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# Management report

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# Management report

## Main points

1st quarter 2017		Pre-tax result increases by 83 per cent to DKK 75 million
Equity		Remunerated at 14 per cent - when adjusted for goodwill etc.
Basic revenue		Increases by 15 per cent to DKK 81 million
Net interest		Stable level through six quarters
Operating expenses		Unchanged level
Write-downs		Decrease of 34 per cent attributable to commercial farming
Lending		Increases to DKK 10.9 billion - lending growth of 3.5% in one year
Capital percentage		Robust capital percentage of 16.4
Business volume		Record high business volume at DKK 43.7 billion incl. safe custody values

# Management report

## Positive trend continues

### Progress on essential areas continues

Nordjyske Bank has achieved a satisfactory pre-tax result of DKK 75 million in the 1st quarter of 2017, which is a significant increase of 83 per cent compared to 1st quarter of 2016.

At 31 March 2017, the bank sees progress in lending growth and basic earnings, decreasing write-downs as well as progress in the pre-tax result, which overall results in an improved and satisfactory return on equity.

Nordjyske Bank at the end of 1st quarter of 2017 meets the strategic objective of a lending growth of 2-4 per cent per annum and a pre-tax return on equity of 9-11 per cent by expiration of the strategy period in 2018.

The pre-tax result has a return on equity at the beginning of 2017 of 10.9 per cent per annum. When adjusted for goodwill and customer relationships, the return on equity will be 14.0 per cent per annum.

Lending shows an increase as at 31 March 2017 to DKK 10,907 million, which is equivalent to 3.5 per cent compared to 31 March 2016, where lending amounted to DKK 10,538 million. The growth in lending has taken place for both business and private customers and shows the effect of the bank's focus on lending to existing and new customers.

The increasing lending, combined with a competitive lending market as well as a historically low interest rate environment results in a net interest income of DKK 120 million on the level of the past five quarters.

The bank has an increase of fee income to 96 million in 1st quarter of 2017 compared to DKK 81 million in the 1st quarter of 2016.

Operating expenses and operating depreciation represent DKK 135 million in the first quarter of the year, which is equivalent to the level of last year.

Basic earnings of 1st quarter of 2017 is as a result of the above increasing by 15 per cent to DKK 81 mill.

### Write-downs below the expected level

Write-downs amount to DKK 28 million in the 1st quarter of 2017 against DKK 43 million in the same period in 2016. The decline can be attributed to agriculture, including primarily improved settlement rates.

The management considers that the earnings of DKK 81 million, as well as the improved pre-tax result and the development of the bank's lending is satisfactory.

### Expectations to the result in 2017

Nordjyske Bank maintains its expectations for earnings at DKK 300-350 million.

If the current agriculture settlement prices continue, the bank expects that the write-downs on lending and guarantees in 2017 will be under the previously announced level of DKK 120 million.

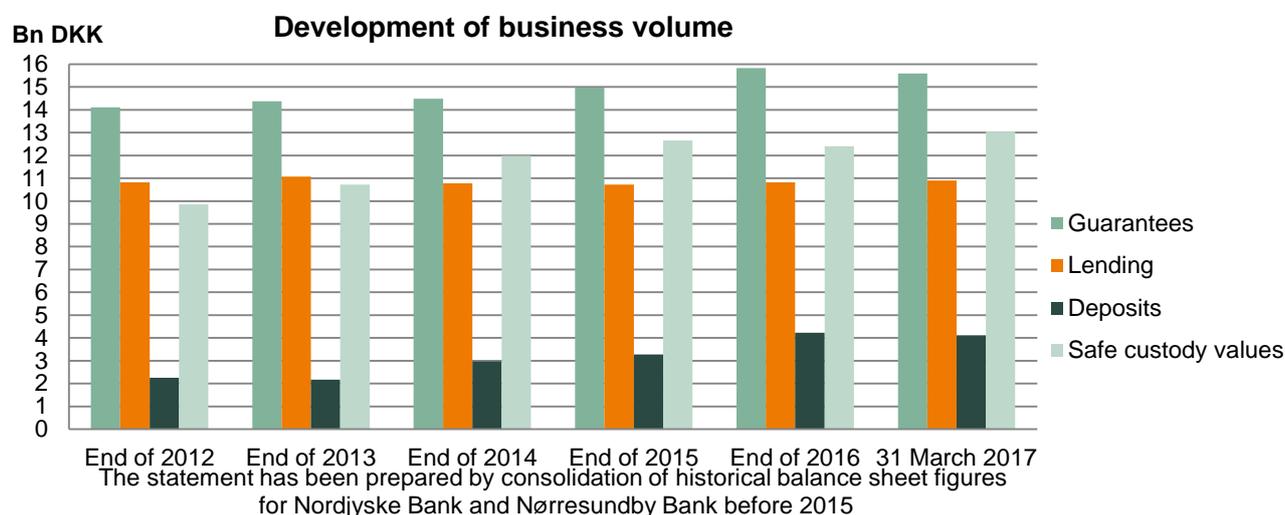
### Applied accounting methods

This reporting is based on pro forma statements with the purpose of increasing the information value. Furthermore, alternative targets are used. Both are further explained on page 20.

<b>Pro forma income statement summary</b> (amounts in million DKK)	<b>1st quarter 2017</b>	<b>1st quarter 2016</b>	<b>The year 2016</b>
Interest income	129	134	526
Interest expenses	9	13	47
Interest income, net	120	121	479
Fees and commission income, net	95	81	352
Other operating income etc.	1	3	35
<b>Core income</b>	<b>216</b>	<b>205</b>	<b>866</b>
Operating costs and operating depreciation	135	134	519
<b>Core earnings</b>	<b>81</b>	<b>71</b>	<b>347</b>
Payments to the Resolution Fund, etc.	0	0	1
Write-downs on lending etc.	28	43	163
Market price regulations on securities, etc	22	13	47
<b>Pro forma pre-tax result</b>	<b>75</b>	<b>41</b>	<b>230</b>
Pro forma regulations	1	1	-2
Pre-tax result according to the purchase method	76	42	228

# Management report

## Development of business volume



### Growth in lending

The bank has achieved a satisfactory increase in lending compared to 31 March last year at 3.5 per cent to DKK 10.9 billion and an increase of 3.1 per cent per annum in 1st quarter of 2017.

The growth in lending at DKK 370 million since 31 March 2016 divided with DKK 230 million for private customers and DKK 140 million for business customers. The increase takes place despite an annual extraordinary reverse in the level of DKK 800 million on lending.

It is very satisfying to see the effect of the bank's focus on lending and, not least, to achieve an increase of lending to private customers. Lending to private customers is typically stable and the wide dispersion is estimated to result in a low risk seen in the context of the improved economic conditions with lower unemployment rate, low interest rates and rising housing prices.

Deposits increased by DKK 735 million since 31 March 2016, but declined by DKK 242 million since the end of 2016. Since the end of 2016 safe custody values have in return increased by DKK 643 million.

Guarantees have decreased by DKK 112 million since the end of 2016, which is mainly due to the lower activity of mortgage brokerage.

The total business volume incl. safe custody values are record high at 31 March 2017 totalling DKK 43.7 billion. It is very positive that the increase occurs on lending and safe custody values, where the bank has its highest earnings in the current market with low interest rates.

<b>Selected balance sheet items</b> (amounts in million DKK)	<b>End of 2012</b>	<b>End of 2013</b>	<b>End of 2014</b>	<b>End of 2015</b>	<b>End of 2016</b>	<b>End of 1st qtr. 2017</b>
Total assets	17,772	18,168	18,160	18,660	19,443	19,225
Lending	10,826	11,067	10,778	10,729	10,822	10,907
Guarantees	2,258	2,172	2,971	3,280	4,223	4,111
Deposits, incl. pooled schemes	14,115	14,379	14,488	14,975	15,838	15,596
Equity				2,617	2,758	2,746
Deposits	9,858	10,723	11,980	12,650	12,402	13,045
Business volume (lending, deposits and guarantees)	27,198	27,617	28,237	28,984	30,883	30,614
Business volume incl. deposits	37,056	38,340	40,217	41,634	43,285	43,659

The historical balance sheet figures before 2015 are consolidated figures for Nordjyske Bank and Nørresundby Bank. Consolidated equity figures are assessed not to give value.

# Management report

## Development in North Jutland

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### **The North Jutland economy is doing fine**

The Growth Statement 2017 from the Nordjylland region was published in March 2017 and gave cause to the heading "North Jutland outpaces the crisis".

The headlines featured 'job feast' as a consequence of both new and established companies' growth trends.

There is a high level of employment in the region with more jobs on offer, continued low interest rates and rising housing prices.

### **Employment increases more in North Jutland than nationwide**

According to the Confederation of Danish Enterprise employment nationwide increased by 1.7 per cent in 2016, while growth in North Jutland was at 2.1 per cent. In seven of eleven municipalities in North Jutland the growth was percentage-wise higher than the national growth.

### **Increasing housing prices**

Sales prices on houses in North Jutland increased by 8.2 per cent from March 2016 till March 2017; on a national level the increase was 4.2 per cent.

Owner-occupied flats saw an increase in the North Jutland region of 9.2 per cent against 8.0 per cent nationwide.

In April 2017 Finance Denmark assesses signs of spring, where housing will be put up for sale at increasing prices and selling periods shortens, which means faster sales.

Among other things, the continued low interest rates are contributing to the increasing housing prices, which gives the inhabitants of North Jutland large equities in their homes.

### **Prosperity for North Jutland business**

Commercial farming has generally experienced a better financial situation with higher pricing on both pigs and milk. It provides the basis for positive earnings for more farmers.

Fishery has had several good years, but especially 2016 has been positive with good pricing, fine fish quantities and low fuel costs and interest rates. This has provided basis for construction of new fishing vessels in cooperation with several local maritime companies.

The North Jutland ports implement large extensions, which attract new companies and create more jobs.

The ports of Skagen and Aalborg attract many cruise guests, providing revenue to other companies.

Construction activity is high and especially in Aalborg many residential properties are being built. This has created a great deal of interest from investors – both locally and internationally, and also pension funds have made real estate investments in Aalborg. At the same time, the construction of the new super hospital in Aalborg East creates many jobs.

### **Positive tones in North Jutland**

The recovery is being felt in North Jutland with falling unemployment, increasing real wages, higher housing prices and higher home equities, combined with continued low interest rates. These are key factors for the economy of the individual inhabitant in North Jutland. Nordjyske Bank is North Jutland's most local bank, and our development is closely connected to the development in North Jutland.

## Nordjyske Bank's development

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### **Focus on growth and implementation of strategy**

Nordjyske Bank has used many resources on merging as well as standardization and improvement of processes. The bank has realized numerous synergies from the merger, but is continuously focusing on greater use of the opportunities that the merger has created. 2017 signifies a focus on commercial actions directed both against existing and against the accession of new customers - both private and business customers - as well as on investments, financial consultancy, and asset management.

Nordjyske Bank is focusing on creating optimal customer relations.

The bank has in 2017 implemented an organizational adjustment aiming for strengthening IT and HR in order to give an even better support to the strategy and to have extra attention on IT. The bank has established a new IT department to work on both innovation and optimization of the bank's use of IT, comprising an increasing use of robotics.

Furthermore, a separate HR department has been established to ensure staff and manager competence development and to provide a basis for well-being in the bank. This is a prerequisite to implement the strategic initiatives: an agile bank, focused sales and a unique customer universe, and to ensure that the bank's customers and partners experience customer intimacy.

# Management report

## Expectations for 2017

### Expectations to the result in 2017

Nordjyske Bank maintains its expectations for earnings at DKK 300-350 million.

Core earnings have been calculated exclusive of write-downs and value adjustments on lending etc. as well as market price adjustments on securities, etc.

If the current agriculture settlement prices continue, the bank expects that the write-downs on lending and guarantees in 2017 will be under the previously announced level of DKK 120 million.

### Strategic objectives

Nordjyske Bank's strategic objectives for the current strategy period, which runs from 2016 to 2018:

- A lending growth of 2-4% per annum
- The return on equity must before the end of the strategy period be between 9-11 per cent (before correction of goodwill and customer relations)
- A dividend policy with the objective to pay between 30-50 per cent of the period's net profit after tax, taking the objective of a core capital ratio of 15.5 into account and to ensure sufficient capital to meet regulatory requirements, as well as socio-economic and business conditions

## Main activities in Nordjyske Bank

Nordjyske Bank's business model and principles are based on a mission to be an ambitious independent bank, where the decision-making power is placed in the market area. The bank wants to create value for both private and business customers as well as for shareholders and employees.

The bank has 419 well-educated employees, including several specially educated employees within the essential advisory areas. In addition, the bank has a wide range of competent partners.

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

The bank is committed to creating and maintaining good customer relations as well as providing individual consultancy for both business and private customers. At the same time, the bank uses the digital opportunities to create value for customers, support customer interaction and streamline processes.

### Nordjyske Bank A/S has:

- 118,000 private customers
- 10,000 business customers
- 44,000 shareholders
- Business volume - lending, guarantees, deposits and safe custody values - at DKK 43.7 billion



# Management report

## Pre-tax result

In 1st quarter of 2017 a pro forma calculated pre-tax result amounts to DKK 75 million, which is significantly higher than the pre-tax result for the same period in 2016 at DKK 41 million.

The pre-tax result of 1st quarter of 2017 has a return on equity at the beginning of the year of 10.9 per cent per annum, which lies within the strategic goals of 9-11 per cent.

When adjusted for goodwill and customer relations, the return on equity at the beginning of 2017 will be 14.0 per cent per annum.

## Core income

Net write-downs amount to DKK 120 million in the 1st quarter of 2017 against DKK 121 million in the same period in 1st quarter of 2016. Net interest income has during the latest 6 quarters remained stable between DKK 119 and DKK 121 million.

Interest income represents DKK 129 million in the 1st quarter of 2017, which is DKK 5 million less than in the 1st quarter the year before and is primarily due to lower interest income from lending. The lending is, however, higher in 2017, as the decrease is due to lower interest rates as a result of continued strong competition on lending.

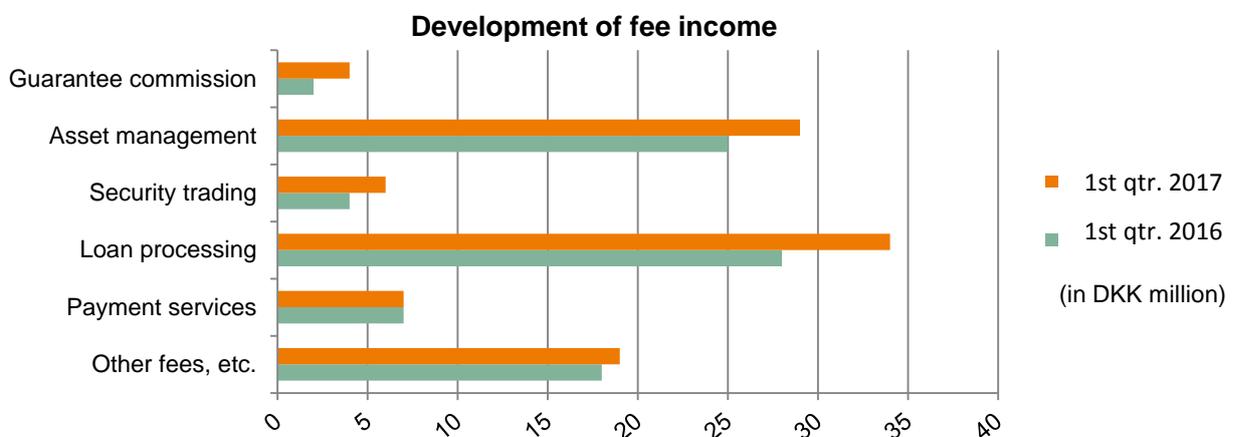
Interest expenses amount to DKK 9 million in the 1st quarter of 2017, which is DKK 4 million lower than the same period the year before. This is due to lower interest expenses for deposits as a result of lower interest rates.

Narrowing of the bank's interest margin is to a limited extent prevented by introducing negative interest rates for larger deposits from business customers.

In the 1st quarter of 2017 the net fee income amounts to DKK 95 million against DKK 81 million kroner in the same period in 2016.

The increase of DKK 14 million can mainly be attributed to a greater extent of assets management, greater activity in the securities trading area as well as more lending fees as a result of increased activity in the lending area.

Other operating income etc. amounts to DKK 1 million in the 1st quarter of 2017 against DKK 3 million in the same period in 2016, when the bank amongst others sold the name Nordbank.

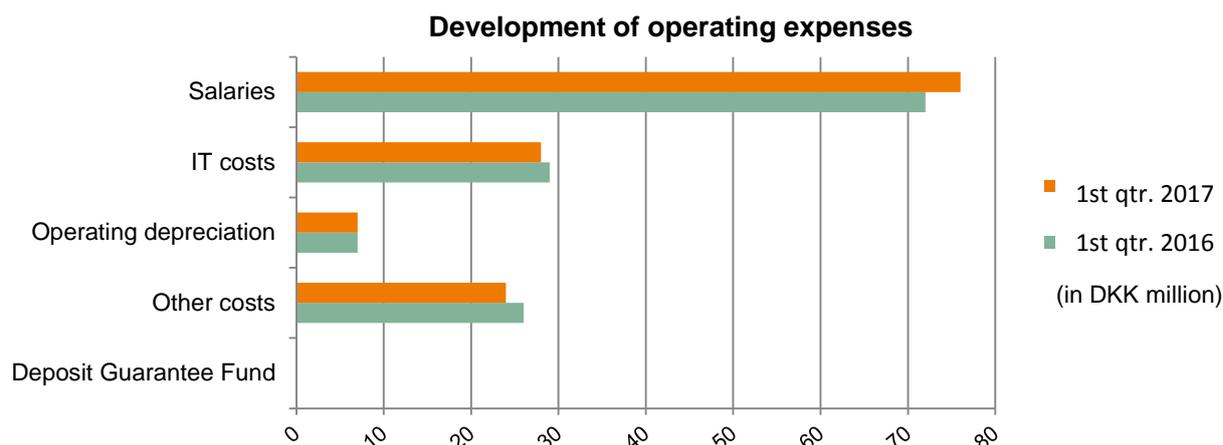


# Management report

## Operating costs and depreciations

The bank's operating costs and depreciations in the 1st quarter of 2017 amounts to DKK 135 kroner, which is at the level of the costs during the same period in 2016, which were at DKK 134 million.

Payroll costs have increased as a result of one-time adjustments, as well as an increase in the payroll tax, etc., while there are slight savings in IT costs as well as other costs.



## Write-downs

Write-downs on lending and guarantees are reduced by 34 per cent to DKK 28 million in the 1st quarter of 2017 against DKK 43 million in the same period in 2016.

The decrease in write-downs is attributable to the bank's lending to commercial farming, where the write-downs amount to DKK 22 million. The annual building depreciation in commercial farming made in the 1st quarter accounts for a significant share thereof.

The period's write-down percentage on the bank's lending and guarantees is 0.7 per annum from 1.2 in the 1st quarter of 2016.

Accumulated write-downs, provisions and discounts totals DKK 1,217 million, which is equal to 7.5 per cent of lending and guarantees.

Write-downs are clarified in the section about credit risks.

Write-downs on lending etc. pro forma calculated (amounts in million DKK)	1st qtr. 2017	1st qtr. 2016
Write-downs on lending etc., valued individually	39	50
Write-downs on lending etc., valued on a group basis	1	5
<b>Total write-downs</b>	<b>40</b>	<b>55</b>
Received on previously depreciated debts	1	2
Final loss, not previously written down individually	1	1
Interest on written-down debt booked as income	12	11
<b>Total influence on operations</b>	<b>28</b>	<b>43</b>

## Market price adjustments

Market price adjustments have contributed with DKK 22 million in the 1st quarter of 2017 compared with DKK 13 million in the 1st quarter of 2016, which had larger capital gain on listed shares.

The bank has had a positive capital gain on shares, including in particular sector shares, of DKK 12 million. In addition, bonds have contributed with positive market price adjustments of DKK 8 million.

# Management report

## The Supervision Diamond

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

**Nordjyske Bank A/S: 35.9 per cent**

Growth in lending must be < 20 per cent per year

**Nordjyske Bank A/S: 3.5 per cent**



Stable funding ratio must be < 1.0

**Nordjyske Bank A/S: 0.59**

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

**Nordjyske Bank A/S: 10.8 per cent**

Excess liquidity must be > 50 per cent

**Nordjyske Bank A/S: 129.9 per cent**

Nordjyske Bank holds a good margin to the fixed limits in The Danish Financial Supervisory Authority's Supervision Diamond. The Supervision Diamond consists of five fixed limits within which the banks should in principle stay.

The Danish Financial Supervisory Authority will introduce a change of these fixed limits for large scope exposures as at 1 January 2018, where a statement of the 20 largest exposures will be requested. The sum of the 20 largest exposures in Nordjyske Bank in relation to the bank's actual core capital amounts to 146 per cent and is consequently below the Danish Financial Supervisory Authority's limit of 175 per cent.

## The Danish Financial Supervisory Authority

On 17 March 2017 Nordjyske Bank published an injunction from The Danish Financial Supervisory Authority to implement good accounting practices by the bank's write-down test on goodwill.

The injunction is a sequel of The Danish Financial Supervisory Authority's audit of the bank's accounts for the year of 2015 and the result is that the value of the bank's goodwill was present at the end of 2015 and thus the bank's accounts for the year 2015 were correct.

The Danish Financial Supervisory Authority imposes a tightening of the internal procedures, which has already been done in connection with the Annual Report for 2016.

The statements published since 2010 are available on the bank's home page [www.nordjyskebank.dk](http://www.nordjyskebank.dk).

# Management report

## Capital

The bank's core capital primarily consists of equity and secondarily of subordinate capital.

The capital base is significantly influenced by both goodwill and customer relations as well as ownership of sector shares, which totals a deduction in the core capital as at 31 March 2017 of DKK 740 million.

Capital adequacy rate excl. the result of the quarter amounts to 16.4 at the end of the 1st quarter of 2017 and the core capital rate is 14.4.

End of the 1st quarter 2017 the result of the quarter is not recognised in the core capital as a result of The Danish Financial Supervisory Authority's more stringent requirements to this purpose. In recognition of the quarter's results the capital adequacy rate represents 16.6 and the core capital rate is 14.6.

Capital conditions are assessed solid, since management at the same time pay attention to future capital needs. It is assessed that the bank during the next few years will be affected by IFRS 9 rules in relation to write-downs on lending, etc. and also expected are NEP/MREL requirements in relation to capital as a result of the Danish implementation of the BRRD Directive from the EU.

The adjustment has not been determined yet, but the bank is paying attention to it in its dispositions.

Nordjyske Bank will assess the capital structure, including exploring options for possible repatriation of subordinate debt when the bank is better qualified for assessing the consequences of the above capital influences.

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

Pursuant to the stipulations in CRR regulations, the bank shall publish detailed information about risks, capital structure, capital adequacy, and risk management. This information appears from the risk report at the end of 2016 on the bank's home page on [www.nordjyskebank.dk](http://www.nordjyskebank.dk).

### The individual capital adequacy

The individual capital adequacy has been calculated at 9.8 per cent corresponding to a core capital of DKK 1,317 million as at 31 March 2017.

<b>Core Capital / risk-weighted items</b> (amounts in million DKK)	<b>31 March 2017</b>	<b>31 March 2016</b>
Equity, end of the period	2,746	2,607
- result 1st quarter of 2017 not included *	61	-
<b>Equity before recognition</b>	<b>2,685</b>	<b>2,607</b>
Deduction of:		
- unused share of framework for purchase of own shares	16	32
- goodwill and customer relations **	416	433
- cautious valuation	4	4
- investments in financial companies	324	337
- other investments in financial companies	3	6
<b>Addition of subordinate capital</b>	<b>272</b>	<b>271</b>
<b>Core Capital</b>	<b>2,194</b>	<b>2,065</b>
<b>Risk-weighted items</b>	<b>13,372</b>	<b>12,055</b>
Core capital rate	14.4	14.9
Capital rate *	16.4	17.1

\* Capital rate amounts to 16.6 as at 31 March 2017 at recognition of the period's result cf. page 28

\*\* calculation method concerning the recognition of intangible assets has been changed cf. page 28

At the end of 1st quarter 2017 1.25 percentage points of the requirement for capital conservation have been phased in, which means that the total capital requirement can be calculated to DKK 1,484 million, equal to 11.1 per cent.

Nordjyske Bank has a core capital of DKK 2,194 million and a capital rate of 16.4. This corresponds to an excess of DKK 877 million, or 6.6 percentage points compared to the individual capital adequacy. Seen in relation to the overall capital requirements, the bank has an overall capital excess of DKK 710 million, equivalent to 5.3 per cent points.

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

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

# Management report

## Liquidity

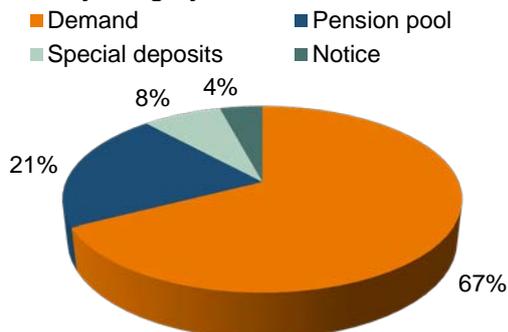
Deposits/lending (amounts in million DKK)	31 March 2017	31 March 2016
Deposits	15,596	14,861
Lending	10,907	10,538
<b>Excess deposits</b>	<b>4,689</b>	<b>4,323</b>

The market situation is still characterized by a general high savings desire and limited lending requests.

As at 31 March 2017 the excess deposits are thus DKK 365 million larger than in the previous year, which is due to a large increase in deposits. Lending has in the same period shown a growth of DKK 369 million.

Since the end of 2016 the excess deposits have, however, declined by DKK 327 million, which is assessed positive for the bank's earnings, as lending has increased and deposits have reduced.

### Deposits by category:



The bank's deposits are stable and ordinary deposits. 84 per cent of the deposits are covered by the Guarantee Fund.

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

## Interest risks

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

### LCR

The liquidity key figure LCR covers a requirement that the bank shall have adequate highly liquid assets to be able to withstand 30 days' liquidity stress (outflow).

There are gradual phasing-in rules, which means that the bank shall cover 80 per cent in 2017 increasing to 100 per cent at the beginning of 2018. LCR can be calculated for the bank to 268 per cent at the end of the 1st quarter of 2017.

### § 152 liquidity

Liquidity calculated pursuant to § 152 of the Financial Business Act is very comfortable with an excess liquidity of 130 per cent, corresponding to DKK 2,639 million.

### Stable funding

The bank's funding in the form of deposits, equity and subordinate capital amounts to DKK 18,614 million as at 31 March 2017, as can be seen from the table below. Lending of DKK 10,907 million at the end of March 2017 in relation to above mentioned funding provides a funding ratio at 0.59.

Stable funding (amounts in mill.DKK)	31 March 2017	31 March 2016
<b>Lending</b>	<b>10,907</b>	<b>10,538</b>
Equity	2,746	2,607
Deposits	15,596	14,861
Subordinate capital infusion	272	271
<b>Funding</b>	<b>18,614</b>	<b>17,739</b>
Excess amount	7,707	7,201
Funding ratio	0.59	0.59

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

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

The bank's interest risk amounts to 1.1 per cent of the core capital as at 31 March 2017.

# Management report

## Credit risks

Key credit figures	1st qtr. 2017	1st qtr. 2016
Lending in relation to equity	4.0	4.0
Period's lending growth as a percentage p.a.	3.1	-1.8
Total large exposures as a percentage of the adjusted core capital	35.9	27.4
The period's write-down percentage p.a. *)	0.7	1.2
Accumulated write-down percentage	7.5	7.7

\* calculated on pro forma figures

As at 1st quarter of 2017 Nordjyske Bank has a lending gearing of 4.0, which corresponds with the year before. Thus, there is still a good basis for lending growth with the current capital.

As a consequence of the bank's business model and credit policy the bank's risk profile in the credit area is adequately cautious. The credit policy sets the framework for the bank's credit risks and ensures a balanced relation between revenue and risks.

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

## Trade risks

Lending by sector (amounts in million DKK)	31 March 2017	31 March 2016
Business	6,346	6,206
Private	4,561	4,330
Public authorities	0	2
<b>Total lending</b>	<b>10,907</b>	<b>10,538</b>

Lending increases by 3.5 per cent to a total of DKK 10.9 billion as at 31 March 2017.

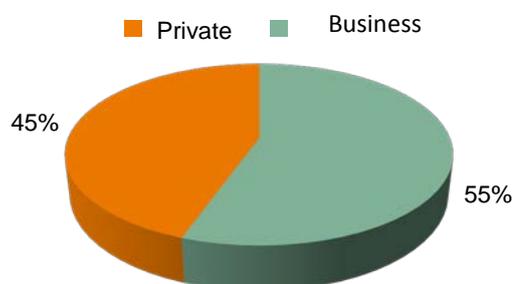
As mentioned in the section "Development in business volume" the lending growth is distributed among both business customers and private customers, which the bank considers positive. Lending growth is also distributed on many customers and is seen as a result of a lot of focus on lending growth.

Lending growth should also be seen in the context of the fact that there is an annual ordinary settlement of DKK 800 million beyond the customers' extraordinary debt reductions as a result of improved property.

The bank has provided guarantees for DKK 4.1 billion at the end of 1st quarter of 2017, which is an increase of nearly DKK 1 billion since the previous year. Lending and guarantees have in total increased by DKK 1.3 billion since 31 March 2016.

The bank's goal is a minimum of 35 per cent lending and guarantees to private customers, taking that the risk on the private segment is estimated to be less than on the business segment.

### Distribution of lending and guarantees as at 31 March 2017



Lending and guarantees are distributed with 55 per cent to businesses and 45 per cent to private customers as at 31 March 2017.

The financial situation of private customers is positively affected by the economic situation with a high level of employment in North Jutland, low interest rates and increasing housing prices as described under "Development in North Jutland".

The increase in housing prices has a positive effect on home equities. More than 86 per cent of the bank's share of loans with Totalkredit have mortgaging on less than 60 per cent of the technically calculated value of the properties. The bank has therefore had limited challenges with properties that are technically mortgaged beyond their value.

The bank's customers have a higher share of mortgage loans with fixed interest rate and instalments, which from a risk assessment point of view is positive. 54 per cent of the bank's customers pay fixed interest on the loans at Totalkredit and 52 per cent pay instalments, which are higher shares than average with Totalkredit.

# Management report

Distribution as at 31 March 2017 (amounts in million DKK)	Lending and guarantees before write-downs	Accumulated write-downs & market value reductions		Lending and guarantees after write- downs	Distri- bution in %	The period's write-down
			in %			
Crop cultivation	559	6	1 %	553	4 %	3
Milk producers	433	221	51 %	212	1 %	6
Pig farming	675	274	41 %	401	3 %	10
Fur farming	119	12	10 %	107	0 %	3
Total, Danish commercial farming	1,786	513	29 %	1,273	8 %	22
Fishery, agriculture abroad (EU) etc.	903	16	2 %	887	6 %	-1
Total, agriculture, etc.	2,689	529	20 %	2,160	14 %	21
Real property	1,654	116	7 %	1,538	10 %	6
Other lines of business	4,954	280	6 %	4,674	31 %	4
<b>Business in total</b>	<b>9,297</b>	<b>925</b>	<b>10 %</b>	<b>8,372</b>	<b>55 %</b>	<b>31</b>
<b>Private</b>	<b>6,938</b>	<b>236</b>	<b>3 %</b>	<b>6,702</b>	<b>45 %</b>	<b>8</b>
<b>Public authorities</b>	<b>0</b>	<b>0</b>	<b>0 %</b>	<b>0</b>	<b>0 %</b>	<b>0</b>
	<b>16,235</b>	<b>1,161</b>	<b>7 %</b>	<b>15,074</b>	<b>100 %</b>	<b>39</b>
Write-downs on a group basis		56		-56		1
Final loss, not previously individually written down						1
Paid into previously depreciated debt, interest etc.						13
<b>Total</b>	<b>16,235</b>	<b>1,217</b>	<b>7 %</b>	<b>15,018</b>	<b>100 %</b>	<b>28</b>

Nordjyske Bank's business model and credit policy set the framework for the bank's trade concentrations. The main outline can be seen in the Annual Report for 2016. The bank fully complies with the framework for industry exposure that can be seen above.

In the bank's market area, especially real estate, commercial farming and fishery has great importance.

At the same time, it is the management's assessment that there is an adequate diversification of industries.

Statistics Denmark brings agriculture and fishery together into one group, but as these two industries are governed by different rules and have different financial conditions, the bank divides these exposures into Danish commercial farming, fishery and crop production in the EU, etc. in order to create better management and insight.

The fisheries sector has had good financial conditions during the past few years with good pricing, fine fish quantities and low fuel costs and interest rates, and there are currently no major challenges for this industry. However, the industry is highly dependent on fisheries policy and regulations in the field, why it is important to have competences in this specific area. Lending and guarantees for fishery amount to 2 per cent of the bank's total lending and guarantees.

Exposures against Danish commercial farming, as well as against the real estate industry will be elaborated subsequently.

# Management report

## Agriculture exposure

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Financing of the agricultural sector is a natural task for Nordjyske Bank and the bank wishes to continue being an attractive partner for farmers.

Lending and guarantees for Danish commercial farming amount to 8 per cent of the bank's total lending and guarantees, corresponding to DKK 1,273 million after write-downs.

The bank has at the end of 1st quarter of 2017 in total made write-downs, provisions and discounts of DKK 513 million, which is equivalent to the fact that the bank has written-down 29 per cent of this.

For the livestock production, the bank has lending and guarantees at DKK 598 million after write-downs that amount to DKK 473 million, which is equivalent to 44 per cent. The bank's lending for the livestock production amounts to 4 per cent of total lending and guarantees.

The livestock production has been most challenged, which is reflected in the above write-downs. During 2016 and 2017 pig farmers and milk producers have experienced higher settlement prices, which create the basis for positive earnings in 2017. In general, the bank has seen better financial results in the 2nd half of 2016 than in the 1st half of 2016, and the 2017 budgets are significantly better than for 2016.

In January 2017 SEGES assessed better operating results for both pig farmers and milk producers, but for both groups the results are expected to be significantly differentiated. Thus, there are also farmers, who have achieved positive results despite the agricultural crisis.

In general, the bank also sees a wide spread between the results. There are still many farms that deliver good results, while others are challenged by high debts and low efficiency and must be helped to get out of the industry.

In the years ahead, the livestock production will be facing great challenges in generational handovers. The current level of settlement pricing as well as the expectations to them may facilitate this process and make it more attractive to go into the industry or expand the holdings.

Plant breeders have in 2016 been affected by low yields and lower settlement prices, but the bank does not experience that this production branch in general is significantly challenged and the financial conditions are reasonable. It should be noted that there are large variations between holdings.

### Lending to plant breeders in EU

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

### Capital adequacy and stress test

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

At creditworthiness classification of farms the bank amongst others take a starting point in a price of DKK 145,000 per hectare of cultivable land in Vendsyssel, corresponding to The Danish Financial Supervisory Authority's announcement on farm land price in Vendsyssel.

A reduction of 10 per cent of the value of the securities included in the bank's write-down calculations on agricultural exposures with the OIV will result in additional write-downs in the level of DKK 40 million.

The bank has write-downs etc. at an amount of DKK 513 million to Danish commercial farming. In addition to this, the bank has reserved capital to agriculture commitments for revaluation of securities and for loss as a consequence of general operating problems and the current agriculture crisis of DKK 235 million.

Nordjyske Bank performs stress tests on an ongoing basis on the bank's exposures. The stress test at the end of March 2017 on the bank's agriculture portfolio shows that the current difficulties for agriculture cannot threaten the bank. If the bank loses the entire unsecured part on all the agriculture commitment, the bank will still have a capital adequacy ratio above the capital adequacy. It is the bank's opinion that this scenario is not likely. A large proportion of the portfolio is without weaknesses.

# Management report

## Property exposure

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Nordjyske Bank has lending and guarantees to the property sector at 10.2 per cent of total lending and guarantees. Lending to the non-profit sector amounts to a good 25 per cent of the bank's exposure to this sector.

House building activities are high in Aalborg, as an increasing lack of housing is assessed and the willingness to invest is large, amongst others from a number of pension funds.

To a great extent the bank has contributed to property financing in both the non-profit and the private housing sector. The bank wishes to continue being part of the many construction projects in the bank's natural market area.

Dansk Byggeri (Danish Construction) has made an analysis, which shows an expected growth in the population in North Jutland towards 2025 on good 19,000, which creates the need for 12,000 new homes. It is estimated that solely in Aalborg there will be a need for close to 8,000 homes towards 2025.

Rising housing prices are observed for both villa and townhouses as well as on flats. At the same time the selling periods are shorter.

The growth in the housing market with high demand is still assessed to continue. Housing in North Jutland has not had as high price volatility as in Copenhagen - neither up nor down - and the risk of large fluctuations is assessed considerably less.

## Subsidiary

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

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

The result of the subsidiary for the first quarter of 2017 is included in the bank's income statement under "result of investments in associated businesses and subsidiaries". The shares have been included at DKK 11.5 million, which is the book value.

# Management report

## Risk factors and risk management

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

These risks are described in the Management Report and in note 14 in the Annual Report 2016 and in Risk Report 2016, which is available on the bank's home page at [www.nordjyskebank.dk](http://www.nordjyskebank.dk).

The bank's overall attitude is 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 likewise, risk management is a natural and central element in the bank. Credit risks constitute the most significant risk area.

Business model, policies and framework are updated at least once annually through the management's reassessment of the total risk.

## Uncertainty by recognition and measurement

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

No events have occurred after the end of the financial year, which will affect the bank's result for the first quarter of 2017, the bank's assets and liabilities, and its financial position as at 31 March 2017.

Just like the other Danish banks, Nordjyske Bank is liable for losses, which the Guarantee Fund (formerly the Deposit Guarantee Fund) may expect in connection with the insolvency of other banks. Nordjyske Bank's most recently calculated share of the sector's liability towards the Guarantee Fund amounts to 1.14 per cent.

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

The most significant estimates concern

- write-downs on lending and receivables where quantification of the risk of missing future payments involves material estimates – not least in the agricultural area,

- valuation of intangible assets, regarding quantification of future earnings and the rate of interest used for the calculation,
- valuation of properties, regarding the interest rates used for calculation and the internal rental value, and
- valuation of unlisted sector shares, cf. below.

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

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

# Management report

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

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The income statement of the annual report, balance sheet, notes, etc. as at 31 March 2017 with comparative figures for 2016 in the following is prepared according to current rules and regulations pursuant to the purchase method.

In the following section, there are comments on the income statement and balance sheet at the end of 1st quarter 2017 pursuant to the purchase method.

## The income statement shows the following in outline

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- Net interest and fee income increase by DKK 6.3 mill. to DKK 226.9 mill. as at 31 March 2017 compared to the previous year. The increase is primarily due to increased fee and commission income, as lending has decreased significantly during this period.
- Market price adjustments are positive with DKK 22.7 mill. at the end of 1st quarter of 2017. There is a positive market price adjustment on shares etc. at DKK 12.4 mill. and a positive market price development on bonds of DKK 7.8 mill.
- Staff and administration costs amount to DKK 128.0 mill. in 1st quarter 2017 against DKK 126.7 mill. in 2016.
- Write-downs on lending etc. have been charged to the income statement with DKK 38.4 mill. The item is affected by the fact that reversals of write-downs on loans from Nørresundby Bank are entered under interest income, which has been corrected in the pro forma statement cf. the statement on the next page.
- Pre-tax result amounts to DKK 75.9 mill. and the result after tax amounts to DKK 61.0 mill. in 1st quarter 2017.

## The balance sheet shows the following in outline

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- The total balance sheet as at 31 March 2017 increases to DKK 19.4 bn. compared with DKK 18.4 bn. last year. The increase is primarily attributable to an increase in deposits and an increase in the bank's pooled schemes.
- The bank's lending amounts to DKK 10.9 bn. as at 31 March 2017 and deposits amount to DKK 15.6 bn.
- Goodwill and customer relations are included under the item intangible assets with DKK 450 mill.
- Subordinate capital (Tier 2) amounts to DKK 272 mill.
- Nordjyske Bank's share capital amounts to DKK 183,645,150. Equity amounts to DKK 2.75 bn. as at 1st quarter 2017, which is an increase of DKK 139 mill. compared to the year before.
- Total contingent obligations amount to DKK 4.1 bn. as a 31 March 2017.

# Management report

## Applied accounting methods and alternative performance objectives

### Pro forma statement

Nordjyske Bank acquired Nørresundby Bank on 27 February 2015 and the banks merged on 31 March 2015.

The merger was implemented after the so-called takeover method, where the paid added value for assets is recognised as goodwill in the balance sheet. Comparative figures for income statement and balance sheet items as well as key figures in the annual accounts 2015 and earlier do not include figures from Nørresundby Bank prior to the merger.

It is the management's opinion that reporting where income statement and balance sheet items are drawn up according to the above rules does not provide the reader of the accounts with a thorough and fair picture of the bank's performance

as a consequence of the requirements of the accounting rules for treatment of write-downs from Nørresundby Bank.

The difference between the pro forma statements and the accounts in relation to the purchase method is illustrated in a statement on pages 21-22.

### Alternative performance goals

The bank uses a variety of alternative targets. These financial goals are used where they provide more information value about e.g. the bank's earnings, or where the term is a general term for several items.

The bank is aware of the need that the statements are used consistently and with comparative figures.

The alternative performance goals are defined below.

### Definitions

Core earnings	The result before Market Value adjustments of securities, etc., payments to the Resolution Fund as well as Write-downs on lending etc.
Core income	The sum of Net interest- and fee income and Other operating income etc
Other operating income etc.	The sum of Other operating income and dividend on shares etc.
Operating expenses	The sum of Staff and Administration costs, other operating cost except payment to the Guarantee Fund etc.
Operating write-downs	Consist of Depreciations and write-downs on intangible and tangible assets.
Market price regulations on securities, etc	The sum of Market price adjustments and Result of investments in associated and group companies.
Pro forma statement	Cf. the section above.
Business volume	The sum of Lending, Guarantees and Deposits.
Business volume incl. deposits	Business volume incl. safe custody values
Discount	Value regulation of loans acquired from other financial institutions in connection with merger and purchase.
Danish commercial farming	Farming with operating premises in Denmark excl. Farms where debtors main source of income is outside the farming operation.
Excess deposits	The sum of Deposits less Loans.
Sector shares	Shares, which the bank owns jointly with other financial institutions.
Customer relations	Intangible value of customers arisen in connection with acquisition of company.

# Management report

## Calculation of pro forma result

As indicated on page 5, the accounts statement in the report and the descriptions herein are mainly based on pro forma calculated figures which are assessed most true and fair.  
See further description on page 20.

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

Summary of calculation of pro forma result for 1st quarter 2017 (amounts in million DKK)	Official result	Note	Pro forma adjustment	Pro forma result
Interest income	140	1 3	-9 -2	129
Interest expenses	9			9
Net interest income	131		-11	120
Fees and commission income, net	95			95
Other operating income etc.	1			1
<b>Core income</b>	<b>227</b>		<b>-11</b>	<b>216</b>
Operating costs and operating depreciations excl. merger costs	135			135
<b>Core earnings</b>	<b>92</b>		<b>-11</b>	<b>81</b>
Payments to the Resolution Fund, etc.	0			0
Write-downs on lending etc.	38	1 2 3	-9 1 -2	28
Market price regulations on securities, etc	22			22
<b>Pre-tax result</b>	<b>76</b>		<b>-1</b>	<b>75</b>

Summary of calculation of pro forma result for 1st quarter 2016 (amounts in million DKK)	Official result	Note	Pro forma adjustment	Pro forma result
Interest income	153	1 3	-17 -2	134
Interest expenses	13			13
Net interest income	140		-19	121
Fees and commission income, net	81			81
Other operating income etc.	3			3
<b>Core income</b>	<b>224</b>		<b>-19</b>	<b>205</b>
Operating costs and operating depreciations excl. merger costs	134			134
<b>Core earnings</b>	<b>90</b>		<b>-19</b>	<b>71</b>
Payments to the Resolution Fund, etc.	0			0
Write-downs on lending etc.	61	1 2 3	-17 1 -2	43
Market price regulations on securities, etc	13			13
<b>Pre-tax result</b>	<b>42</b>		<b>-1</b>	<b>41</b>

# Management report

Notes on the pro forma calculations	Pro forma adjustment 1st qtr. 2017	Pro forma adjustment 1st qtr. 2016
<b>1) Value adjustment of lending taken over at a discount primarily conc. Nørresundby Bank</b> When merging with other banks, part of lending is valued lower than par (primarily lending with individual write-downs). The difference between market price and nominal value is amortised (booked as income) over the term of the loan and booked as income in the official accounts as interest income on loan. If the loan is not improved at the same rate as the amortisation, there will be corresponding write-down on lending etc. If the loans had always been part of Nordjyske Bank's lending, these movements would have been entered as movements on write-down on lending etc. Regulation conc. lending taken over from Nørresundby Bank	-9	-17
<b>2) Value adjusted lending valued higher with regard to quality than amortisation taken over at a discount</b> When merging with other banks, part of lending is valued lower than par (primarily lending with individual write-downs). The difference between market price and nominal value is amortised (booked as income) over the term of the loan and booked as income in the official accounts as interest income on loan. If the loan is improved faster than the amortisation, it will not be possible to immediately book the improvement as income with regard to quality, and it will not be possible to take the difference that occurs by this as income in the official accounts until later periods. If the loans had always been part of Nordjyske Bank's lending, these movements would be booked as income immediately as movements on write-downs on lending etc.	1	1
<b>3) Interest income conc. the value adjusted part of lending from Nørresundby Bank</b> If the original write-downs from Nørresundby Bank had been write-downs from Nordjyske Bank and not re-classified at a discount, the interest hereof would be adjusted between interest on lending and write-downs on lending etc.	-2	-2

## Shareholders

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

The price for the Nordjyske Bank share was 115.0 per share as at 31 March 2016, which corresponds to an inner value per share of 149.7.

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

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

### Large shareholder

Nordjyske Bank has one large shareholder as Jyske Bank A/S in Silkeborg owns 38.49 per cent of the share capital in Nordjyske Bank A/S as at 31 December 2016, which is within an agreed limit of 40 per cent to Jyske Bank A/S.

Jyske Bank A/S has – cf. Nordjyske Bank's Articles of Association – 1,000 votes.

## Financial calendar 2017

22.08.2017	Publication of interim report as at 30 June 2017
21.11.2017	Publication of interim report as at 30 September 2017

# Interim Report

## Endorsements

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We have today approved the interim report for the period 1 January - 31 March 2017 for Nordjyske Bank A/S.

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

We consider the accounting policy chosen to be appropriate and that the financial statements for the period 1 January - 31 March 2017 provide a correct representation of the Bank's assets and liabilities, its financial position and the result.

Nørresundby, 16 May 2017

### Executive Board

Claus Andersen  
Managing Director

Carl Pedersen  
Vice-managing Director

Mikael Jakobsen  
Bank Director

/Pia Foss Henriksen  
Financial manager

### Board of Directors

Mads Hvolby  
Chairman

Sten Uggerhøj  
Deputy chairman

Per Lykkegaard Christensen

Morten Jensen

Poul Søe Jeppesen

Anne Kaptain

Henrik Lintner

John Chr. Aasted

Hanne Karlshøj

Helle Juul Lynge

Arne Ugilt

Finn Aaen

# Interim Report

## Income Statement

Amount in 1,000 DKK	Note	1/1 - 31/3 2017	1/1 - 31/3 2016	1/1 - 31/12 2016
Interest earnings	3	140,076	153,169	606,688
Interest expenses	4	9,267	13,227	47,410
<b>Net interest earnings</b>		<b>130,809</b>	<b>139,942</b>	<b>559,278</b>
Dividend from shares, etc.		518	168	22,062
Fees and commission earnings	6	99,067	84,253	369,652
Fees and commission costs paid		3,528	3,786	17,344
<b>Net interest and fee earnings</b>		<b>226,866</b>	<b>220,577</b>	<b>933,648</b>
Market value adjustments	7	22,721	13,322	46,490
Other operating income		262	3,203	12,800
Staff and administration costs	8	127,980	126,745	490,598
Depreciation and write-downs on intangible and tangible assets	9	7,077	7,187	27,823
Other operating costs		447	430	1,611
Write-down on lending and receivables, etc.		38,368	61,040	244,764
Result of investments in associated and group companies		-65	-27	-28
<b>Pre-tax result</b>		<b>75,912</b>	<b>41,673</b>	<b>228,114</b>
Tax	10	14,919	7,688	43,228
<b>Result for the period</b>		<b>60,993</b>	<b>33,985</b>	<b>184,886</b>

## Total income statement

Amount in 1,000 DKK	Note	1/1 - 31/3 2017	1/1 - 31/3 2016	1/1 - 31/12 2016
Result for the period		60,993	33,985	184,886
Revaluation headquarters property		0	0	-160
Tax con. revaluation headquarters property		0	0	348
Provisions concerning pension obligations		0	0	-271
Tax conc. provisions for pension obligations		0	0	-24
<b>Total income for the period</b>		<b>60,993</b>	<b>33,985</b>	<b>184,779</b>

# Interim Report

## Balance

<b>Assets</b>		<b>As at 31/3</b>	<b>As at 31/3</b>	<b>As at 31/12</b>
Amount in 1,000 DKK	Note	<b>2017</b>	<b>2016</b>	<b>2016</b>
Cash and demand deposits				
with central banks		347,443	377,635	351,054
Receivables from financial institutions and central banks	11	-347,443	585,671	764,150
Lending and other receivables at amortised cost price	12+13	10,906,939	10,538,392	10,822,498
Bonds at current value		2,836,000	2,573,437	3,073,768
Shares, etc.		594,656	630,577	579,380
Investments in group companies		11,455	11,521	11,520
Assets related to pooled schemes		3,065,669	2,664,757	2,941,695
Intangible assets	14	449,542	471,572	455,049
Sites and buildings, total		256,569	304,455	256,281
- Investment properties		61,833	81,726	62,071
- Headquarters properties		194,736	222,729	194,210
Other tangible assets		10,055	10,643	10,584
Assets in temporary possession		12,436	48,191	12,636
Other assets		172,014	159,530	151,608
Accrued expenses and deferred income		9,289	1,007	13,391
<b>Total assets</b>		<b>18,877,386</b>	<b>18,377,388</b>	<b>19,443,614</b>

# Interim Report

## Balance

Liabilities		As at 31/3 2017	As at 31/3 2016	As at 31/12 2016
Amounts in 1,000 DKK	Note			
<b>Debts</b>				
Debt to financial institutions and central banks	15	266,538	328,875	302,981
Total deposits		-266,538	14,861,277	15,838,012
- deposits and other debt	16	12,374,204	12,025,740	12,718,121
- deposits in pooled schemes		3,221,882	2,835,537	3,119,891
Current tax liabilities		11,087	12,933	11,200
Other liabilities		277,646	238,612	204,287
Accrued expenses and deferred income		1,847	129	2,714
<b>Total debts</b>		<b>16,153,204</b>	<b>15,441,826</b>	<b>16,359,194</b>
<b>Provisions made</b>				
Provisions for pensions and similar obligations		11,614	9,881	11,160
Provisions for deferred tax		19,191	27,946	20,403
Provisions for loss from guarantees		17,984	8,206	17,525
Other provisions		5,113	11,713	5,533
<b>Total provisions</b>		<b>53,902</b>	<b>57,746</b>	<b>54,621</b>
<b>Subordinated capital investments</b>	17	<b>272,010</b>	<b>270,985</b>	<b>271,754</b>
<b>Equity</b>				
Share capital		183,645	183,645	183,645
Provisions for appreciation		18,216	33,316	18,216
Other reserves				
- statutory reserves		3,210	3,276	3,275
Profits carried forward		2,540,642	2,386,594	2,479,451
Proposed dividend		0	0	73,458
<b>Total equity</b>		<b>2,745,713</b>	<b>2,606,831</b>	<b>2,758,045</b>
<b>Total liabilities</b>		<b>19,224,829</b>	<b>18,377,388</b>	<b>19,443,614</b>
<b>Contingent liabilities</b>	18	<b>4,110,961</b>	<b>3,178,279</b>	<b>4,222,554</b>

# Interim Report

## Equity Movements

Amounts in DKK 1,000	As at 31/3 2017	As at 31/3 2016	As at 31/12 2016
<b>Share capital</b>			
Share capital, start of the period	183,645	183,645	183,645
Share capital, end of the period	<u>0</u>	<u>183,645</u>	<u>183,645</u>
<b>Provisions for appreciation</b>			
Provisions for appreciation, start of period	18,216	33,680	33,680
Other total income:			
- revaluation headquarters properties	0	0	-160
- tax conc. revaluation headquarters properties	0	0	348
Disposals from sale or altered use	0	-364	-15,652
Provisions for appreciation, end of the period	<u>18,216</u>	<u>33,316</u>	<u>18,216</u>
<b>Other reserves</b>			
Statutory reserves, start of the period	3,275	3,303	3,303
Result for the period (net profit)	-65	-27	-28
Statutory reserves, end of the period	<u>3,210</u>	<u>3,276</u>	<u>3,275</u>
<b>Profits carried forward</b>			
Profits carried forward, start of the period	2,479,451	2,352,531	2,352,531
Result for the period	60,993	33,985	111,428
Dividend from own shares	69	43	43
Purchase/sale of own shares	64	8	64
Transferred to other reserves	65	27	28
Revaluation reserve, realised	0	0	15,652
Other total income:			
- Provisions for pension obligations	0	0	-271
- Tax conc. provisions for pension obligations	0	0	-24
Profits carried forward, end of the period	<u>2,540,642</u>	<u>2,386,594</u>	<u>2,479,451</u>
<b>Proposed dividend</b>			
Proposed dividend, start of the period	73,458	44,075	44,075
Dividend paid	-73,458	-44,075	-44,075
Proposed dividend, end of the period	<u>0</u>	<u>0</u>	<u>73,458</u>
	<u>0</u>	<u>0</u>	<u>73,458</u>
<b>Equity, end of the period</b>	<u>2,562,068</u>	<u>2,606,831</u>	<u>2,758,045</u>

# Interim Report

## Capital base (solvency)

Amounts in DKK 1,000	As at 31/3 2017	As at 31/3 2016	As at 31/12 2016
Equity	2,745,713	2,606,831	2,758,045
Result 1st quarter of 2017 will not be included	60,993	0	0
Equity before recognition of the result of the period	2,684,720	2,606,831	2,758,045
Deductions:			
Proposed dividend	0	0	73,458
Intangible assets	415,644	432,827	419,940
Subordinate capital investments in entities in the financial sector	324,222	338,263	311,910
Cautious valuation	3,980	3,762	4,478
Other deductions	16,049	31,340	16,158
<b>Actual core capital after deductions</b>	<b>1,924,825</b>	<b>1,800,639</b>	<b>1,932,101</b>
Supplementary capital	272,010	270,985	271,754
Deductions:			
Subordinate capital investments in entities in the financial sector	3,033	6,251	2,920
<b>Capital base (solvency)</b>	<b>2,193,802</b>	<b>2,065,373</b>	<b>2,200,935</b>
Capital adequacy pursuant to Art. 92 in EU reg.no. 575/2013	1,069,788	964,405	1,076,219
Risk exposure:			
Total risk exposure	13,372,349	12,055,058	13,452,733
<b>Actual core capital rate</b>	<b>14.4</b>	<b>14.9</b>	<b>14.4</b>
<b>Core capital rate</b>	<b>14.4</b>	<b>14.9</b>	<b>14.4</b>
<b>Capital rate</b>	<b>16.4</b>	<b>17.1</b>	<b>16.4</b>
<b>Solvency needs</b>	<b>9.8</b>	<b>10.2</b>	<b>10.1</b>

Capital and capital adequacy have been calculated according to regulation (EU) no. 575/2013 and directive 2013/36 EU of 26 June 2013 of the European Parliament and Council. The bank uses the standard method for the indicator approach for operational risks.

The result of 1st quarter of 2017 is, contrary to previous years, not included in the capital base at the end of the quarter. This means that the calculated capital rate is 0.2 percentage points lower than at the recognition of the result of the period. Adjustment of comparative figures for 2016 has not been made.

The method of calculation concerning the recognition of intangible assets has changed in 2016. Adjustment of comparative figures has been made and this has increased the capital percentage of 1st quarter of 2016 by 0.3 percentage points.

# Interim Report

## Accounting policies

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

The accounting policy is unchanged compared with the most recent financial year. There are, however, made adjustments in individual notes and statements, including the adjustment of comparative figures. For further information regarding the accounting policy, please refer to Nordjyske Bank's Annual Report 2016 at [www.nordjyskebank.dk/ombanken/investorrelations](http://www.nordjyskebank.dk/ombanken/investorrelations)

# Interim Report

## Notes

<b>3. Interest income</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
Receivables from financial institutions and central banks	172	137	722
Lending and other receivables	126,285	134,357	519,198
Discount on lendings in foreclosure from Nørresundby Bank, recorded as income	9,210	16,622	71,640
Bonds	2,469	2,833	11,505
Derivative financial instruments, total	1,404	-1,243	2,508
Other interest income	535	463	1,115
<b>Total interest income</b>	<b>140,076</b>	<b>153,169</b>	<b>606,688</b>

There is no interest income derived from genuine purchase and resale transactions

<b>4. Interest expenses</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
Debt to financial institutions and central banks	761	1,222	5,138
Deposits and other debt	4,447	7,987	26,452
Subordinated capital investments	3,878	3,914	15,719
Other interest expenses	181	104	101
<b>Total interest expenses</b>	<b>9,267</b>	<b>13,227</b>	<b>47,410</b>

There is no interest income derived from genuine purchase and resale transactions

<b>5. Trade</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
Nordjyske Bank A/S conducts traditional banking activities in the North Denmark Region and the capital area with its headquarters in Nørresundby. No branches are established abroad, and no public grants have been received.			
Interest earnings	140,076	153,169	606,688
Fees and commission earnings	99,067	84,253	369,652
Other operating income	262	3,203	12,800
<b>Total trade</b>	<b>239,405</b>	<b>240,625</b>	<b>989,140</b>

# Interim Report

## Notes

<b>6. Fees and commission earnings</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
Security transactions and custody accounts	35,207	28,932	128,586
Payment services	9,987	9,827	39,885
Fees on loans	34,458	28,263	123,524
Guarantee commission	3,841	1,818	17,396
Other fees and commission income	15,574	15,413	60,261
<b>Total fees and commission income</b>	<b>99,067</b>	<b>84,253</b>	<b>369,652</b>

<b>7. Market value adjustments</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
Other lending and receivables (hedge)	-1,839	9,356	4,786
Bonds	7,753	-895	16,456
Shares, etc.	12,438	11,028	20,248
Investment properties	-238	-100	-3,456
Currencies	2,598	2,262	9,975
Derivative financial instruments	2,009	-8,272	-1,377
Assets related to pooled schemes	75,503	-15,448	120,322
Deposits in pooled schemes	-75,503	15,391	-120,464
<b>Total market value adjustments</b>	<b>22,721</b>	<b>13,322</b>	<b>46,490</b>

<b>8. Staff and administration costs</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
Salaries and remuneration for the Board of Directors, Executive Board and Committee of Representatives:			
Executive Board (excl. value of benefits)	2,385	2,282	9,637
Board of Directors	807	798	3,199
Committee of Representatives	273	274	1,098
	<b>3,465</b>	<b>3,354</b>	<b>13,934</b>
Staff costs:			
Salaries	56,396	52,664	215,291
Pension	6,161	5,918	23,831
Expenses for social security, etc.	9,942	9,600	38,231
	<b>72,499</b>	<b>68,182</b>	<b>277,353</b>
Other administration costs	52,016	55,209	199,311
<b>Total staff and administration costs</b>	<b>127,980</b>	<b>126,745</b>	<b>490,598</b>
Average number of full-time employees	421	423	426
Number of employees	429	430	433

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## Notes

<b>9. Depreciations and write-downs on intangible and tangible assets</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
Intangible assets			
Customer relations	5,507	5,508	22,030
Tangible assets			
Depreciation on headquarters properties	475	298	378
Write-down and reversed depreciations on headquarters properties, net	0	0	134
Depreciation on other tangible assets	1,095	1,381	5,281
<b>Total depreciations and write-downs</b>	<b>7,077</b>	<b>7,187</b>	<b>27,823</b>

<b>10. Tax</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
The period's tax can be distributed like this:			
Tax of the result of the period	14,919	7,688	43,228
Tax on other comprehensive income (equity movements)	0	0	-324
<b>Total tax</b>	<b>14,919</b>	<b>7,688</b>	<b>42,904</b>
The tax charged to the income statement is specified like this:			
Current tax	16,150	8,900	51,619
Deferred tax	-1,212	-1,212	-8,431
Adjustment of previous year's calculated tax	-19	0	40
<b>Tax of the result of the period</b>	<b>14,919</b>	<b>7,688</b>	<b>43,228</b>
Current tax rate	22.0%	22.0%	22.0%
Non-taxable income and non-deductible expenses, etc.	-2.3%	-3.6%	-3.0%
Effective tax rate	19.7%	18.4%	19.0%

The effective tax rate is the tax of the period's results in relation to profit before tax.

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## Notes

<b>11. Receivables from financial institutions and central banks</b>	<b>As at 31/3 2017</b>	<b>As at 31/3 2016</b>	<b>As at 31/12 2016</b>
Amounts in DKK 1,000			
Demand deposits	544,252	577,161	755,640
Remaining term			
- over 1 year up to 5 years	5,000	5,000	5,000
- over 5 years	3,510	3,510	3,510
Total receivables from financial institutions and central banks	<u>552,762</u>	<u>585,671</u>	<u>764,150</u>
Receivables at notice from central banks	426,054	443,080	690,087
Receivables from financial institutions	<u>126,708</u>	<u>142,591</u>	<u>74,063</u>
Total receivables from financial institutions and central banks	<u>552,762</u>	<u>585,671</u>	<u>764,150</u>
<b>12. Write-downs on lending</b>	<b>As at 31/3 2017</b>	<b>As at 31/3 2016</b>	<b>As at 31/12 2016</b>
Amounts in DKK 1,000			
Individual write-downs			
Opening	965,229	811,489	811,489
Write-downs of the period	85,746	71,819	328,283
Reversal of write-downs made in prior periods	49,401	16,374	96,787
Other movements	9,673	8,798	40,964
Final loss previously written-down individually	<u>21,936</u>	<u>18,921</u>	<u>118,720</u>
Closing	<u>989,311</u>	<u>856,811</u>	<u>965,229</u>
Group write-downs			
Opening	40,768	31,029	31,029
Write-downs of the period	2,909	6,921	18,389
Reversal of write-downs made in prior periods	<u>601</u>	<u>1,036</u>	<u>8,650</u>
Closing	<u>43,076</u>	<u>36,914</u>	<u>40,768</u>
Discount on lendings in foreclosure from A/S Nørresundby Bank	<u>166,725</u>	<u>247,281</u>	<u>179,852</u>
Total write-downs and a discount on lending	<u>1,199,112</u>	<u>1,141,006</u>	<u>1,185,849</u>

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## Notes

<b>13. Credit risks</b>	<b>As at 31/3</b>	<b>As at 31/3</b>	<b>As at 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>Loans and guarantees after write-downs by sectors and industries</b>			
Public authorities	0.0%	0.0%	0.0%
Agriculture, hunting, forestry and fishing:			
Agriculture	8.4%	9.8%	8.8%
Crop production abroad (EU)	2.8%	2.6%	2.8%
Fur farming	0.7%	0.6%	0.7%
Fishing	2.3%	2.3%	2.0%
Total agriculture, hunting, forestry and fishing	14.2%	15.3%	14.3%
Industry and raw material extraction	4.0%	3.9%	4.4%
Energy supply	0.5%	0.4%	0.4%
Building and construction	4.9%	3.5%	4.8%
Trade	5.9%	5.8%	6.2%
Transportation, hotels and restaurants	1.2%	2.5%	1.9%
Information and communication	0.4%	0.4%	0.5%
Financing and insurance	8.7%	6.0%	8.0%
Real property	10.2%	12.2%	10.6%
Other lines of business	5.4%	5.0%	5.2%
Total, other lines of business	41.2%	39.7%	42.0%
Total, business	55.4%	55.0%	56.3%
Private customers	44.6%	45.0%	43.7%
Total	100.0%	100.0%	100.0%

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## Notes

<b>13. Credit risks continued</b>	<b>As at 31/3</b>	<b>As at 31/3</b>	<b>As at 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
<b>Maximum credit exposure (primarily lending, guarantees and credit commitments) by industries</b>			
Public authorities	0.0%	0.0%	0.0%
Agriculture, hunting, forestry and fishing:			
Agriculture	9.5%	10.0%	9.6%
Crop production abroad (EU)	2.2%	2.0%	2.2%
Fur farming	0.7%	0.7%	0.7%
Fishing	2.2%	2.3%	2.1%
Total agriculture, hunting, forestry and fishing	14.6%	15.0%	14.6%
Industry and raw material extraction	3.8%	4.4%	3.9%
Energy supply	0.9%	0.4%	1.0%
Building and construction	5.9%	4.1%	5.9%
Trade	7.3%	6.7%	6.7%
Transportation, hotels and restaurants	1.6%	2.3%	2.0%
Information and communication	0.4%	0.4%	0.5%
Financing and insurance	7.1%	4.8%	7.0%
Real property	11.1%	13.9%	11.5%
Other lines of business	6.1%	5.2%	6.0%
Total, other lines of business	44.2%	42.2%	44.5%
Total, business	58.8%	57.2%	59.1%
Private customers	41.2%	42.8%	40.9%
Total	100.0%	100.0%	100.0%

<b>14. Intangible assets</b>	<b>As at 31/3</b>	<b>As at 31/3</b>	<b>As at 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
Customer relations	163,289	185,319	168,796
Goodwill	286,253	286,253	286,253
Intangible assets, total	449,542	471,572	455,049

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## Notes

<b>15. Debt to financial institutions and central banks</b> Amounts in DKK 1,000	<b>As at 31/3 2017</b>	<b>As at 31/3 2016</b>	<b>As at 31/12 2016</b>
Demand	266,538	297,729	302,981
Remaining term			
- over 5 years	0	31,146	0
<b>Total debt to financial institutions and central banks</b>	<b>266,538</b>	<b>328,875</b>	<b>302,981</b>

<b>16. Deposits and other debt</b> Amounts in DKK 1,000	<b>As at 31/3 2017</b>	<b>As at 31/3 2016</b>	<b>As at 31/12 2016</b>
Demand	10,463,355	9,674,677	10,713,675
Remaining term			
- up to and including 3 months	341,042	401,175	349,069
- over 3 months up to and including 1 year	42,624	196,542	35,723
- over 1 year up to 5 years	655,649	869,944	728,438
- over 5 years	871,534	883,402	891,216
<b>Total deposits and other debt</b>	<b>12,374,204</b>	<b>12,025,740</b>	<b>12,718,121</b>
<b>By category</b>			
- demand	10,404,042	9,618,651	10,652,965
- termination	636,032	1,000,321	703,337
- time deposits	2,283	47,124	5,070
- special deposits	1,331,847	1,359,644	1,356,749
<b>Total deposits and other debt</b>	<b>12,374,204</b>	<b>12,025,740</b>	<b>12,718,121</b>
Share of deposits incl. pooled schemes covered by the Deposit Guarantee Fund	84%	82%	83%

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

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## Notes

<b>17. Subordinated capital investments</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/3</b>	<b>1/1 - 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
Supplementary capital	272,010	270,985	271,754
Total subordinated capital investments	272,010	270,985	271,754
Of this is included in the calculation of the capital base	272,010	270,985	271,754
Interest	3,878	3,914	15,719

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

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

<b>18. Contingent liabilities</b>	<b>As at 31/3</b>	<b>As at 31/3</b>	<b>As at 31/12</b>
Amounts in DKK 1,000	<b>2017</b>	<b>2016</b>	<b>2016</b>
Financial guarantees	2,920,561	1,752,005	2,965,654
Loss guarantees regarding mortgage loan	782,600	551,295	732,438
Registration and conversion guaranties	47,984	65,878	139,842
Other contingent liabilities	359,816	809,101	384,620
Total	4,110,961	3,178,279	4,222,554
<b>Mortgaging</b>			
As security for clearing etc. on the Danish Central Bank bonds mortgaged at a market price of	88,108	88,060	88,125
As security for loss towards the Danish Growth Fond as a consequence of Nordjyske Bank's ownership in Landbrugets Finansieringsbank, deposit has been made on a security account at an amount of	252	254	253
Guarantee in connection with CSR agreements	30,510	13,800	10,970
Guarantee in connection with EMIR agreements	7,300	0	0

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

Therefore, Nordjyske Bank A/S is liable for income tax etc. for the joint taxation company as of and including 1 July 2017 for in accordance with the regulations of the Danish company act, and as of and including 1 July 2012 for any obligation to include withholding tax on interest, royalties, and dividend for the jointly taxed company.

The bank is not part in any litigation, which is estimated to lead to substantial losses and thus a significant change of the interim report.