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31 January 2018

Ringkjøbing Landbobank's announcement of the financial statements for 2017 - The best profit in the bank's history

Profit before tax increased by 11% to DKK 735 million, which equates to a 22% return on equity.

Core earnings show an increase of 9% to DKK 675 million and are thus above the upwardly adjusted expectations for 2017, which is considered highly satisfactory.

(DKK million)	2017	2016	2015	2014	2013
Total core income	1,019	983	954	907	844
Total expenses and depreciation	-334	-318	-306	-298	-273
Core earnings before impairment charges for loans	685	665	648	609	571
Impairment charges for loans etc.	-10	-48	-60	-87	-120
Core earnings	675	617	588	522	451
Result for the portfolio etc.	+60	+44	0	+65	+21
Profit before tax	735	661	588	587	472

2017 - highlights

- The best profit before tax and the best core earnings in the bank's history
- Profit before tax increased by 11% to DKK 735 million, which equates to a 22% return on equity
- Core earnings increased by 9% to DKK 675 million, exceeding expectations
- High levels of customer satisfaction and the best reputation among Danish banks
- Big increase in customer numbers creates 11% increase in loans
- Rate of costs of 32.8 makes us highly competitive
- Proposed dividend increase of 25% to DKK 9 per share. A new buy-back programme for up to DKK 170 million is also proposed, increasing the total pay-out ratio to 63%
- Expectations for core earnings of DKK 600 - 675 million in 2018, plus the result for the portfolio

Please do not hesitate to contact the bank's management if you have any questions.

Yours sincerely,

Ringkjøbing Landbobank

John Fisker Jørn Nielsen

Ringkjøbing Landbobank A/S

Management's review

Core income

Net interest income was DKK 643 million in 2017 compared to DKK 665 million in 2016, a decrease of 3%. This should be compared to an 11% increase in lending volumes, which underlines that net interest income is influenced by the competition in the sector. This item is also influenced by a changed mix of loans and continuing low interest rates.

Fee, commission and foreign exchange income amounted to net DKK 301 million in 2017 compared to net DKK 271 million in 2016, an 11% increase. The primary reasons for the increase in fee income is an increase in the income from securities trading, and the bank's income from guarantee commission and mortgage credit commission etc. also increased.

The MiFID II provisions prohibiting commission became effective on 1 July 2017. The implementation of the provisions means that the bank may no longer accept commission from investment funds for arrangements under which it provides portfolio management. The bank has consequently adapted its price structure for management fees that are charged directly to customers. In 2017, the bank's income from asset management thus fell by DKK 13 million, which is attributable to falling margins and increasing volumes being managed.

Earnings from sector shares increased by DKK 32 million from DKK 39 million in 2016 to DKK 71 million in 2017. The earnings derive primarily from return on the bank's ownership interests in DLR Kredit, BankInvest Holding and PRAS. Earnings in BankInvest Holding increased because the company has not paid out any outsourcing fees etc. since 1 July 2017. This contributed to increasing BankInvest's earnings and consequently the value of the bank's shareholding. The bank's earnings from DLR Kredit was affected positively by a larger equity position in this company.

Total core income increased by 4% from DKK 983 million in 2016 to DKK 1,019 million in 2017. The bank considers the increase satisfactory given the market conditions for the sector.

Costs and depreciation

Total costs including depreciation and write-downs on tangible assets were DKK 334 million in 2017 compared to DKK 318 million in 2016, an increase of 5%. Costs in 2017 were thus marginally higher than the previously announced expectations for this item.

During the year, the bank had higher costs due to its organic growth strategy. The bank thus increased its staff marginally and spent more money on marketing. The bank also had higher IT expenses in 2017.

On the other hand the bank realised a fall in maintenance costs and depreciation and write-downs on tangible assets in 2017.

The rate of costs in 2017 was marginally higher than in 2016 and was computed at 32.8 for 2017, which continues to be the lowest in Denmark.

Impairment charges for loans

Impairment charges for loans amounted to DKK 10 million in 2017 compared to DKK 48 million in 2016. The falling trend from previous years thus continues for impairment charges, which are now equivalent to 0.05% of the total average of loans and guarantees etc., compared to 0.23% in 2016.

The average credit quality of the bank's loans portfolio in general improved during 2017 compared to the already high level in 2016.

The bank's total impairment charges for loans and provisions for losses on guarantees were reduced from DKK 937 million at the beginning to DKK 931 at the end of 2017, equivalent to 4.0% of total loans and guarantees.

Agriculture is the customer segment with the highest individual and collective impairment charges. Given the realised prices to producers the majority of the bank's pig and dairy producers realised highly satisfactory results in 2017. However, prospects for 2018 for the prices of milk and pork are again uncertain. The bank judges that the current risk of weak operating results is to a large extent contained in the bank's considerable impairment charges for the agricultural sector.

The portfolio of loans with suspended calculation of interest amounted to DKK 25 million at the end of the year, equivalent to 0.11% of the bank's total loans and guarantees at the end of the year. The portfolio thus decreased compared with the end of 2016, when the amount was DKK 60 million.

On the basis of the quality of the bank's loans portfolio and prospects for economic development in the coming year, the bank expects total impairment charges in 2018 to remain low.

Core earnings

(DKK million)	2017	2016	2015	2014	2013
Total core income	1,019	983	954	907	844
Total expenses and depreciation	-334	-318	-306	-298	-273
Core earnings before impairment charges for loans	685	665	648	609	571
Impairment charges for loans etc.	-10	-48	-60	-87	-120
Core earnings	675	617	588	522	451

Core earnings were DKK 675 million, compared with DKK 617 million last year, an increase of 9% and the best in the bank's history. At the beginning of the year, the bank announced expected core earnings for the year in the DKK 515 - 615 million range. This range was upwardly adjusted to DKK 600 - 665 million in connection with the presentation of the bank's interim report, and the core earnings realised are thus above the upwardly adjusted range, which is considered highly satisfactory.

Result for the portfolio and market risk

The result for the portfolio for 2017 was DKK 60 million, including funding costs for the portfolio. The falling interest rate level and the narrowed credit spread for mortgage credit bonds in 2017 positively affected the result for the portfolio.

Shares etc. at the end of the year amounted to DKK 621 million, DKK 20 million of which was in listed shares etc. and DKK 601 million in sector shares etc. The bond portfolio amounted to DKK 3,953 million, and the majority of the portfolio consists of AAA-rated Danish government and mortgage credit bonds.

The total interest rate risk - calculated as the impact on the profit of a 1 percentage point change in the interest level - was 1.1% of the bank's tier 1 capital at the end of the year.

The bank's total market risk within exposures to interest rate risk, listed shares etc. and foreign currency remains at a moderate level, and this policy will continue.

The bank's risk of losses calculated on the basis of a Value at Risk model (computed with a 10-day horizon and 99% probability) was as follows in 2017:

	Risk in DKK million	Risk relative to equity end of year in %
Highest risk of loss:	17.5	0.46%
Lowest risk of loss:	2.5	0.07%
Average risk of loss:	10.0	0.26%
End of year risk of loss:	6.0	0.16%

Net profit for the year

The profit before tax was DKK 735 million. The profit after tax of DKK 146 million was DKK 589 million, compared with last year's DKK 539 million.

The net profit for the year is equivalent to a return on equity at the beginning of the year of 17% after payment of dividend.

Balance sheet

The bank's balance sheet at the end of the year stood at DKK 25,796 million compared with last year's DKK 24,258 million.

The bank's deposits increased by 4% from DKK 18,314 million at the end of 2016 to DKK 19,110 million at the end of 2017. The bank's loans increased by 11% from DKK 17,482 million at the end of 2016 to DKK 19,351 million at the end of 2017.

Growth in loans for the year was broadly based with a positive development in lending in all of the bank's branches and within all niches in 2017. The only exception is the renewable energy niche which experienced a small decrease in the loans portfolio.

The bank's portfolio of guarantees at the end of the year was DKK 3,184 million compared to DKK 2,460 million at the end of 2016.

Liquidity

The bank's liquidity situation is good. The bank's short-term funding with term to maturity of less than 12 months amounts to DKK 0.9 billion, balanced by DKK 5.4 billion primarily in short-term investments in the Danish central bank and in liquid securities.

The bank's loans at the end of the year were at the same level as the bank's deposits. The loans portfolio is thus more than fully financed by the bank's deposits and equity. In addition, part of the loan portfolio for wind turbines in Germany is refinanced back-to-back with KfW Bankengruppe, which means that DKK 977 million can be disregarded in terms of liquidity.

With a view partly to strengthening the bank's LCR (Liquidity Coverage Ratio) and partly to adjusting and matching the funding of longer-term loans, the bank entered into longer-term funding agreements with its partners during 2017 of a total value equivalent to DKK 1.1 billion with an average term of approximately 4.8 years.

In 2017 the bank also took advantage of the partnership with Totalkredit on joint funding, and home loans were sold to Totalkredit for funding during the year.

In terms of liquidity, the bank must comply with the LCR requirement. On 31 December 2017 the bank's LCR was 193% and the bank thus met the statutory requirement of at least 100%.

On 31 December 2016, the LCR requirement replaced the statutory Section 152 requirement, which was phased out on the same date. However, the latter must still be disclosed, and the figure at the end of December 2017 was 117%.

Capital reduction, dividends and new share buy-back programme

The annual general meeting in February 2017 authorised the bank's board of directors to buy shares for up to DKK 170 million for cancellation at a future general meeting.

On completion of the share buy-back programme, the following were reserved on 29 November 2017:

	Number of shares	Average purchase price - in DKK	Transaction value - in DKK 1,000
Reserved on 14 March 2017	160,000	298.232	47,717
Reserved on 7 June 2017	135,000	320.035	43,205
Reserved on 13 September 2017	125,000	333.850	41,731
Reserved on 29 November 2017	118,000	315.512	37,230
Total on 29 November 2017	538,000		169,883

It is proposed to the general meeting that these 538,000 shares be finally cancelled in connection with a capital reduction, thus reducing the number of shares in the bank from 22,350,000 to 21,812,000.

The bank's board of directors will also propose to the general meeting that a dividend of DKK 9 per share, equivalent to DKK 201 million, be paid for the 2017 financial year. A dividend of DKK 7.20 per share was paid for the 2016 financial year.

Finally a proposal will also be made to the general meeting that a new buy-back programme be established, under which shares for up to DKK 170 million can be bought for cancellation at a future general meeting.

The total pay-out ratio increases from 62% in 2016 to 63% in 2017 on the basis of the above proposals.

Capital structure

Equity at the beginning of 2017 was DKK 3,555 million. To this must be added the profit for the year, while the dividend paid and the value of the bank's own shares bought must be subtracted, after which the equity at the end of the year was DKK 3,817 million, an increase of 7%.

The bank's total capital ratio was computed at 17.8% at the end of 2017, and the tier 1 capital ratio at 16.5%.

Capital ratios	2017	2016	2015	2014	2013
Common equity tier 1 capital ratio (%)	16.5	16.9	17.1	17.5	18.7
Tier 1 capital ratio (%)	16.5	16.9	17.1	17.5	19.2
Total capital ratio (%)	17.8	18.3	18.8	17.5	20.0
Individual solvency requirement (%)	9.0	9.0	9.0	8.9	8.9

The bank made an investment in 2017 and bought additional shares in DLR Kredit for the equivalent of a total of DKK 178 million net. The bank believes that the acquisitions are a good investment which will secure it a satisfactory return. The bank also wants to be part of the consolidation which has taken place in the ownership of the shares in DLR Kredit.

The bank has calculated the individual solvency requirement at the end of December 2017 at 9.0%. To this should be added a capital conservation buffer of 1.3%; the total requirement for the bank's total capital is thus 10.3%.

Compared with the actual total capital of DKK 3.5 billion, the capital buffer at the end of December 2017 was thus DKK 1.5 billion, equivalent to 7.5 percentage points.

The bank has received a preliminary statement from the Danish FSA calculated on the basis of figures from the bank's 2016-annual report, which overall gives a capital requirement of 17.9% inclusive fully phased-in MREL add-ons. Later in 2018 the Danish FSA will announce final MREL add-ons to be valid from 1 January 2019 on the basis of the 2017-annual report. The MREL add-ons will normally be phased-in over a five-year period in accordance with specific rules. However, with a balance sheet exceeding EUR 3 billion, the bank can opt to fully implement the requirement as early as 1 January 2019. The bank will then have the possibility of grandfathering contractual senior funding when assessing the Minimum Requirement for own funds and Eligible Liabilities. The bank has chosen to take advantage of this option.

In this light the bank expects to start building up tier 3 funding during 2020 / 2021 as supplementary cover of the MREL add-ons.

Further details on capital structure, including the MREL requirement, are given in the bank's annual report for 2017.

The Supervisory Diamond

The Danish FSA has prepared a set of rules with five different benchmarks and associated limit values which Danish banks must observe.

The bank's key figures and the Danish FSA's benchmarks and limit values are given in the table below.

The Supervisory Diamond (Danish FSA limit values)	2017	2016	2015	2014	2013
Stable funding (funding ratio) (< 1)	0.8	0.7	0.8	0.8	0.7
Excess liquidity (> 50%)	116.8%	139.6%	99.7%	140.7%	166.2%
Total large exposures (< 125%)	22.5%	29.5%	63.4%	47.8%	35.0%
Growth in loans (< 20%)	10.7%	2.7%	14.0%	7.8%	11.5%
Real property exposure (< 25%)	18.0%	14.8%	14.1%	11.6%	11.4%

Ringkjøbing Landbobank observes all five limit values by a good margin.

The benchmark for large exposures was changed with effect from 1 January 2018. In future it will be calculated as the sum of the bank's 20 largest exposures relative to its common equity tier 1 capital with a limit value of 175%. The key figure for the new large exposures benchmark was 136% at the end of 2017. The bank thus also observes the limit value for this benchmark by a good margin.

The Danish FSA has also decided to change the liquidity benchmark with effect from 30 June 2018. The current excess liquidity coverage benchmark calculated on the basis of the minimum requirement in Section 152 of the Financial Business Act will be the future liquidity benchmark and show the ability of banks to survive stressed liquidity for a three-month period. The limit value for the new liquidity benchmark will require the key figure to be greater than 100%. The bank expects to be able to comply with the limit value for the new liquidity benchmark without any problems.

Strong, competitive products and additional improvements

The bank's product range is generally strong. The range was further enhanced in 2017 and products will also be improved in 2018 including in the areas of housing, pension and investment.

The bank has a close partnership with the customer-owned companies Totalkredit and PFA Pension within mortgage credit and pensions. These products were improved during 2017 and a big part of the profit is returned to the customers via Totalkredit's KundeKroner programme and PFA Pension's KundeKapital programme.

Totalkredit's KundeKroner programme means that customers obtain a discount equivalent to 0.10% p.a. on their unpaid debts. From 2018 the discount under this programme will increase from 0.10% to 0.15% p.a. and the concept will be extended to include Totalkredit Erhverv for business customers. Until 2018, only customers with loans for private homes have received discounts via the KundeKroner programme.

In 2017 the bank's customers with annuities in Letpension / PFA Pension gained the opportunity to participate in the KundeKapital programme under which 5% of amounts paid in can be placed at an additional rate of return. From 2018 the bank's product range will be extended to include occupational pension plans arranged by the bank under which customers can participate in the KundeKapital programme.

In terms of investment the bank will launch the app Darwin in partnership with BankInvest on 1 February 2018. With this investment app the bank's customers can make investments - without advice - in various portfolios of Exchange Traded Funds (ETF) via their mobile phones.

Customer satisfaction and reputation

The bank notes with great satisfaction that measured both on customer satisfaction and general reputation, the bank was high or highest at the list of Danish financial institutions in 2017.

This was the result of a range of surveys where the bank obtained the following scores:

- Second highest customer satisfaction in Denmark (Voxmeter - January 2018)
- Best reputation among financial institutions in Denmark (Voxmeter - November 2017)
- Best image in finance 2017 in Central Jutland (FinansWatch and Wilke - October 2017)
- Second best image among financial institutions staff in Denmark (FinansWatch and Wilke - November 2017)
- Bank of the Year 2017 among big and medium-sized banks (FinansWatch and EY - May 2017)

Both the high level of customer satisfaction and the bank's reputation contribute to the highly satisfactory net increase in new customers in both the branch network and within the niche concepts in 2017.

Expected results and plans for 2018

The bank's core earnings in 2017 were DKK 675 million, which is above the upwardly adjusted DKK 600 - 665 million range for the year.

The bank's general goal continues to be an organic growth strategy with the wish to attract new customers and gain market shares.

Ringkjøbing Landbobank's market share is about 50% in that part of West Jutland where the bank's old branches are located. The bank's goal for 2018 is to retain and develop this portion of the customer portfolio with sound and competitive products.

The bank also has well-established branches in the Central and West Jutland cities of Herning, Holstebro and Viborg, all of which are continuing to operate positively. There was also a very positive development in the bank's most recent private banking branches in Holte, Aarhus and Vejle in 2017.

The bank's management has decided to expand and strengthen the existing organisation in 2018 rather than establish more branches in new locations around Denmark.

The organic growth strategy is financed partly by an increase in costs and partly by savings from digitalisation of work processes.

Based on the prospects for 2018 and the activities and initiatives the bank wants to carry out, the bank also expects to be able to realise lending growth during 2018. Continuing pressure on the bank's interest margin is also expected. Finally, an increase in the level of cost of approximately 3% relative to the total costs in 2017 is expected, and impairment charges in 2017 are expected to remain low in 2018.

As a whole, core earnings in 2018 are expected to be in the range DKK 600 - 675 million. To this must be added the result from the bank's portfolio of securities.

Because the securities portfolio can be affected by volatility to some degree during the year, budgeting the result of the bank's securities portfolio and consequently the profit before tax is connected with uncertainty. However, the Danish FSA specified in December 2017 that announced expected results must be related to a target performance calculated in accordance with the general provisions of accounting legislation. The expectations for core earnings are therefore supplemented by the expectations for profit before tax.

The result from the securities portfolio in 2018 is expected to be between DKK -60 million and DKK +60 million and the profit before tax is therefore expected to be in the DKK 540 - 735 million range.

Accounting policies

The accounting policies are unchanged relative to those in the submitted and audited 2016 annual report.

Significant events after the reporting period

On the date of announcing these financial statements, the reporting standard IFRS 9 will have entered into force with effect from 1 January 2018. The IFRS 9 rules have been incorporated into the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. and specify rules on impairment of financial assets and classification and measurement of instruments where some are held and others sold.

The expected effect of the IFRS 9 impairment rules is additional impairment charges in the order of approximately DKK 60 million. The effect on the bank's equity after tax will thus be approximately DKK 46 million, the equivalent of approximately 1.2% of equity on 1 January 2018.

The bank has decided to take advantage of the transition programme offered to banks for recognition of the negative effect of the IFRS 9 impairment rules and phase in the full effect on total capital over five years.

The rules on classification and measurement of instruments where some are held and others sold are not expected to have any effect on the bank's accounts.

A new capital requirement, the MREL requirement, will be introduced in 2018 with effect from 1 January 2019. New benchmarks in the Supervisory Diamond will also be introduced in 2018. The MREL requirement is described in detail in the "Capital structure" section on page 6, and the changes to the Supervisory Diamond in the "Supervisory Diamond" section on page 7.

Disclaimer:

This document is a translation of an original document in Danish. The original Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish wording shall be applicable.

Main and key figures

	2017	2016	2015	2014	2013
Main figures for the bank (DKK million)					
Total core income	1,019	983	954	907	844
Total expenses and depreciation	-334	-318	-306	-298	-273
Core earnings before impairment charges for loans	685	665	648	609	571
Impairment charges for loans etc.	-10	-48	-60	-87	-120
Core earnings	675	617	588	522	451
Result for the portfolio	+60	+44	0	+65	+21
Profit before tax	735	661	588	587	472
Net profit for the year	589	539	459	446	358
Equity	3,817	3,555	3,296	3,099	2,901
Deposits	19,110	18,314	16,987	15,450	14,114
Loans	19,351	17,482	17,017	14,924	13,849
Balance sheet total	25,796	24,258	22,317	21,238	19,583
Guarantees	3,184	2,460	2,234	2,218	1,902
Key figures for the bank (per cent)					
Return on equity before tax, beginning of year	21.7	20.9	19.8	21.1	18.1
Return on equity after tax, beginning of year	17.3	17.1	15.4	16.0	13.7
Rate of costs	32.8	32.3	32.1	32.8	32.4
Common equity tier 1 capital ratio	16.5	16.9	17.1	17.5	18.7
Tier 1 capital ratio	16.5	16.9	17.1	17.5	19.2
Total capital ratio	17.8	18.3	18.8	17.5	20.0
Individual solvency requirement	9.0	9.0	9.0	8.9	8.9
Key figures per DKK 1 share (DKK)					
Core earnings	30.9	27.6	25.7	22.4	18.9
Profit before tax	33.7	29.6	25.7	25.1	19.7
Net profit for the year	27.0	24.1	20.1	19.1	15.0
Book value	175.0	159.0	144.2	132.7	121.4
Price, end of year	321.5	292.6	300.0	230.4	219.8
Dividend	9.0	7.2	6.0	5.2	5.0

Statements of income and comprehensive income

Note		1.1-31.12 2017 DKK 1,000	1.1-31.12 2016 DKK 1,000
1	Interest income	694,136	749,021
2	Interest expenses	53,094	69,743
	Net interest income	641,042	679,278
3	Dividend from shares etc.	10,258	18,995
4	Fee and commission income	322,717	297,328
4	Fee and commission expenses	42,486	42,417
	Net interest and fee income	931,531	953,184
5	Value adjustments	+143,225	+63,784
	Other operating income	4,979	7,560
6, 7	Staff and administration costs	327,024	306,670
	Amortisation, depreciation and write-downs on intangible and tangible assets	4,249	8,638
	Other operating expenses		
	Miscellaneous other operating expenses	326	26
	Costs Guarantee Fund and Resolution Fund	2,848	2,292
8	Impairment charges for loans and other receivables etc.	-10,320	-48,378
	Results from investments in associated companies	-20	+2,842
	Profit before tax	734,948	661,366
9	Tax	146,308	121,868
	Net profit for the year	588,640	539,498
	Other comprehensive income	0	0
	Total comprehensive income for the year	588,640	539,498

Proposed distribution of profit

	Net profit for the year	588,640	539,498
	Total amount available for distribution	588,640	539,498
	Appropriated for ordinary dividend	201,150	164,520
	Appropriated for charitable purposes	500	500
	Transfer to net revaluation reserve under the equity method	-20	-2,159
	Transfer to retained earnings	387,010	376,637
	Total distribution of the amount available	588,640	539,498

Core earnings

Note		1.1-31.12 2017 DKK 1,000	1.1-31.12 2016 DKK 1,000
	Net interest income	642,707	665,312
4	Net fee and commission income excluding trading income	215,374	214,415
	Income from sector shares etc.	70,674	38,611
4	Foreign exchange income	20,902	16,396
	Other operating income	4,979	7,560
	Total core income excluding trading income	954,636	942,294
4	Trading income	64,857	40,496
	Total core income	1,019,493	982,790
6, 7	Staff and administration costs	327,024	306,670
	Amortisation, depreciation and write-downs on intangible and tangible assets	4,249	8,638
	Other operating expenses	3,174	2,318
	Total expenses etc.	334,447	317,626
	Core earnings before impairment charges for loans	685,046	665,164
8	Impairment charges for loans and other receivables etc.	-10,320	-48,378
	Core earnings	674,726	616,786
	Result for the portfolio	+60,222	+44,580
	Profit before tax	734,948	661,366
9	Tax	146,308	121,868
	Net profit for the year	588,640	539,498

Balance sheet

Note		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
	Assets		
	Cash in hand and demand deposits with central banks	308,211	284,139
10	Receivables from credit institutions and central banks	1,211,577	2,077,096
	Receivables with notice from central banks	957,086	1,572,198
	Money market operations and bilateral loans - term to maturity less than 1 year	199,491	355,898
	Bilateral loans - term to maturity more than 1 year	55,000	149,000
11, 12	Loans and other receivables at amortised cost	19,350,866	17,481,838
	Loans and other receivables at amortised cost	18,374,249	16,472,015
	Wind turbine loans with direct funding	976,617	1,009,823
14	Bonds at fair value	3,952,614	3,443,359
15	Shares etc.	621,285	530,503
	Investments in associated companies	489	509
	Land and buildings, total	55,647	56,177
	Investment properties	3,561	3,561
	Domicile properties	52,086	52,616
	Other tangible assets	18,811	18,874
	Current tax assets	20,483	20,444
	Deferred tax assets	8,719	8,153
	Temporary assets	4,000	5,200
	Other assets	235,351	323,848
	Prepayments	8,430	7,997
	Total assets	25,796,483	24,258,137

Balance sheet

Note		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
	Liabilities and equity		
16	Debt to credit institutions and central banks	1,599,416	1,457,792
	Money market operations and bilateral credits - term to maturity less than 1 year	455,285	280,698
	Bilateral credits - term to maturity more than 1 year	167,514	167,271
	Bilateral credits from KfW Bankengruppe	976,617	1,009,823
17	Deposits and other debt	19,110,127	18,314,427
18	Issued bonds at amortised cost	673,436	297,370
	Other liabilities	210,691	254,062
	Deferred income	3,879	2,449
	Total debt	21,597,549	20,326,100
12	Provisions for losses on guarantees	10,263	6,287
	Total provisions for liabilities	10,263	6,287
	Tier 2 capital	371,753	371,095
19	Total subordinated debt	371,753	371,095
20	Share capital	22,350	22,850
	Net revaluation reserve under the equity method	138	158
	Retained earnings	3,592,780	3,366,627
	Proposed dividend etc.	201,650	165,020
	Total shareholders' equity	3,816,918	3,554,655
	Total liabilities and equity	25,796,483	24,258,137
21	Own shares		
22	Contingent liabilities etc.		
23	Assets furnished as security		
24	Loans and guarantees in per cent, by sector and industry		
25	Miscellaneous comments		

Statement of changes in equity

2016					
DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total shareholders' equity
Shareholders' equity at the end of the previous financial year	23,350	2,317	3,129,831	140,600	3,296,098
Reduction of share capital	-500		500		0
Dividend etc. paid				-140,600	-140,600
Dividend received on own shares			3,344		3,344
Shareholders' equity after distribution of dividend etc.	22,850	2,317	3,133,675	0	3,158,842
Purchase of own shares			-481,310		-481,310
Sale of own shares			337,625		337,625
Total comprehensive income for the year		-2,159	376,637	165,020	539,498
Shareholders' equity on the balance sheet date	22,850	158	3,366,627	165,020	3,554,655

2017					
DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total shareholders' equity
Shareholders' equity at the end of the previous financial year	22,850	158	3,366,627	165,020	3,554,655
Reduction of share capital	-500		500		0
Dividend etc. paid				-165,020	-165,020
Dividend received on own shares			4,151		4,151
Shareholders' equity after distribution of dividend etc.	22,350	158	3,371,278	0	3,393,786
Purchase of own shares			-662,983		-662,983
Sale of own shares			494,433		494,433
Other equity transactions			3,042		3,042
Total comprehensive income for the year		-20	387,010	201,650	588,640
Shareholders' equity on the balance sheet date	22,350	138	3,592,780	201,650	3,816,918

Statement of capital

	31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
Credit risk	16,648,306	14,743,046
Market risk	1,169,580	1,749,099
Operational risk	1,890,456	1,827,053
Total risk exposure	19,708,342	18,319,198
Equity	3,816,918	3,554,655
Proposed dividend etc.	-201,650	-165,020
Deduction for prudent valuation	-5,724	-5,834
Deduction for the sum of equity investments etc. above 10%	-308,194	-233,381
Deduction of trading limit for own shares	-55,000	-55,000
Actual utilisation of the trading limit for own shares	220	4,649
Common equity tier 1 capital	3,246,570	3,100,069
Tier 1 capital	3,246,570	3,100,069
Tier 2 capital	372,253	371,713
Deduction for the sum of equity investments etc. above 10%	-104,494	-117,109
Total capital	3,514,329	3,354,673
Common equity tier 1 capital ratio (%)	16.5	16.9
Tier 1 capital ratio (%)	16.5	16.9
Total capital ratio (%)	17.8	18.3
Total capital requirement	1,576,667	1,465,536
Individual solvency requirement (%)	9.0	9.0
Capital conservation buffer (%)	1.3	0.6
Countercyclical buffer (%)	0.0	0.0
Total requirement for the bank's total capital (%)	10.3	9.6
Excess cover in percentage points relative to individual solvency requirement	8.8	9.3
Excess cover in percentage points relative to total requirement for total capital	7.5	8.7

Notes

Note		1.1-31.12 2017 DKK 1,000	1.1-31.12 2016 DKK 1,000
1	Interest income		
	Receivables from credit institutions and central banks	710	13,428
	Loans and other receivables	687,492	724,694
	Loans - interest on the impaired part of loans	-29,355	-32,466
	Reverse loans	0	4
	Bonds	28,291	42,400
	Total derivative financial instruments	2,446	-1,605
	Of which currency contracts	2,654	553
	Of which interest-rate contracts	-208	-2,158
	Other interest income	4,552	2,566
	Total interest income	694,136	749,021
2	Interest expenses		
	Credit institutions and central banks	14,213	22,949
	Deposits and other debt	32,436	40,572
	Issued bonds	766	31
	Subordinated debt	5,651	6,132
	Other interest expenses	28	59
	Total interest expenses	53,094	69,743
3	Dividends from shares etc.		
	Shares	10,258	18,995
	Total dividends from shares etc.	10,258	18,995
4	Gross fee and commission income		
	Securities trading	75,038	51,754
	Asset management and custody accounts	93,203	104,141
	Payment handling	32,277	29,816
	Loan fees	10,660	8,951
	Guarantee commission and mortgage credit commission etc.	77,574	64,450
	Other fees and commission	33,965	38,216
	Total gross fee and commission income	322,717	297,328
	Net fee and commission income		
	Securities trading	64,857	40,496
	Asset management and custody accounts	84,652	97,170
	Payment handling	21,989	20,317
	Loan fees	7,207	6,306
	Guarantee commission and mortgage credit commission etc.	77,574	64,450
	Other fees and commission	23,952	26,172
	Total net fee and commission income	280,231	254,911
	Foreign exchange income	20,902	16,396
	Total net fee, commission and foreign exchange income	301,133	271,307

Notes

Note		1.1-31.12 2017 DKK 1,000	1.1-31.12 2016 DKK 1,000
5	Value adjustments		
	Other loans and receivables, fair value adjustment	3,879	-58
	Bonds	30,502	33,900
	Shares etc.	68,613	22,499
	Investment properties	0	-2,495
	Foreign exchange	20,902	16,396
	Total derivative financial instruments	19,329	-6,458
	Of which currency contracts	467	-2,930
	Of which interest-rate contracts	18,011	-4,169
	Of which share contracts	851	641
	Total value adjustments	143,225	63,784
6	Staff and administration costs		
	Salaries and fees to general management, board of directors and shareholders' committee		
	General management	7,356	7,018
	Board of directors	1,734	1,718
	Shareholders' committee	469	451
	Total	9,559	9,187
	Staff costs		
	Salaries	142,368	131,890
	Pensions	14,852	14,072
	Social security expenses	1,812	2,198
	Costs depending on number of staff	22,431	20,538
	Total	181,463	168,698
	Other administration costs	136,002	128,785
	Total staff and administration costs	327,024	306,670
7	Number of full-time employees		
	Average number of full-time-equivalent staff during the year	274	271
8	Impairment charges for loans and other receivables etc.		
	Net changes in impairment charges for loans and other receivables etc. and provisions for losses on guarantees	-6,094	-5,822
	Actual realised net losses	45,769	86,666
	Interest on the impaired part of loans	-29,355	-32,466
	Total impairment charges for loans and other receivables etc.	10,320	48,378

Notes

Note	1.1-31.12 2017 DKK 1,000	1.1-31.12 2016 DKK 1,000
9 Tax		
Tax calculated on income for the year	147,863	140,413
Adjustment of deferred tax	-566	-18,732
Adjustment of tax calculated for previous years	-989	187
Total tax	146,308	121,868
Effective tax rate (%):		
Tax rate currently paid by the bank	22.0	22.0
Permanent deviations	-2.0	-3.6
Adjustment of tax calculated for previous years	-0.1	0.0
Total effective tax rate	19.9	18.4

Note	31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
10 Receivables from credit institutions and central banks		
Demand	100,211	185,618
Up to and including 3 months	957,086	1,572,198
More than 3 months and up to and including 1 year	99,280	170,000
More than 1 year and up to and including 5 years	5,000	99,280
More than 5 years	50,000	50,000
Total receivables from credit institutions and central banks	1,211,577	2,077,096
11 Loans and other receivables at amortised cost		
Demand	1,975,218	1,712,434
Up to and including 3 months	651,025	688,316
More than 3 months and up to and including 1 year	2,568,864	2,317,908
More than 1 year and up to and including 5 years	6,527,126	6,244,242
More than 5 years	7,628,633	6,518,938
Total loans and other receivables at amortised cost	19,350,866	17,481,838

Notes

Note		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
12	Impairment charges for loans and other receivables and provisions for losses on guarantees		
	Individual impairment charges		
	Cumulative individual impairment charges for loans and other receivables at the end of the previous financial year	589,384	664,550
	Impairment charges / value adjustments during the year	179,150	114,618
	Reversal of impairment charges made in previous financial years	-136,853	-106,360
	Recognised as a loss, covered by impairment charges	-54,191	-83,424
	Cumulative individual impairment charges for loans and other receivables on the balance sheet date	577,490	589,384
	Collective impairment charges		
	Cumulative collective impairment charges for loans and other receivables at the end of the previous financial year	341,457	272,922
	Impairment charges / value adjustments during the year	1,825	68,535
	Cumulative collective impairment charges for loans and other receivables on the balance sheet date	343,282	341,457
	Total cumulative impairment charges for loans and other receivables on the balance sheet date	920,772	930,841
	Provisions for losses on guarantees		
	Cumulative individual provisions for losses on guarantees at the end of the previous financial year	6,287	5,478
	Provisions / value adjustments during the year	7,385	5,048
	Reversal of provisions made in previous financial years	-2,095	-4,085
	Recognised as a loss, covered by provisions	-1,314	-154
	Cumulative individual provisions for losses on guarantees on the balance sheet date	10,263	6,287
	Total cumulative impairment charges for loans and other receivables and provisions for losses on guarantees on the balance sheet date	931,035	937,128
13	Suspended calculation of interest		
	Loans and other receivables with suspended calculation of interest on the balance sheet date	24,995	59,904
14	Bonds at fair value		
	Listed on the stock exchange	3,952,614	3,443,359
	Total bonds at fair value	3,952,614	3,443,359
15	Shares etc.		
	Listed on Nasdaq Copenhagen	12,233	21,373
	Investment fund certificates	7,994	147,277
	Unlisted shares at fair value	1,402	1,437
	Sector shares at fair value	599,656	360,416
	Total shares etc.	621,285	530,503

Notes

Note	31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
16 Debt to credit institutions and central banks		
Demand	269,160	280,698
Up to and including 3 months	240,993	60,254
More than 3 months and up to and including 1 year	97,329	101,966
More than 1 year and up to and including 5 years	604,614	659,525
More than 5 years	387,320	355,349
Total debt to credit institutions and central banks	1,599,416	1,457,792
17 Deposits and other debt		
Demand	12,267,337	11,952,063
Deposits and other debt with notice:		
Up to and including 3 months	2,646,787	2,204,934
More than 3 months and up to and including 1 year	908,429	1,297,037
More than 1 year and up to and including 5 years	1,468,246	1,192,377
More than 5 years	1,819,328	1,668,016
Total deposits and other debt	19,110,127	18,314,427
Distributed as follows:		
Demand	12,129,959	11,750,246
With notice	1,785,363	357,633
Time deposits	1,725,906	3,136,479
Long-term deposit agreements	2,008,385	1,769,783
Special types of deposits	1,460,514	1,300,286
	19,110,127	18,314,427
18 Issued bonds at amortised cost		
More than 3 months and up to and including 1 year	297,802	0
More than 1 year and up to and including 5 years	375,634	297,370
Total issued bonds at amortised cost	673,436	297,370
Distributed as follows:		
Nom. EUR 40 million	297,802	297,370
Nom. EUR 50 million	372,253	0
Adjustment to amortised cost	3,381	0
	673,436	297,370
19 Subordinated debt		
Tier 2 capital:		
Floating-rate loan, principal of EUR 50 million, maturity date 20 May 2025	372,253	371,713
Adjustment to amortised cost	-500	-618
Total subordinated debt	371,753	371,095

Notes

Note	31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
20 Share capital		
Number of DKK 1 shares		
Beginning of year	22,850,000	23,350,000
Cancelled during the year	-500,000	-500,000
End of year	22,350,000	22,850,000
Reserved for subsequent cancellation	538,000	500,000
Total share capital	22,350	22,850
21 Own shares		
Own shares included in the balance sheet at	0	0
The market value is	173,187	150,949
Number of own shares:		
Beginning of year	515,890	504,085
Purchase during the year	1,444,027	1,711,410
Sale during the year	-921,232	-1,199,605
Cancellation during the year	-500,000	-500,000
End of year	538,685	515,890
Reserved for subsequent cancellation	538,000	500,000
Nominal value of holding of own shares, end of year	539	516
Own shares' proportion of share capital, end of year (%):	2.4	2.3
22 Contingent liabilities etc.		
Contingent liabilities		
Financial guarantees	1,101,189	944,189
Guarantees against losses on mortgage credit loans	633,796	495,647
Registration and refinancing guarantees	969,390	642,705
Sector guarantees	75,892	60,952
Other contingent liabilities	403,607	316,016
Total contingent liabilities	3,183,874	2,459,509
Other contractual obligations		
Irrevocable credit commitments etc.	392,000	516,724
Total other contractual obligations	392,000	516,724
23 Assets furnished as security		
First-mortgage loans are provided for German wind turbine projects. The loans are funded directly by KfW Bankengruppe, to which security in the associated loans has been provided. Each reduction of the first-mortgage loans is deducted directly from the funding at KfW Bankengruppe.		
The balance sheet item is	976,617	1,009,823
As security for clearing etc., the bank has pledged securities from its holding to the central bank of Denmark to a total market price of	235,418	380,459
Collateral under CSA agreements etc.	31,609	38,784

Notes

Note		31 Dec. 2017	31 Dec. 2016
24	Loans and guarantees in per cent, by sector and industry		
	Public authorities	0.1	0.2
	Business customers:		
	Agriculture, hunting and forestry		
	Cattle farming etc.	1.7	1.2
	Pig farming etc.	1.7	1.6
	Other agriculture, hunting and forestry	3.9	3.9
	Fishing	2.4	2.5
	Mink production	1.0	1.0
	Industry and raw materials extraction	1.6	2.5
	Energy supply	1.7	2.1
	Wind turbines - Denmark	2.9	3.7
	Wind turbines - abroad	8.1	10.0
	Building and construction	4.3	2.2
	Trade	3.3	3.4
	Transport, hotels and restaurants	1.4	1.5
	Information and communication	0.3	0.3
	Finance and insurance	13.6	14.3
	Real property		
	First mortgage without prior creditors	13.5	10.7
	Other real estate financing	2.7	4.3
	Other business customers	7.1	6.7
	Total business customers	71.2	71.9
	Private individuals	28.7	27.9
	Total	100.0	100.0
25	Miscellaneous comments		
	Main and key figures		
	<ul style="list-style-type: none"> The return on equity before and after tax, beginning of year was calculated per annum after deduction of dividend etc., net. Key figures per DKK 1 share were calculated on the basis of 2017: 21,812,000 shares, 2016: 22,350,000 shares, 2015: 22,850,000 shares, 2014: 23,350,000 shares, 2013: 23,900,000 shares. 		
	Number of shares /share split		
	<ul style="list-style-type: none"> The comparative figures on page 7 and in notes 20 and 21 have been adjusted to the new denomination of nom. DKK 1 per share. 		

Quarterly overview

(DKK million)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Net interest income	165	158	159	161	165	169	165	166	163	160	154	161
Net fee and commission income excl. trading Income	52	48	67	48	70	44	52	48	55	45	61	51
Income from sector shares etc.	19	18	17	17	9	4	15	11	8	7	11	10
Foreign exchange income	5	5	5	6	4	4	4	4	5	4	4	3
Other operating income	1	1	2	1	4	2	1	1	2	1	1	1
Total core income excl. trading income	242	230	250	233	252	223	237	230	233	217	231	226
Trading income	13	18	15	18	10	11	11	9	12	11	13	12
Total core income	255	248	265	251	262	234	248	239	245	228	244	238
Staff and administration costs	98	75	81	73	92	72	74	69	78	65	74	65
Amortisation, depreciation and write-downs on intan- gible and tangible assets	1	1	1	1	2	2	4	1	4	1	1	1
Other operating expenses	1	0	1	1	0	1	0	1	3	6	4	4
Total expenses etc.	100	76	83	75	94	75	78	71	85	72	79	70
Core earnings before impairment charges for loans	155	172	182	176	168	159	170	168	160	156	165	168
Impairment charges for loans and other receiva- bles etc.	0	0	-5	-5	-12	-12	-13	-11	-16	-15	-14	-15
Core earnings	155	172	177	171	156	147	157	157	144	141	151	153
Result for the portfolio	0	+17	+16	+27	+8	+23	+11	+2	-1	-14	-8	+23
Profit before tax	155	189	193	198	164	170	168	159	143	127	143	176
Tax	29	38	39	40	31	33	30	28	31	29	31	39
Net profit for the year	126	151	154	158	133	137	138	131	112	98	112	137

The Danish FSA's official key figures etc. for Danish banks

		2017	2016	2015	2014	2013
Capital ratios:						
Total capital ratio	%	17.8	18.3	18.8	17.5	20.0
Tier 1 capital ratio	%	16.5	16.9	17.1	17.5	19.2
Individual solvency requirement	%	9.0	9.0	9.0	8.9	8.9
Earnings:						
Return on equity before tax	%	19.9	19.3	18.4	19.6	16.9
Return on equity after tax	%	16.0	15.8	14.3	14.9	12.8
Income / cost ratio	DKK	3.13	2.81	2.60	2.52	2.19
Return on assets	%	2.3	2.2	2.1	2.1	1.8
Market risk:						
Interest rate risk	%	1.1	1.8	2.2	1.2	0.6
Foreign exchange position	%	1.1	0.6	0.8	0.4	1.6
Foreign exchange risk	%	0.0	0.0	0.0	0.0	0.0
Liquidity risk:						
Liquidity Coverage Ratio (LCR)	%	193	185	106	-	-
Excess cover relative to statutory liquidity requirement	%	116.8	139.6	99.7	140.7	166.2
Loans and impairments thereon relative to deposits	%	106.1	100.5	107.4	106.4	104.1
Credit risk:						
Loans relative to shareholders' equity		5.1	4.9	5.2	5.0	4.8
Growth in loans	%	10.7	2.7	14.0	7.8	11.5
Total large exposures	%	22.5	29.5	63.4	47.8	35.0
Cumulative impairment ratio	%	4.0	4.5	4.6	5.0	5.1
Impairment ratio	%	0.04	0.23	0.29	0.47	0.72
Proportion of receivables at reduced interest	%	0.1	0.3	0.4	0.3	0.5
Share return:						
Earnings per share*/***	DKK	2,604.6	2,335.5	1,941.4	1,853.9	1,462.8
Book value per share**	DKK	17,500	15,916	14,428	13,280	12,145
Dividend per share*	DKK	900	720	600	520	500
Market price relative to earnings per share*/***		12.3	12.5	15.5	12.4	15.0
Market price relative to book value per share*/**		1.84	1.84	2.08	1.73	1.81
<p>* Calculated on the basis of a denomination of DKK 100 per share. ** Calculated on the basis of the number of shares in circulation at the end of the year. *** Calculated on the basis of the average number of shares. The average number of shares is calculated as a simple average of the shares at the beginning and the end of the year.</p>						