the bank must publish detailed information about risks, capital structure, capital adequacy and risk control, etc. Such information appears from the bank's website <http://alm.nordjyskebank.dk/Financial-Reports.129.aspx>

<b>Core capital / risk-weighted items</b> (amounts in million DKK)	<b>2012</b>	<b>2011</b>
Equity	1,304	1,245
Deduction of		
- dividend	8	8
- goodwill, etc.	22	19
- investment shares in financial businesses	53	48
Subordinate capital	4	6
<b>Core capital</b>	<b>1,225</b>	<b>1,176</b>
<b>Risk-weighted items</b>	<b>6,351</b>	<b>6,271</b>
Capital adequacy rate	19.3	18.8
Core capital rate	19.2	18.7

### Key figures for capital adequacy



As it appears from the above, the bank has a nice and stable increase in the key figures for capital adequacy in the course of five years.

#### The individual capital adequacy requirement

At the end of 2012, Nordjyske Bank has used the credit reservation method - also referred to as the 8+ method - according to the instructions issued by the Danish Financial Supervisory Authority in December 2012.

The bank's calculations result in sufficient core capital of DKK 756 million, corresponding to an individual capital adequacy requirement of 11.9 per cent.

Compared with the actual capital adequacy of 19.3 per cent at the end of 2012, the bank has excess cover regarding the individual capital adequacy requirement of more than 60 per cent.

At the same time, the bank's sound capital adequacy is emphasised by the fact that the capital is based on equity.

**Further information about the calculated individual capital adequacy requirement appears from the bank's website**

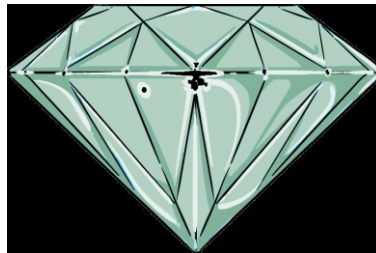
<http://alm.nordjyskebank.dk/Financial-Reports.129.aspx>

# Management Report

## The Supervision Diamond

The sum of large commitments must be < 125 per cent of core capital  
**Nordjyske Bank: 23 per cent**

Growth in lending must be < 20 per cent per year  
**Nordjyske Bank: -3 per cent**



Stable funding ratio must be < 1.0  
**Nordjyske Bank: 0.68**

Property exposure must be < 25 per cent of lending and guarantees  
**Nordjyske Bank: 6 per cent**

Excess liquidity must be > 50 per cent  
**Nordjyske Bank: 210 per cent**

In 2010, the Danish Financial Supervisory Authority introduced the so-called "Supervision Diamond" consisting of five key markers for the areas which are considered special risk areas for financial institutions. For each of the five key markers, the Financial Supervisory Authority has established a limit within which the banks should in principle stay from the end of 2012.

*At the end of 2012, Nordjyske Bank fully meets the limits fixed and the bank has done so since the introduction in 2010*

## Future capital and liquidity requirements

The bank is aware of the tightened requirements regarding capital and liquidity which the EU is expected to make in continuation of the rules of the Basel committee for the largest financial businesses in the world.

The bank does not expect to be affected by the capital requirements as far as capital adequacy is concerned, as most of the bank's capital is equity.

Our estimates still show that the bank will also be able to meet the expected liquidity requirements.

The rules have not yet been adopted, but at the beginning of 2013 the expected liquidity requirements have been eased compared with the previous draft.

## Consolidation

Of the year's result after taxes and other total income of a total of DKK 62 million, the suggestion is to distribute DKK 8 million as dividend and transfer the rest to equity.

In addition, the equity has during the year been increased by DKK 5 million net as a consequence of net sale of the bank's shares.

At the end of the year, the bank's equity amounts to a total of DKK 1,304 million.

# Management Report

## Proposals for the general meeting

At the bank's general meeting to be held on 12 March 2013 in Arena Nord in Frederikshavn, the Board of Directors will with the approval of the bank's Committee of Representatives present the following proposals:

- Proposal to reduce the bank's share capital by a nominal DKK 3.2 million to DKK 77.2 million. The reduction will be effected by means of the bank's holding of own shares (payment to capital owners, cf. section 188 (1) of the Danish Limited Companies Act. )
- Proposal to change the bank's Articles of Association:
  - The authorisation to increase the share capital will be changed to make it consistent with guidelines issued by the Danish Business Authority.

- The authorisation to increase the share capital is extended to 12 March 2018.
- The agenda for the ordinary general meeting is expanded with the item "Other business".
- The stipulation that a proxy can cast up to a maximum of 2,000 votes, including votes for own shares, is deleted.
- Proposal for change to salary policy is presented for approval.

The agenda and the complete proposals and the documents to be presented at the general meeting will be available for inspection at the bank's head office and at [www.nordjyskebank.dk](http://www.nordjyskebank.dk) from 13 February 2013 until and including 12 March 2013.

## Uncertainty in relation to inclusion and calculation

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

No events have occurred after the end of the financial year which will influence the bank's result for 2012, the bank's assets and liabilities, and its financial position as at the end of 2012.

Just like the other Danish banks, Nordjyske Bank is liable for losses of the Deposit Guarantee Fund in connection with the insolvency of other banks. Nordjyske Bank's most recently calculated share of the sector's liability towards the Deposit and Investment Guarantee Fund amounts to 0.68 per cent.

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

The most important estimates relate to

- write-downs on lending and receivables where quantification of the risk of missing future payments involves material estimates,
- valuation of intangible assets, regarding quantification of future earnings and the rate of interest used for the calculation,
- valuation of properties, regarding the interest rates used for calculation and the internal rental value, and
- valuation of unlisted sector shares, cf. below

Unlisted shares in companies owned by the bank jointly with a number of other banks, etc. - the so-called sector shares - involve material estimates in connection with the determination of the market value. The calculation of the market value is based on available information about current transactions. If no current market data is available, the market value is based on published company announcements or alternatively on capital value calculations.

# Management Report

## Subsidiary

Nordjyske Bank owns the entire share capital of Sæbygård Skov A/S. The result of the subsidiary for 2012 is included in the bank's income statement under "result of investments in associated businesses and subsidiaries". The shares have been included at DKK 12.4 million, which is the book value.

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

## Shareholders

The bank's share capital of DKK 80.4 million is divided into 8,040,000 shares of DKK 10 each. The shares have been adopted for listing at NASDAQ OMX Copenhagen.

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

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

With the approval of the Committee of Representatives, the Board of Directors is authorised to increase the share capital by up to DKK 69.6 million to a total of DKK 150 million. Of new shares issued according to the above authorisation, up to DKK 25 million can be offered for free subscription without pre-emptive rights for the bank's shareholders.

### Facts

More than 90 per cent of the share capital is owned by private shareholders who are predominantly also customers in the bank. Nordjyske Bank has just over 23,000 shareholders, but there is no "large shareholder", which means that no shareholder has according to section 55 and 56 of the Limited Companies Act reported that they own 5 per cent or more of the share capital.

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

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

Nordjyske Bank has obtained permission to own up to 5 per cent of the share capital and permission to reduce the share capital if the General Meeting so decides. The permission to own up to 5 per cent of the share capital applies until the planned reduction of the capital by DKK 3.2 million has been completed, or until 1 January 2014 at the latest.

The permissions from the Financial Supervisory Authority were granted on the basis of the bank's safe capital adequacy situation.

Capital reduction is proposed by using the bank's holding of its own shares as stated in the proposal for the general meeting. Everything else being equal, the capital reduction will be an advantage to the bank's existing shareholders compared with a sale of the shares at the current price level, which is lower than the book value.

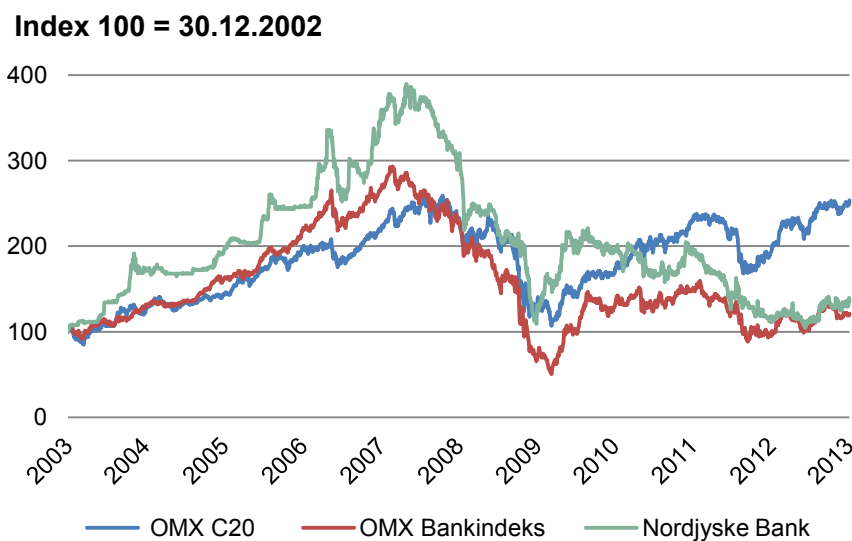
# Management Report

## The Nordjyske Bank share

In 2012, the share provided a return of 25 per cent in capital gain and dividend.

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

Below 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.



## Changes to the bank's Articles of Association

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

If at least two thirds of the share capital are not represented at the general meeting with voting right, proposals for changes to the Articles of Association made by the Committee of Representatives or the Board of Directors which have obtained at least two thirds of the votes cast can be adopted at a new general meeting with the above qualified majority, regardless of the size of the share capital represented.

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



# Management Report

## Bank Management

### Committee of Representatives

The Committee of representatives shall have at least 30 and no more than 60 members, at present 51 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 to reflect the bank's shareholders and business structure. When a member of the Committee of Representatives reaches the age of 67, the member in question shall retire from the Committee of Representatives at the subsequent ordinary general meeting.

### Board of Directors

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

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

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

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

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

The Board of Directors headed by the chairman carries out an annual evaluation of the Board meetings, level of information, etc., and of the competences and composition of the Board of Directors in the short and the long term. To ensure a reasonable balance between renewal and continuity in the work of the Board of Directors, the Board of Directors has decided to aim at a maximum period for each Board member, always provided that continuity takes precedence before the fixed maximum period.

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

### Audit Committee

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

The Audit Committee holds four ordinary meetings per year.

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

### Remuneration committee and policy

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

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

### Executive Board

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

# Management Report

## Information about the Board of Directors



**Hans Jørgen Kaptain**  
**Chairman of the Board of Directors**  
 Born 1946  
 Address in Sæby

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

Fee received in 2012 a total of DKK 284,000.

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

**Education**  
 LLM

**Executive positions and directorships**  
**Director**  
 Kaptain ApS

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

**Member of the Board of Directors**  
 Skagerak Salmon A/S  
 Dansk Træemballage Holding A/S with 5 subsidiaries  
 Holdingselskabet HT A/S  
 Hydra Tech A/S  
 HTHH A/S  
 GMC Holding A/S  
 RAIS A/S  
 Skanderborg Maskinforretning A/S  
 Mekanord 2009 A/S  
 Vanggaard Fonden (Sæby Fiske-Industri Koncernen)  
 Sigurd og Margit Espersens Familiefond (Skagerak  
 Koncernen)  
 Ann Birgitte og Niels Ørskov Christensens Familiefond  
 (Ørskov Koncernen)  
 Købstædernes Forsikring  
 Dafolo Fonden

**Shareholding**  
 Beginning of 2012: 12,304 shares • End of 2012: 12,304  
 shares



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

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

Fee received in 2012 a total of DKK 191,000.

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

**Education**  
 Diploma from General Motors  
 Top Governance, Aalborg Business Institute  
 CBA, Aalborg Business Institute

**Executive positions and directorships**  
**Director and member of the Board of Directors**  
 Uggerhøj A/S  
 Uggerhøj Aarhus A/S  
 Uggerhøj Holding ApS and three 100% owned subsidiaries  
 Ejendomsselskabet Weddelsborgvej 1 A/S

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

**Shareholding**  
 Beginning of 2012: 57,552 shares • End of 2012: 57,552  
 shares

# Management Report



**Erik Broholm Andersen**  
Born 1955  
Address in Gærum,  
Frederikshavn

Member of the Board of Directors since 2001  
Up for election in 2013  
Chairman of the Committee of Representatives

Fee received in 2012 a total of DKK 135,000.

Farm Owner

**Education**

Qualified farmer

**Executive positions and directorships**

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

**Member of the Board of Directors**

Gærum Brugsforening

**Shareholding**

Beginning of 2012: 2,840 shares • End of 2012: 2,840 shares



**Per Lykkegaard Christensen**  
Born 1959  
Address in Hjørring

Member of the Board of Directors since 2008  
Up for election in 2014

Fee received in 2012 a total of DKK 114,000.

Farm Owner

**Education**

Qualified farmer

**Executive positions and directorships**

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

Blahova ApS  
Lykkegaard Landbrug Holding ApS and a 100% owned subsidiary.

**Member of the Board of Directors**

Farmas A/S  
Donau Agro ApS  
AKV-Langholt AMBA  
Cargill AKV I/S  
Projekt 26.05.06 ApS

**Shareholding**

Beginning of 2012: 1,885 shares • End of 2012: 3,072 shares



**Ole Kristensen**  
Born 1944  
Address in Frederikshavn

Member of the Board of Directors since 2009  
Up for election in 2013  
Chairman of the audit committee

Fee received in 2012 a total of DKK 198,000.

Former bank director

**Education**

HD(R)  
State-authorized public accountant

**Executive positions and directorships**

**Member of the Board of Directors**

Jens Peter Røntved Holding ApS  
Christian Røntved Holding ApS  
Højvangen Holding ApS  
Anna Christiansens Mindelegat

**Shareholding**

Beginning of 2012: 2,380 shares • End of 2012: 2,380 shares



**Henrik Lintner**  
Born 1955  
Address in Hjørring

Member of the Board of Directors since 2007  
Up for election in 2013

Fee received in 2012 a total of DKK 114,000.

Pharmacist

**Education**

Graduate in pharmacology

**Executive positions and directorships**

**Member of the Board of Directors**

Medlemspension af 1.1.2005 A/S  
Bryghuset Vendia ApS

**Shareholding**

Beginning of 2012: 3,150 shares • End of 2012: 3,150 shares

# Management Report

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

Member of the Board of Directors elected by the employees since 2006  
Up for election in 2014

Fee received in 2012 a total of DKK 114,000.

Head of Housing Section

**Education**

Finance course  
Authorised estate agent

**Executive positions and directorships**

**Member of the Board of Directors**

Arena Nord  
Frederikshavn Idrætscenter I/S

**Shareholding**

Beginning of 2012: 1,402 shares • End of 2012: 1,749 shares



**Bjarne Jensen**  
Born 1966  
Address in Hjørring

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

Fee received in 2012 a total of DKK 114,000.

Customer advisor

**Education**

Finance course

**Executive positions and directorships**

**Shareholding**

Beginning of 2012: 1,966 shares • End of 2012: 2,280 shares



**Hanne Karlshøj**  
Born 1957  
Address in Bindslev

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

Fee received in 2012 a total of DKK 114,000.

Customer advisor

**Education**

Finance course

**Executive positions and directorships**

**Shareholding**

Beginning of 2012: 2,812 shares • End of 2012: 3,059 shares

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

# Management Report

## Information about the Executive Board



**Claus Andersen**  
Born 1966  
Address in Strandby

Appointed in 2000  
Member of the Executive Board in 2010

Payment received in 2012:  
Fixed salary, etc. DKK 2,016,000  
Pension contribution DKK 184,000  
The calculation includes the value of company car, etc.

### Education

Finance course  
HD(F)  
Executive programme

### Executive positions and directorships

#### Chairman of the Board

Sæbygård Skov A/S

#### Member of the Board of Directors

BI Holding A/S (BankInvest)  
Local banks

### Area of responsibility

Credit  
Finance and IT  
Finance centre

### Shareholding

Beginning of 2012: 1,801 shares • End of 2012: 1,801 shares

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



**Mikael Jakobsen**  
Born 1958  
Address in Hjørring

Appointed in 1977  
Member of the Executive Board in 2010

Payment received in 2012:  
Fixed salary, etc. DKK 2,003,000  
Pension contribution DKK 184,000  
The calculation includes the value of company car, etc.

### Education

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

### Executive positions and directorships

#### Area of responsibility

HR  
Sale and marketing  
Business development  
Business support

### Shareholding

Beginning of 2012: 2,252 shares • End of 2012: 3,261 shares



# Management Report

## Preparation of financial statements

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

### **Control environment**

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

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

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

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

### **Risk assessment**

The Board of Directors and the Executive Board will on an ongoing basis assess risks in connection with the preparation of accounts.

As part of the risk assessment, the Board of Directors, including the Audit Committee, 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

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## Good corporate management

As a listed company, Nordjyske Bank is covered by the recommendations for good corporate management issued by the Committee of Good Corporate Management. Add to this the recommendations on good corporate management in banks and external audit issued by the Danish Bankers' Association.

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

## Social responsibility

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

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

# The Bank in figures

2012



Nordjyske Bank

# Income Statement

## Income Statement

Amounts in DKK 1,000	note	2012	2011
Interest income	3	423.425	444.159
Interest expenses	4	70.843	86.820
<b>Net interest income</b>		<b>352.582</b>	<b>357.339</b>
Dividend of shares, etc.		6.454	1.464
Fees and commission income	5	116.277	105.320
Fees and commission income paid		3.257	2.935
<b>Net interest and fee income</b>		<b>472.056</b>	<b>461.188</b>
Market value adjustments	6	23.291	5.151
Other operating income		6.122	5.718
Staff and administration costs	7	262.507	262.701
Depr. and write-downs, intangible and tangible assets		9.084	11.004
Other operating costs		12.599	17.085
Write-downs on loans and receivables, etc.		130.690	112.694
Profit or loss from investments in associated and group enterprises		42	- 992
<b>Pre-tax result</b>		<b>86.631</b>	<b>67.581</b>
Tax	8	25.558	17.094
<b>The year's result</b>		<b>61.073</b>	<b>50.487</b>

## Other total income

Amounts in DKK 1,000	2012	2011
Increases in reassessed value of headquarters properties	4.894	1.914
Reversals of such increases	3.833	1.545
<b>Net change</b>	<b>1.061</b>	<b>369</b>

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

# Balance Sheet

## Balance Sheet, 31 December

### Assets

Amounts in DKK 1,000

	note	2012	2011
Cash balance and demand deposits at central banks		131.928	81.394
Receivables from credit institutions and central banks	10	334.423	582.893
Loans and other receivables at market value	11+12	0	10.100
Loans and other receivables at amortised cost price	11+12	5.556.886	5.745.240
Bonds at market value	13	1.042.242	664.927
Shares, etc.	14	226.758	221.226
Investments in associated enterprises		699	699
Investments in group enterprises		12.431	12.389
Assets related to pooled schemes	15	871.202	777.844
Intangible assets	16	13.784	15.684
Land and buildings, total	17	139.552	146.250
- Investment properties		38.645	40.183
- Headquarters properties		100.907	106.067
Other tangible assets	18	5.315	6.480
Current tax assets		0	3.698
Deferred tax assets	8	3.800	0
Temporary assets		2.842	12.530
Other assets		72.315	86.441
Prepayments and accrued income		5.870	5.784
<b>Total assets</b>		<b>8.420.047</b>	<b>8.373.579</b>



# Balance Sheet

## Balance Sheet, 31 December

<b>Liabilities</b>			
Amounts in DKK 1,000	note	<b>2012</b>	<b>2011</b>
<b>Payables</b>			
Payables to credit institutions and central banks	22	118.244	630.085
Total deposits and other payables		6.846.811	6.352.708
- deposits and other payables	23	5.810.988	5.423.687
- deposits in pooled schemes		1.035.823	929.021
Issued bonds at amortised cost	24	1.347	1.347
Current tax liabilities		13.940	0
Other liabilities		116.522	124.159
Prepayments and deferred income		5	9
<b>Total debts</b>		<b>7.096.869</b>	<b>7.108.308</b>
<b>Provisions</b>			
Provisions for pensions and similar liabilities	25	4.637	5.499
Provisions for deferred tax	8	0	2.100
Provisions for losses on guarantees		1.660	1.845
Other provisions		6.033	3.760
<b>Total provisions</b>		<b>12.330</b>	<b>13.204</b>
<b>Subordinated investments</b>			
<b>Subordinated investments</b>	26	<b>6.845</b>	<b>6.845</b>
<b>Equity</b>			
Share capital	27	80.400	80.400
Revaluation reserves		25.581	24.520
Other reserves			
- statutory reserves		4.185	4.143
Retained earnings		1.185.797	1.128.119
Suggested dividend		8.040	8.040
<b>Total equity</b>		<b>1.304.003</b>	<b>1.245.222</b>
<b>Total liabilities</b>		<b>8.420.047</b>	<b>8.373.579</b>

# Equity Movements

## Changes to Equity

Amounts in DKK 1,000	2012		2011	
<b>Share capital</b>				
Share capital, start of the year	80.400		80.400	
Capital additions or reductions	<u>0</u>		<u>0</u>	
Share capital, end of the year		80.400		80.400
<b>Provisions for appreciation</b>				
Provisions for appreciation, start of the year	24.520		24.151	
Other total income	<u>1.061</u>		<u>369</u>	
Provisions for appreciation, end of the year		25.581		24.520
<b>Other reserves</b>				
Statutory reserves, start of the year	4.143		5.135	
The year's profit	<u>42</u>		<u>- 992</u>	
Statutory reserves, end of the year		4.185		4.143
<b>Retained profit</b>				
Retained profit, start of the year	1.128.119		1.088.126	
The year's profit	61.073		50.487	
Other total income	<u>1.061</u>		<u>369</u>	
Total income, total	62.134		50.856	
- transferred to statutory reserves	- 42		992	
- transferred to suggested dividend	- 8.040		- 8.040	
- transferred to provisions for appreciation	- 1.061		- 369	
Income and expenses entered directly in the equity				
Dividend of own shares	350		355	
Sale of own shares	25.436		30.664	
Purchase of own shares	<u>- 21.099</u>		<u>- 34.465</u>	
Retained profit, end of the year		1.185.797		1.128.119
<b>Suggested dividend</b>				
Suggested dividend, start of the year	8.040		8.040	
Dividend paid	- 7.690		- 7.685	
Transferred dividend, own shares	- 350		- 355	
The year's result	<u>8.040</u>		<u>8.040</u>	
Suggested dividend, end of the year		<u>8.040</u>		<u>8.040</u>
<b>Equity, end of the year</b>		<u>1.304.003</u>		<u>1.245.222</u>

# Notes

## Accounting policy

### General information

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

### Changes to accounting policies

The accounting policies remain unchanged compared with the annual report for 2011.

### Group structure

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

### Inclusion

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

### Accrual

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

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

### Acquisitions

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

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

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

### Valuation - receivables and lending

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

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

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

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

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

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

# Notes

## Accounting policy

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

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

### Valuation - securities

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

Unlisted shares in companies owned jointly by the bank with a number of other financial institutions, etc., have been valued at market value. The calculation of the market value is based on available information about current transactions. If no current market data is available, the market value is based on published company announcements or alternatively on capital value calculations.

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

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

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

### Valuation - intangible fixed assets

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

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

### Valuation - tangible fixed assets

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

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

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

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

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

# Notes

## Accounting policy

### Valuation - financial obligations

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

### Foreign exchange

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

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

### Pension obligations and other staff obligations

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

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

### Guarantees

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

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

### Taxation

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

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



# Notes

## Notes with five-year surveys

### 1. Five years' selected financial data (amounts in million DKK)

	2012	2011	2010	2009	2008
<b>Income statement</b>					
Net interest income	352,6	357,3	352,9	340,1	285,8
Fees and commission income, net	113,0	102,4	97,1	90,4	80,7
Net interest and fee income	472,1	461,2	454,7	438,2	372,7
Market value adjustments	23,3	5,2	44,7	14,3	32,5
Staff and administration costs	262,5	262,7	258,6	254,8	218,9
Write-downs on loans and receivables, etc.	130,7	112,7	96,7	101,1	38,3
Result of investments in associated and group companies	0,0	1,0	0,6	0,0	4,0
Pre-tax result	86,6	67,6	120,4	70,1	81,1
The year's result	61,1	50,5	92,9	62,7	60,3
Other total income	1,1	0,4	0,5	2,4	1,8
<b>Balance Sheet</b>					
Lending	5.557	5.755	5.997	6.051	5.701
Bonds	1.042	665	733	410	388
Shares, etc.	227	221	216	165	176
Investments in associated and group companies	13	13	14	14	14
Investment properties	39	40	40	40	35
Headquarters properties	101	106	107	106	96
Temporary assets	3	13	1	1	1
Deposits, incl. pooled schemes	6.847	6.353	6.406	6.424	5.035
Subordinated loan capital	7	7	7	7	4
Equity	1.304	1.245	1.206	1.107	1.052
Total assets	8.420	8.374	8.646	8.962	8.054
Guarantees	995	934	1.254	1.415	1.077

# Notes

## Notes with five-year surveys

### 1. Five years' selected key figures

(amounts in million DKK)

	2012	2011	2010	2009	2008
<b>Capital adequacy</b>					
Capital adequacy rate	19,3	18,8	17,4	16,6	14,3
Core capital percentage	19,2	18,7	17,4	16,4	14,3
<b>Earnings</b>					
Return on equity before tax	6,8	5,5	10,4	6,5	7,8
Return on equity after tax	4,8	4,1	8,0	5,8	5,8
Earnings per cost krone	1,2	1,2	1,3	1,2	1,3
Costs as a percentage of core earnings	56,4	58,5	57,1	58,1	58,5
<b>Market risks</b>					
Interest risk as a percentage of core capital	- 0,8 -	1,0 -	0,4	0,1	0,7
Foreign exchange position as a percentage of core capital	0,9	1,4	1,2	3,2	5,0
Foreign exchange risk as a percentage of core capital	0,0	0,0	0,0	0,0	0,0
<b>Credit risks</b>					
Loans in proportion to equity	4,3	4,6	5,0	5,5	5,4
The year's growth in lending as a percentage	- 3,4 -	4,0 -	0,9	6,2	12,2
The sum of large commitments as a percentage of core capital	23,3	37,1	33,0	13,2 *)	41,1 *)
The year's write-down percentage	1,8	1,6	1,3	1,3	0,6
Accumulated write-down percentage	7,5	5,8	4,1	3,6	2,5
Share of receivables with reduced interest rate as a percentage	2,7	1,1	0,9	0,6	0,4
Property exposure before write-downs	6,4	5,9	5,1	7,2	5,8
<b>Liquidity risks</b>					
Lending including write-downs in proportion to deposits	88,9	97,1	98,3	98,2	116,5
Excess cover compared with statutory liquidity requirements as a percentage	209,7	178,9	255,0	157,2	90,6
Stable funding ratio	0,68	0,76	0,79	0,80	0,94
<b>The Nordjyske Bank share</b>					
DKK per share of DKK 10					
The year's result per share	7,6	6,3	11,6	7,8	7,5
Book value per share	169,1	162,6	156,7	144,7	136,5
Listed price	83,0	66,0	117,0	115,0	78,0
Dividend per share	1,0	1,0	1,0	0,0	0,0
Listed price/the year's result per share	10,93	10,51	10,12	14,75	10,40
Listed price/book value per share	0,49	0,41	0,75	0,79	0,57

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

# Notes

## Notes for the Income Statement

### 3. Interest income

Amounts in DKK 1,000

	2012	2011
Receivables from credit institutions and central banks	3.092	5.558
Lending and other receivables	407.338	406.012
Bonds	13.136	26.537
Derived financial instruments, total		
- foreign exchange contracts	- 448	5.521
- interest contracts	253 - 195	358
Other interest income	54	173
<b>Total interest income</b>	<b>423.425</b>	<b>444.159</b>

There are no interest income from genuine purchasing and repurchasing transactions

### 4. Interest expenses

Amounts in DKK 1,000

	2012	2011
Debt to credit institutions and central banks	4.741	9.354
Deposits and other debts	65.658	60.868
Bonds issued	59	16.305
Subordinated capital	246	247
Other interest expenses	139	46
<b>Total interest expenses</b>	<b>70.843</b>	<b>86.820</b>

There are no interest expenses from genuine purchasing and repurchasing transactions

### 5. Fees and commission income

Amounts in DKK 1,000

	2012	2011
Security trading and custody accounts	33.397	36.296
Payment services	14.027	15.939
Loan transaction fees	36.835	27.848
Guarantee commission	9.959	8.455
Other fees and commission income	22.059	16.782
<b>Total fees and commission income</b>	<b>116.277</b>	<b>105.320</b>

# Notes

## Notes for the Income Statement

### 6. Market value adjustments

Amounts in DKK 1,000

	2012		2011	
Loans and other receivables at market value	-	100	-	15
Bonds		11.302		2.129
Shares, etc.		7.898	-	410
Investment properties	-	1.378	-	1.336
Foreign exchange		5.866		6.608
Derived financial instruments				
- currency swap	-	37		2
- interest swap		44		51
		7		53
Assets related to pooled schemes		61.003	-	16.522
Deposits in pooled schemes	-	61.307		14.644
Total market value adjustments		23.291		5.151

### 7. Staff and administration costs

Amounts in DKK 1,000

	2012		2011	
Staff costs				
Salaries		128.899		129.814
Pension		14.554		15.643
Costs of social security, etc.		16.476		16.487
		159.929		161.944
Other administration costs		102.578		100.757
Total staff and administration costs		262.507		262.701
<b>Remuneration for Board of Directors</b>		1.378		1.378
Number of people		9		9
<b>Remuneration for the Executive Board</b>				
Fixed salary, etc.		4.019		4.999
Salary, etc., during the retirement period		0		825
Severance pay		0		115
Pension		368		989
Remuneration for the Executive Board, total		4.387		6.928
Number of people		2		3

Jens Ole Jensen, Director, retired on 31.05.2011

# Notes

## Notes for the Income Statement

### 7. Staff and administration costs, continued

Amounts in DKK 1,000

	2012	2011
<b>Remuneration for employees whose activities materially influence the bank's risk profile</b>		
Fixed salary, etc.	5.729	4.377
Pension	<u>528</u>	<u>400</u>
Total remuneration	<u>6.257</u>	<u>4.777</u>
 Number of people	 5	 4
 Incentive schemes		
<p>No incentive scheme has been established for members of the bank's management. Variable salary is not paid.</p>		
 Retirement of the members of the Executive Board:		
<p>The bank's directors can retire with six months' notice on the part of the members of the Executive Board 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.</p>		
 Number of employees		
<p>The average number of employees during the financial year, calculated as full-time employees</p>		
	270	279
 Auditing fee for:		
Statutory auditing of financial statements	663	720
Statement tasks with security	44	29
Fee for tax advice	38	46
Other services	<u>8</u>	<u>44</u>
Total	<u>753</u>	<u>839</u>



# Notes

## Notes for the Income Statement

### 8. Tax

Amounts in DKK 1,000

	2012		2011	
	Income	Tax 25 pct.	Income	Tax 25 pct.
Tax rate				
Tax on the year's income				
Tax included in the income statement				
Result before tax and subsidiaries	86.589	21.647	68.573	17.143
Capital gains fixed assets, not taxable	5.411 -	1.353	1.448 -	362
Total credit *)	38.195	9.549	0	0
Other not taxable income	183 -	46	367 -	92
Expenses which are not deductible	3.597	899	4.157	1.039
Tax regulations		79	-	736
Current tax		30.775		16.992
Regulation of deferred tax	-	5.900		500
Subsequent regulation of previous years' tax		683	-	398
Total tax on the year's result		25.558		17.094
Deferred tax				
Unrealised profits from securities, etc.	5.521	1.380	29.474	7.369
Tangible fixed assets	- 3.615 -	904	- 3.097 -	774
Fees and commissions	- 13.221 -	3.305	- 14.440 -	3.610
Goodwill	- 986 -	247	- 514 -	129
Other, net	-	724	-	756
Deferred tax, total	-	3.800		2.100

\*) Final settlement regarding Nordjyske

Bank's sale of shares in Totalkredit to Nykredit.

The amount was added to income during the period 2008 - 2012

# Notes

## Notes for the balance sheet

### 9. Financial risks

Nordjyske Bank undertakes credit risks on the basis of a credit policy set up with the following aims:

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

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

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

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

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

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

#### Credit Risks

Nordjyske Bank undertakes credit risks on the basis of a credit policy set up with the following aims:

- there must be a well-balanced relation between the risks undertaken and the return obtained by the bank
- the bank's loss must be at an acceptable level compared with comparable Danish banks
- it must be possible to cover the bank's loss by the bank's results.

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 core capital.

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

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

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

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

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

- Operating equipment:  
Calculation of the loan value for operating equipment is made according to the straight-line method. Typically 20-33 per cent will be written off immediately, followed by an ongoing write-down of the value of the assets during the useful life.
- Real property:  
The loan value of mortgages in private properties is typically at the level of 80 per cent of the market value less higher-ranking mortgages. The loan value is fixed individually on the basis of the characteristics of the individual properties, among other things location and size.  
The loan value of mortgage in business properties, including agricultural properties, is fixed on the basis of the market value less higher-ranking mortgages. The loan value is fixed individually on the basis of the characteristics of the individual properties, among other things location and size, or on the basis of an independent valuation, alternatively an official public property valuation.

# Notes

## Notes for the balance sheet

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

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

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

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

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

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

### Market risks

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

Risks are primarily interest risks.

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

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

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

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

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

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

# Notes

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## Notes for the balance sheet

### 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 to finance the loan portfolio by the sum of

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

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

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

### Operational risks

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

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

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

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

# Notes

## Notes for the Balance Sheet

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

Amounts in DKK 1,000

	2012	2011
Receivables on demand	321.750	166.432
Remaining term:		
- up to and including 3 months	0	364.986
- from 3 months up to and including 1 year	1.126	37.496
- from 1 year up to and including 5 years	11.547	13.979
Total receivables from credit institutions and central banks	<u>334.423</u>	<u>582.893</u>
Time receivables from credit institutions and central banks	0	284.986
Receivables from credit institutions	<u>334.423</u>	<u>297.907</u>
Total receivable from credit institutions and central banks	<u>334.423</u>	<u>582.893</u>

### 11. Lending and other receivables

Amounts in DKK 1,000

	2012	2011
Demand receivables	866.874	855.384
Remaining term:		
- up to and including 3 months	308.815	595.819
- from 3 months up to and including 1 year	2.108.557	1.866.101
- from 1 year up to and including 5 years	1.335.230	1.385.256
- more than 5 years	937.410	1.052.780
Total lending	<u>5.556.886</u>	<u>5.755.340</u>



# Notes

## Notes for the Balance Sheet

### 12. Credit risk

Amounts in DKK 1,000

	2012		2011	
<b>A. Lending and other guarantees by sector and industries</b>				
Public authorities		0,1%		0,1%
Agriculture, hunting, forestry and fishing:				
Agriculture	19,2%		18,6%	
Plant growing abroad	4,3%		3,6%	
Fur farming	0,8%		1,1%	
Fishing	5,3%		4,4%	
Agriculture, hunting, forestry and fishing, total	29,6%		27,7%	
Industry and raw material extraction	5,7%		6,4%	
Energy supply	0,3%		0,2%	
Building and construction	3,0%		3,4%	
Trade	5,9%		5,9%	
Transport, hotels and restaurants	2,6%		2,9%	
Information and communication	0,3%		0,3%	
Financing and insurance	3,3%		2,3%	
Real property	6,1%		6,0%	
Other industries	4,5%	61,3%	5,4%	60,5%
Private		38,6%		39,4%
Total		100,0%		100,0%
<b>B. Maximum credit exposure without considering security</b>				
		Incl. In Bal. Sheet		Incl. In Bal. Sheet
Business	5.484.953	4.007.883	5.406.356	4.042.619
Public authorities	12.075	6.936	11.811	7.069
Private	3.367.673	2.537.475	3.469.389	2.639.630
Total	8.864.701	6.552.294	8.887.556	6.689.318
*) incl. contingent liabilities				
<b>Security received for maximum credit exposure</b>				
Cars, operating equipment and current assets		950.207		894.149
Properties		2.615.781		2.796.922
Guarantees		154.625		152.745
Securities and cash deposits, etc.		347.672		349.063
Total		4.068.285		4.192.879
Business		2.877.896		2.826.265
Public authorities		8.328		8.050
Private		1.182.061		1.358.564
Total		4.068.285		4.192.879

# Notes

## Notes for the Balance Sheet

### 12. Credit risk, continued

Amounts in DKK 1,000

	2012	2011
<b>C. Lending with individual write-down</b>		
Business, total	1.264.196	1.031.936
Private	<u>157.635</u>	<u>114.146</u>
Total	<u>1.421.831</u>	<u>1.146.082</u>
<b>D. Individual write-downs carried out because of:</b>		
Liquidation	63.125	54.091
Collection and suspension of payments	312.730	228.498
Other financial difficulties	<u>1.045.976</u>	<u>863.493</u>
Total	<u>1.421.831</u>	<u>1.146.082</u>
<b>E. Lending with objective indication of value reduction:</b>		
Individually written-down lending:		
Value before write-down	1.383.476	1.129.867
Value after write-down	920.693	768.538
Lending written down on a group basis:		
Value before write-down	3.576.978	2.823.259
Value after write-down	3.545.936	2.790.791
<b>F. Write-downs on loans</b>		
Individual write-downs:		
Start of the year	377.544	278.673
Write-downs during the year	245.144	213.232
Reversal of write-downs carried out during previous financial years	91.488	95.369
Final loss, previously written down individually	<u>30.063</u>	<u>18.992</u>
End of the year	<u>501.137</u>	<u>377.544</u>
Group-based write-downs		
Start of the year	32.468	26.037
Write-downs during the year	1.613	6.683
Reversal of write-downs made during previous financial years	<u>3.040</u>	<u>252</u>
End of the year	<u>31.041</u>	<u>32.468</u>

# Notes

## Notes for the Balance Sheet

### 12. Credit risk, continued

Amounts in DKK 1,000

	2012		2011
	Business	Private	
<b>G. Lending which has not been written down and is not in arrears, by credit rating:</b>			
Rating category			
10 - 23 good quality commitments	779.405	548.394	
31 normal quality commitments	270.791	133.872	
32 - 33 commitments with slightly reduced quality	879.822	882.673	
38 commitments with some weaknesses	320.599	228.087	
39 commitments with material weaknesses	529.059	86.589	
	<u>2.779.676</u>	<u>1.879.615</u>	
In 2012 material changes have been made to the criteria in the bank's rating model, a.o. because of changes instructions for risk classification from the Danish Financial Supervisory Authority. Therefore, the risk classification cannot be compared with previous years. Comparative figures have therefore been omitted.			
<b>H. Arrears by period</b>			
Up to 90 days		26.802	28.126
More than 90 days		2.609	1.258
		<u>29.411</u>	<u>29.384</u>

### 13. Bonds at market value

Amounts in DKK 1,000

	2012	2011
Mortgage bonds	964.766	625.647
Gov. Bonds	0	1.642
Other listed bonds	77.476	37.638
Total bonds at market value	<u>1.042.242</u>	<u>664.927</u>

# Notes

## Notes for the Balance Sheet

### 14. Shares

Amounts in DKK 1,000

	2012		2011	
Listed shares		15.441		21.794
Unlisted shares, etc., at market value		4		8
Sector shares, etc., at market value		208.792		197.273
Other capital shares at original cost		2.521		2.151
Shares, etc. Total		<u>226.758</u>		<u>221.226</u>
Distribution of sector shares:				
Asset management and pension				
Bankinvest Holding A/S		8.374		7.857
Let Pension Holding A/S		2.170		2.139
Sparinvest Holding A/S		11.987		11.358
Sector infrastructure:				
Bankernes Kontantservice A/S		805		391
Bluegarden Holding A/S		478		4.289
Nets Holding A/S		19.688		19.688
Swift		98		98
Værdipapircentralen A/S		683		683
Bankdata		16.228		15.468
Mortgage credit, etc.				
Landbrugets Finansieringsbank		564		0
Danmarks Skibskredit A/S		1.197		1.197
DLR Kredit A/S		112.125		100.782
PRAS A/S		34.395		33.323
Total sector shares		<u>208.792</u>		<u>197.273</u>

### 15. Assets related to pooled schemes:

Amounts in DKK 1,000

	2012		2011	
Bonds				
Index-linked bonds		268.115		268.169
Other bonds		<u>324.707</u>		<u>310.387</u>
		592.822		578.556
Shares				
Other shares		<u>278.380</u>		<u>199.288</u>
		278.380		199.288
		<u>871.202</u>		<u>777.844</u>

# Notes

## Notes for the Balance Sheet

### 16. Intangible assets

Amount in DKK 1,000

	2012		2011	
Customer relations:				
Total cost price, start of the year	19.000		19.000	
Added during the year	<u>0</u>	19.000	<u>0</u>	19.000
Depreciation, start of the year	5.100		3.200	
Depreciation during the year	<u>1.900</u>	<u>7.000</u>	<u>1.900</u>	<u>5.100</u>
Book value, end of the year		<u>12.000</u>		<u>13.900</u>
Goodwill:				
Total cost price, start of the year	1.988		1.988	
Added during the year	<u>0</u>	1.988	<u>0</u>	1.988
Write-downs, start of the year	204		204	
Write-downs during the year	<u>0</u>	<u>204</u>	<u>0</u>	<u>204</u>
Book value, end of the year		<u>1.784</u>		<u>1.784</u>
Intangible assets, total		<u>13.784</u>		<u>15.684</u>

### 17. Land and buildings

Amounts in DKK 1,000

	2012		2011	
Investment properties				
Market value, start of the year		40.183		39.609
Added during the year, including improvements		5.797		1.910
Disposed of during the year	-	5.957		0
The year's value regulation to market value	-	<u>1.378</u>	-	<u>1.336</u>
Market value, end of the year		<u>38.645</u>		<u>40.183</u>



# Notes

## Notes for the Balance Sheet

### 17. Land and buildings

Amounts in DKK 1,000

	2012	2011
Headquarters properties:		
Re-assessed value, start of the year	106.067	107.194
Added during the year, including improvements	47	5.575
Disposed of during the year	- 3.145	- 2.001
Depreciation	- 1.735	- 1.888
Value changes during the year, included directly in the equity	1.061	369
Value changes during the year, included directly in the income statement	- 1.388	- 3.182
End of the year	<u>100.907</u>	<u>106.067</u>

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

### 18. Other tangible assets:

Amounts in DKK 1,000

	2012	2011
Total cost price, start of the year	51.326	53.939
added during the year, including improvements	2.928	3.962
disposed of during the year	- 2.116	- 6.575
	<u>52.138</u>	<u>51.326</u>
Depreciation and write-downs, start of the year	44.846	47.030
the year's allowances for depreciation	4.060	4.033
write-downs	- 2.083	- 6.217
	<u>46.823</u>	<u>44.846</u>
Book value, end of the year	<u>5.315</u>	<u>6.480</u>

### 19. Market value of financial instruments

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

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

# Notes

## Notes for the Balance Sheet

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

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

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

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

Amounts in DKK 1,000	2012		2011	
	Book value	Current value	Book value	Current value
<b>Financial assets</b>				
Cash in hand and demand deposits with central banks	131.928	131.928	81.394	81.394
Receivables from credit institutions and central banks	334.423	334.423	582.893	582.893
Loans and other receivables at market value	0	0	10.100	10.100
Loans and other receivables at amortised cost price	5.556.886	5.568.627	5.745.240	5.753.966
Bonds at current value	1.042.242	1.042.242	664.927	664.927
Shares, etc.	226.758	226.758	221.226	221.226
Assets related to pooled schemes	871.202	871.202	777.844	777.844
Derived financial instruments	29.448	29.448	36.928	36.928
<b>Financial assets, total</b>	<b>8.192.887</b>	<b>8.204.628</b>	<b>8.120.552</b>	<b>8.129.278</b>
<b>Financial obligations</b>				
Debt to credit institutions and central banks	118.244	118.244	630.085	632.234
Deposits and other debts	5.810.988	5.865.957	5.423.687	5.460.469
Deposits in pooled schemes	1.035.823	1.035.823	929.021	929.021
Issued bonds at amortised cost price	1.347	1.380	1.347	1.415
Derived financial instruments	29.660	29.660	38.279	38.279
Subordinated capital investments	6.845	6.868	6.845	7.014
<b>Financial obligations, total</b>	<b>7.002.907</b>	<b>7.057.932</b>	<b>7.029.264</b>	<b>7.068.432</b>

# Notes

## Notes for the Balance Sheet

### 20. Derived financial instruments

Amounts in DKK 1,000

					2012	2011
	Up to and incl. 3 mths	3 mths up to and incl. 1 year	1 year up to and incl. 5 years	More than 5 years	total	total
<b>Nominal values</b>						
Foreign exchange-related transactions:						
forward trans., purchases	111.953	6.768			118.721	297.967
forward trans., sale	536.367	7.833			544.200	665.720
unsettled spot transact., purch.	42.848				42.848	1.914
unsettled spot transact., sale	226				226	9.368
currency swaps		21.061			21.061	68.147
Interest-related transactions:						
forward transact., purchases	1.594				1.594	3.482
unsettled spot transact., purch.	8.416				8.416	53.058
unsettled spot transact., sale	7.798				7.798	3.126
interest swaps	22.257	48.424	64.792	143.982	279.455	349.369
Share-related transactions						
unsettled spot transact., purch.	12.051				12.051	8.384
unsettled spot transact., sale	10.880				10.880	12.130
<b>Net market values</b>						
Foreign exchange-rel. transact.						
forward transact., purchases	5.561	271			5.832	- 574
forward transact., sale	- 5.294	- 228			- 5.522	- 423
unsettled spot transact., purch.	15				15	- 2
unsettled spot transact., sale	1				1	1
currency swaps					0	0
Interest-related transactions:						
forward transactions, purch.	58				58	46
unsettled spot transact., purch.	30				30	186
unsettled spot transact., sale	3				3	- 5
interest swaps				- 632	- 632	- 586
Share-related transactions:						
unsettled spot transact., purch.	- 6				- 6	21
unsettled spot transact., sale	8				8	- 16

# Notes

## Notes for the Balance Sheet

### 20. Derived financial instruments, continued

Amounts DKK 1,000

Market values	Contracts, total 2012			Contracts, total 2011		
	Positive	Negative	Net	Positive	Negative	Net
Foreign exchange-rel. transact.						
forward transactions, purch.	6.319	487	5.832	4.364	4.938	- 574
forward transactions, sale	589	6.111	- 5.522	6.544	6.967	- 423
unsettled spot transact., purch.	16	1	15	2	4	- 2
unsettled spot transact., sale	1	0	1	1	0	1
currency swaps	2.536	2.536	0	8.232	8.232	0
Interest-related transactions						
forward transactions, purch.	58	0	58	46	0	46
unsettled spot transact., purch.	31	1	30	186	0	186
unsettled spot transact., sale	5	2	3	1	6	- 5
interest swaps	19.748	20.380	- 632	17.483	18.069	- 586
Share-related transactions:						
unsettled spot transact., purch.	70	76	- 6	53	32	21
unsettled spot transact., sale	76	68	8	48	64	- 16
Market value included in balance sheet with the following amounts:						
Other assets	29.448			36.928		
Other liabilities		29.660			38.279	

# Notes

## Notes for the Balance Sheet

### 21. Market risks

Amounts in DKK 1,000

	2012	2011
<b>Interest risk, debt instruments</b>		
By currency		
DKK	- 10.072	- 11.357
EUR	381	175
CHF	- 93	- 38
Other currencies, net	- 8	- 32
<b>Total</b>	<b>- 9.792</b>	<b>- 11.602</b>
percentage of equity	- 0,8	- 0,9

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.

### Foreign exchange risks

Exposure in EURO	1.749	6.859
- sensitivity 2.25 per cent	39	154
Exposure in other currencies	9.574	9.581
- sensitivity 12 per cent	1.149	1.150
<b>Total sensitivity</b>	<b>1.188</b>	<b>1.304</b>
- as a percentage of equity	0,1	0,1

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

### Share risk

Listed shares	15.441	21.794
- sensitivity 30 per cent	4.632	6.538
<b>Total sensitivity</b>	<b>4.632</b>	<b>6.538</b>
- as a percentage of equity	0,4	0,5

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

# Notes

## Notes for the Balance Sheet

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

Amounts in DKK 1,000

	2012	2011
On demand	117.584	150.375
Remaining term		
- from 3 months up to and including 1 year	0	470.213
- more than 5 years	660	9.497
Total debt to credit institutions and central banks	<u>118.244</u>	<u>630.085</u>
The bank has unutilised, confirmed credit undertakings for a total of	350.000	350.000

### 23. Deposits and other debts

Amounts in DKK 1,000

	2012	2011
On demand	3.199.797	2.602.065
Remaining term		
- up to and including 3 months	150.120	411.886
- from 3 months up to and including 1 year	696.088	819.320
- from 1 year up to and including 5 years	893.958	791.875
- more than 5 years	871.025	798.541
Deposits and other debts, total	<u>5.810.988</u>	<u>5.423.687</u>
<b>By categories</b>		
- on demand	2.815.014	2.561.853
- notice	1.669.457	1.604.557
- time deposits	62.841	122.516
- special deposits	1.263.676	1.134.761
Deposits and other debts, total	<u>5.810.988</u>	<u>5.423.687</u>

### 24. Issued bonds at amortised cost price

Amounts in DKK 1,000

	2012	2011
Remaining term		
- up to and including 3 months	448	0
- from 1 year up to and including 5 years	899	1.347
Issued bonds at amortised cost price, total	<u>1.347</u>	<u>1.347</u>



# Notes

## Notes for the Balance Sheet

### 25. Provisions for pension and similar obligations

Amounts in DKK 1,000

	2012	2011
Pension commitments		
The bank is obliged to pay pension, etc., to former members of the Executive Board and their surviving relatives. Present value	0	42
Anniversary bonus	2.791	3.042
Salary and pension obligations taken over in connection with business acquisition	1.846	2.415
<b>Total provisions for pension and similar obligations</b>	<b>4.637</b>	<b>5.499</b>

### 26. Subordinated capital

Amounts in DKK 1,000

	2012	2011
Employee bonds:		
Principal amount, a total of 339 bonds	6.845	6.845
Extraordinarily redeemed during the year	0	84
Included when calculating the core capital	3.872	5.583
Interest during the financial year	246	247

### 27. Share capital

Amounts in DKK 1,000

	2012	2011
The bank's share capital is divided into 8,040,000 shares of DKK 10 each		
<b>Limited Companies Act section 55 and 56</b>		
No shareholder has reported according to section 55 or 56 of the Limited Companies Act that he/she owns 5 per cent or more of the share capital.		
<b>Holding of own shares</b>		
Acquired		
Number of own shares	289.664	384.961
Nominal value	2.897	3.850
Per cent of the share capital	3,6%	4,8%
Total purchase price	21.099	34.465
Sold		
Number of own shares	346.281	345.403
Nominal value	3.463	3.454
Per cent of the share capital	4,3%	4,3%
Total sales price	25.436	30.664
End of the year		
Number of own shares	326.371	382.988
Nominal value	3.264	3.830
Per cent of the share capital	4,1%	4,8%

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

# Notes

## Notes with additional information

### 28. Capital requirement

Amounts in DKK 1,000

	2012		2011	
Equity according to the balance sheet		1.304.003		1.245.222
Provisions for appreciation		25.581		24.520
<b>Core capital</b>		<b>1.278.422</b>		<b>1.220.702</b>
Suggested dividend	8.040		8.040	
Intangible assets	13.784		15.684	
Deferred activated tax assets	3.800		0	
Value of own shares, cf. section 31 (1) no 6, of the Executive Order on the calculation of core capital	4.029	29.653	3.597	27.321
Half of the sum of capital shares, etc., > 10 per cent according to section 131 (2) no 2 of FIL		26.612		23.647
<b>Core capital after deduction</b>		<b>1.222.157</b>		<b>1.169.734</b>
Additional capital:				
Provisions for appreciation	25.581		24.520	
Subordinated capital	3.872	29.453	5.583	30.103
<b>Core capital before deduction</b>		<b>1.251.610</b>		<b>1.199.837</b>
Half of the sum of capital shares, etc. > 10 per cent according to section 131 (1) no 3 of FIL		26.612		23.647
<b>Core capital after deduction</b>		<b>1.224.998</b>		<b>1.176.190</b>
Weighted items, total		6.350.588		6.270.722
Capital adequacy percentage	19,3%		18,8%	

### 29. Contingent liabilities

Amounts in DKK 1,000

	2012		2011	
Finance guarantees		649.357		541.756
Loss guarantees for mortgage loans		96.746		104.601
Registration and conversion guarantees		40.601		59.106
Other contingent liabilities		208.705		228.515
<b>Total</b>		<b>995.409</b>		<b>933.978</b>
<b>Pledges</b>				
For drawing right with the Danish Central Bank bonds have been pledged		531.616		467.801

# Notes

## Notes with additional information

### 30. Connected parties

Amounts in DKK 1,000

	2012	2011
Size of loan, pledges or guarantees for members of the bank's		
Executive Board	1.450	594
Board of Directors	25.205	25.235
The commitments have been granted on market conditions and according to the bank's usual business conditions		
Rates of interest at the end of the year, per cent p.a.		
Executive Board	5,75 - 5,75	4,947 - 4,947
Board of Directors, elected at the general meeting	1,955 - 13,875	2,298 - 13,5

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

# Statements and opinions

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## Statements and opinions

### Management's Statement

We have today presented the Annual Report for 1 January - 31 December 2012 for Nordjyske Bank A/S:

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

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

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

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

The Executive Board  
Frederikshavn, 12 February 2013

Claus Andersen  
Bank Director

Mikael Jakobsen  
Bank Director

Bjarne Haugaard  
Finance Director

The Board of Directors  
Frederikshavn, 12 February 2013

Hans Jørgen Kaptain

Sten Uggerhøj

Erik Broholm Andersen

Per Lykkegaard Christensen

Tina Hansen

Bjarne Jensen

Hanne Karlshøj

Ole Kristensen

Henrik Lintner

# Statements and opinions

## Statements and opinions

### Internal auditors' statements

#### 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 2012, including income statement, statement of total gains and losses, balance sheet, equity statement and notes, including accounting policy used. The financial statements have been prepared according to the Danish Financial Activities Act and in accordance with the Danish disclosure requirements for listed financial companies.

#### The audit performed

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

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

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

The audit has not given rise to any reservations.

### Conclusion

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

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

### Opinion on the Management's Report

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

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

Frederikshavn, 12 February 2013

Jan L. Sørensen  
Head of Internal Audit

# Statements and opinions

## Statements and opinions

### The independent auditors' opinion

#### 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 2012, including income statement, statement of total gains and losses, balance sheet, equity statement and notes, including accounting policy used. The financial statements are prepared according to the Danish Financial Business Act and in accordance with the Danish disclosure requirements for listed financial companies.

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

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

##### The auditor's responsibility

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

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

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

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

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

The audit has not given rise to any reservations.

##### Conclusion

It is our opinion that the financial statements give a correct picture of the bank's assets, liabilities and financial situation as at 31 December 2012 and the result of the bank's activities for the financial year 1 January - 31 December 2012 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, 12 February 2013

BDO  
Statsautoriseret revisionsaktieselskab  
(state-authorised public accountants company)

Peter Have Jensen  
State-authorised public accountant

Aalborg, 12 February 2013

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

Preben Randbæk  
State-authorised public accountant



# Statements and opinions

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## Company announcements issued in 2012

- 12.01.2012 Financial calendar 2012 for Nordjyske Bank A/S
- 14.02.2012 Announcement of financial statements for 2011
- 14.02.2012 Annual Report for 2011
- 15.02.2012 Notice of Ordinary General Meeting
- 14.03.2012 Minutes of the bank's ordinary general meeting, on 13 March 2012
- 15.05.2012 Interim report as at 31 March 2012
- 07.06.2012 Changes to financial calendar 2012
  
- 14.08.2012 Interim report as at 30.06.2012
- 16.08.2012 Report regarding the transactions of management and their connected parties with Nordjyske Bank shares
- 16.08.2012 Report regarding the transactions of management and their connected parties with Nordjyske Bank shares
- 23.11.2012 Interim report as at 30 September 2012
- 23.11.2012 Financial calendar 2013 for Nordjyske Bank A/S

## Financial calendar 2013

- 12.02.2013 Publication of annual report for 2012
- 12.03.2013 Ordinary general meeting
- 14.05.2013 Publication of interim report as at 31 March 2013
- 13.08.2013 Publication of interim report as at 30 June 2013
- 19.11.2013 Publication of interim report as at 30 September 2013

# Bank Management

## Bank Management

### Committee of Representatives

- Erik Broholm Andersen, Gærum (chairman)
- Per Lykkegaard Christensen, Farm Owner, Hjallerup (Deputy Chairman)
- Inge Kjær Andersen, Dentist, Sæby
- Kjeld Andersen, Service Consultant, Øster Brønderslev
- Palle Joest Andersen, Farm Owner, Hjørring
- Peter Andersen, Sales Manager, Tårs
- Poul Andersen, Medical Orderly, Tårs
- Svend-Erik Andersen, Chairman of the Fishing Association, Strandby
- Børge Bech, Head of Secretariat, Løkken
- Erling Christensen, Furniture Dealer, Hørmested
- Inge Christensen, Food Manufacturer, Østervrå
- Lars Ingemann Christensen, Manufacturer, Hjørring
- Nina Charlotte Friis Christiansen, Shop Owner, Vittrup
- Thomas Christiansen, Fishing Vessel Master, Læsø
- Bo Clausen, Fish Exporter, Strandby
- Peter Cold, Fishing Vessel Master, Hirtshals
- Ole Conradsen, Director, Strandby
- John Elling, Fur Farmer, Strandby
- Lene Frandsen, Head of Office, Sindal
- Trine Frisgaard, Leading Bioanalyst, Dronninglund
- Svend Erik Frøstrup, Shop Owner, Løkken
- Birthe Gadekær, Principal, Hjørring
- Hans-Christian Holst, Farmer, Asaa
- Henning Jensen, Consultant, Brønderslev
- Kurt Elbo Jensen, Warehouse Manager, Brønderslev
- Bent Johansen, Regional Head of Accounting, Øster Brønderslev
- Per Jørgensen, Farmer, Brovst
- Hans Jørgen Kaptain, Attorney, Sæby
- Tom Karlshøj, Farm Owner, Tversted, Bindeslev
- Anker Laden-Andersen, Attorney, Sæby
- Bente Larsen, Veterinarian, Dybvad
- Per Drustrup Larsen, Librarian, Øster Brønderslev
- Henrik Lintner, Pharmacist, Hjørring
- Peter Mortensen, Forwarding Agent, Hirtshals
- Gert Nielsen, Director, Blæsbjerg, Sindal
- Jens Jørgen Nielsen, Concreter, Skagen
- Ole Nielsen, Master Mason, Lendum
- Poul Erik Nielsen, Manufacturer, Sæby
- Frans Nørby, Lecturer, Hjørring
- Knud B. Olesen, Authorised HVAC fitter, Hirtshals
- Inger Marie Grund Petersen, Head of Tourist Office, Sæby

- Lars Petersen, Engineer, Gærum, Frederikshavn
- Niels H. Pedersen Qvist, Farmer, Vocational Teacher, Vester Hassing, Vodskov
- Peter Schou, Master of Fishing Vessel, Skagen
- Jan Leth Sørensen, Haulier, Sæby
- Peer Buch Sørensen, Draper, Frederikshavn
- Ingeborg Thusgaard, Hospital Director, Frederikshavn
- Sten Uggerhøj, Car Dealer, Frederikshavn
- Claus Uttrup, Brigadier General, Hjørring
- Margrethe Vejby, Nurse, Aalbæk
- Morten Vestergaard, Director, Hjørring

### The Board of Directors

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

### Audit Committee

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

### Executive Board

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

# Bank Management

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## Bank Management

Bangsbostrand	Peter Madsen, Branch Manager
Brønderslev	Thomas Møller Petersen, Branch Director
Dronninglund	Ole Andersen, Branch Director
Dybvad	Gunnar Jensen, Branch Manager
Frederikshavn	Brian Thomsen, Branch Director
Hirtshals	Jens Buje, Branch Director
Hjallerup	Casper Nødgaard, Branch Manager
Hjørring	Jens Christian Kringelholt, Area Director
København	Kim Vagner, Branch Director
Læsø	Karsten Nielsen, Branch Director
Løkken	Kjeld Ørum, Branch Director
Sindal	Klaus Christensen, Branch Director
Skagen	Allan Kastor Andersen, Centre Director
Strandby	Kirsten Poulsen, Branch Manager
Sæby	Torben Schioldan, Area Director
Øster Brønderslev	Ingelise Poulsen, Branch Manager
Østervrå	Annemette Mæhle, Branch Manager
Aalbæk	Martin Madsen, Branch Manager
Direktions- sekretariatet	Alma Lund Høj, Head of Secretariat
FinansCenter	Lars Kiærskou, Finance Manager
Forretningsupport	Ole Telling, Head of HR
Kreditkontor	Claus Kongsgaard, Credit Manager
Salg og marketing	Mikael Jakobsen, Bank Director
Økonomi og edb	Bjarne Haugaard, Finance Director