

Annual Report 2006

Founded 1886



ANNUAL REPORT 2006



www.landbobanken.dk

Ringkjøbing Landbobank A/S

Torvet 1
DK-6950 Ringkjøbing
Denmark
Phone: +45 9732 1166
Fax: +45 9732 1818
E-mail: post@landbobanken.dk
Website: www.landbobanken.dk
CVR-no. 37536814

Share capital

Ringkjøbing Landbobank's share capital is DKK 26.4 million in 5,280,000 shares of DKK 5.

Ownership

Ringkjøbing Landbobank is owned by approximately 17,300 shareholders. We report as required by Section 28a of the Danish Companies Act that ATP, Hillerød, has advised that they own more than 5% of the bank's share capital.

Ordinary general meeting

The bank's ordinary general meeting for 2006 will be held in ROFI Centret in Ringkjøbing on Wednesday 28 February 2007.

Contents

	page
Short presentation	2
Five year summary	3
Management report	4
5 year key figures	14
Accounting policies	16
Profit and loss account	20
Proposed distribution of profit	20
Actual banking operations	21
Balance sheet	22
Statement of shareholders' equity	24
Capital adequacy computation	24
Notes to the Annual Report	25
Management statement	34
Auditors' report	35
The bank's branches	Back page

Dear shareholder

Two thousand and six was a fantastically good year for the Danish economy, and especially for Ringkjøbing Landbobank.

New customers continued to join the bank in 2006, and optimism and initiative among our customers led to a high level of demand for practically all our products.

The favourable economic conditions also resulted in the reversal of previously made provisions, which together with the strongly increasing business resulted in a very satisfying 46% increase in actual banking operations.

The profit before tax was DKK 573 million, the best in the bank's history.

This result was equivalent to a 42% return on the bank's equity. We are very satisfied with this result.

Our competent employees also helped to achieve this result. Once again, they did a fantastic job. Their expertise, stability, loyalty and fighting spirit are an unrivalled combination.

We are very conscious of the fact that many of our customers place their business with Ringkjøbing Landbobank because of our employees' competence and high level of knowledge.

Our employees will therefore also receive comprehensive in-service training in 2007 so that we will also be able to live up to our goal of being among the most competent people in our field in the future.

The bank has positive expectations for growth in 2007, and actual banking operations are expected to be in the range DKK 400-450 million. To this must be added the result for the bank's trading portfolio of securities.

Finally, we would like to thank our customers and shareholders for the high level of support which they have shown the bank.

Bent Naur

John Bull Fisker

Disclaimer:

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

Five year summary

Main figures (million DKK)	2006	2005	2004	2003	2002
Net income from interest and fees	579	487	402	348	319
Value adjustments	98	56	48	52	35
Value adjustments of shares in Totalkredit A/S etc.	31	0	17	66	0
Total costs and depreciation	209	190	184	163	155
Write-downs on loans etc.	+69	+5	+4	-10	+6
Profit before tax	573	361	288	301	209
Profit after tax	432	265	214	230	147
Actual banking operations	477	326	237	195	179
Shareholders' equity	1,711	1,515	1,372	1,152	1,034
Total capital base	2,190	1,716	1,372	1,152	1,034
Deposits	7,046	6,292	5,144	4,391	3,714
Loans	12,760	10,023	7,209	5,207	4,567
Balance sheet total	17,269	13,361	9,461	7,532	6,002
Guarantees	4,804	5,142	3,938	2,896	2,705

Key figures for the bank (per cent)					
Pre-tax return on equity, beginning of year	41.9	29.2	25.2	29.1	23.1
Return on equity after tax, beginning of year	31.6	21.3	18.7	22.3	16.2
Rate of costs	35.0	38.3	45.0	45.2	47.3
Core capital ratio (Tier 1)	10.4	11.6	12.2	15.1	14.6
Solvency ratio (Tier 2)	12.3	11.6	11.9	14.4	14.9

Key figures per 5 DKK share (DKK)					
Actual banking operations	90	62	45	36	32
Profit before tax	109	68	55	56	37
Profit after tax	82	50	41	42	26
Net asset value incl. proposed dividend etc.	324	287	260	227	186
Price, end of year	1,080	750	544	362	190
Dividend	30	28	25	9	0

Annual report - highlights

- 59% increase in profit before tax to DKK 573 million - the best in the bank's history
- 46% increase in actual banking operations to DKK 477 million
- 42% pre-tax return on equity at beginning of year
- 9% improvement in rate of costs to 35.0% - the best in Denmark
- Good credit quality resulting in reversal of net DKK 69 million in write-downs
- Continuing strong increase in business - loans up by 27% and deposits up by 12%
- Dividend per share DKK 30 and capital reduction on 0.8% of the share capital
- Positive expectations for growth in 2007 with actual banking operations of DKK 400 - 450 million

Substantial inflow of customers and continuing increase in business generate 59% increase in profit, the best in the bank's history.

The bank's business volume is continuing to grow very satisfactorily and is driven by an underlying substantial increase in both customer numbers and activities throughout the bank. Apart from these increases, the bank's targeted initiatives within Private Banking, pension and asset management in particular are developing highly satisfactorily.

This improvement in actual banking operations is significantly better than expected at the beginning of the year, and it is supplemented by the positive value adjustments of the bank's holding of securities, together achieving a profit before tax of DKK 573 million - equivalent to a 42% return on equity at the beginning of the year, which the bank's management considers highly satisfactory.

Net income from interest and fees

The profit on net income from interest and fees was DKK 579 million against DKK 487 million in 2005, an increase of 19%.

The increasing business, and in particular the highly positive growth in the number of customers, are responsible for the increase in profit on net income from interest and fees, as the interest margin was lower in 2006 than in 2005, despite the fact that the fall in the margin was halted in 2006.

Like the rest of the sector, the bank has reclassified interest income from 1 January 2006 on the written-down part of those commitments on which write-downs have been made, so that in future, the interest will be booked as income directly under the item »Write-downs on loans and debtors etc.« The comparative figures for 2005 have been adjusted. As a result of this change in accounting policies, the interest income was reduced by DKK 21 million in 2006, which also meant a positive adjustment to write-downs on loans by the same amount.

Fees and commissions in 2006 amounted to net DKK 158 million against DKK 126 million in 2005. This very positive development is attributable primarily to the bank's focus within securities trading and pension and asset management with the establishment of the bank's Private Banking department three years ago.

Several of the areas of core expertise within Private Banking were implemented throughout the organisation during the last two years as generalist knowledge among the bank's consultants, and this has supported the growth in the continuing pension deposits. Pension deposits rose by 50% from 2005 to 2006 while the bank also experienced a strongly increasing trend for customers to move their pension insurance schemes to the bank.

Net fees and commissions were derived as follows:	2006	2005	2004
Asset management	61 million	37 million	21 million
Securities trading	42 million	31 million	18 million
Guarantee commissions	26 million	26 million	17 million
Payment handling	15 million	14 million	11 million
Loan fees	6 million	10 million	6 million
Other fees and commissions	8 million	8 million	11 million
Total	158 million	126 million	84 million

Value adjustments

Value adjustments to securities and exchange rate adjustments etc. showed a profit of DKK 129 million against last year's profit of DKK 56 million.

The capital gain spread:	2006	2005
Shares	61 million	29 million
Interest-bearing claims and debts	4 million	7 million
Foreign exchange income (Actual banking operations)	12 million	6 million
Sector shares (Actual banking operations)	21 million	14 million
Sale of the last shares in Totalkredit A/S	19 million	0 million
Extraordinary revaluation of shares in Sparinvest Holding A/S	12 million	0 million
Total	129 million	56 million

The item »Foreign exchange income« is included in actual banking operations as the profit derives exclusively from customer transactions, and the bank's exposure is thus maintained at a low level.

The item »Sector shares« is also included in actual banking operations as the ongoing value adjustment (growth in value in the companies) from DLR Kredit, BankInvest Holding, Sparinvest Holding, Egnsinvest Holding, Letpension, PBS Holding, Multidata Holding, VærdipapirCentralen, PRAS and Bankdata can be compared with the wholly-owned subsidiaries of major banks.

The bank's remaining holding of shares in Totalkredit was sold in the third quarter of 2006, yielding a profit of DKK 19 million. The bank's shares in Sparinvest Holding were revalued in the fourth quarter of 2006 in accordance with a decision made by a general meeting of Sparinvest Holding.

The bank's holding of shares etc. at the end of the year amounted to DKK 281 million, DKK 97 million of which was in listed shares while DKK 184 million was in sector shares etc. The bondholding amounts to DKK 686 million with a corrected interest risk of 1.6% of equity. The bank's risk on both the share portfolio and the total interest risk remain at a low level.

Costs

Total costs including depreciation on tangible assets amounted to DKK 209 million against last year's DKK 190 million, an increase of 10%.

The rate of costs improved by 9% in 2006 to 35.0, making the bank the country's most efficient as measured by this key figure for the sixteenth year in a row. The rate of costs was computed without including the positive value adjustment of sector shares and the trading portfolio.

Write-downs on loans and debtors etc.

Write-downs on loans etc. were to a positive balance of DKK 69 million against 2005, when the item was plus DKK 5 million. Both figures from this year onwards will be positively affected by the fact that the interest income on the written-down part of the commitments is included under this item.

In general the bank's loans portfolio is very strong, and given the good economic conditions and a targeted focus, it was thus possible to reverse net DKK 69 million in write-downs on individual commitments.

The bank's total account for write-downs and provisions amounted to DKK 295 million at the end of 2006, equivalent to 1.65% of total loans, write-downs and guarantees. The portfolio of loans with suspended interest calculation amounts to DKK 21 million, equivalent to 0.12% of the bank's total loans, write-downs and guarantees.

Measured over the last ten years, the bank's average percentage loss has been +0.18% of total loans, write-downs and guarantees computed as actual established losses less interest on write-downs. This means that interest on the total account for write-downs has been bigger than the actual losses suffered during the period.

Measured over the last 20 years, the equivalent figure is +0.04%. The period 1987-2006 includes the crisis years in Nordic banking, where, however, the bank never had negative results. The percentage losses in the 20 year period lie in the range -0.77% to +0.51%, with the biggest loss in 1992 and the most positive figure in 2000.

The bank's relative credit risk has never been lower. This is first and foremost because a large part of the bank's loans portfolio is secured by adequate first preferred mortgages in the underlying assets. Secondly, by far the greatest part of the growth in recent years has been in niche concepts in the bank's Distance Customer department. The bank has thereby achieved greater diversification in its loans portfolio in terms of both geography and branches, and a far lower average risk on its total loans portfolio: the risk portfolio in niche concepts in the Distance Customer division is markedly lower than in the rest of the bank. Only 3.8% of the total account for write-downs and provisions relates to this area, where realised losses viewed over the long term have been insignificant.

The bank's loans portfolio is currently spread very satisfactorily over a number of uncorrelated customer types and asset classes.

Actual banking operations

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Total income	616	511	418	368	328	275	242	204	196	171
Total costs	-208	-190	-185	-163	-155	-133	-109	-99	-97	-87
Write-downs	+69	+5	+4	-10	+6	+6	0	-5	-9	-16
Result of actual banking operations	477	326	237	195	179	148	133	100	90	68
Result of own holding	+96	+35	+51	+107	+30	+7	+7	-7	-1	+14
Result before tax	573	361	288	302	209	155	140	93	89	82

Actual banking operations increased from DKK 326 million in 2005 to DKK 477 million in 2006, an increase of 46%, DKK 87 million of which derives from the underlying positive development in the bank's business volume, while DKK 64 million derives from the write-downs.

Result after tax

The result after tax was DKK 432 million after payment of tax of DKK 141 million. The result is equivalent to a 32% return on equity at the beginning of the year after allocation of dividend etc. The effective tax rate is 24.6%, primarily because of the taxfree value adjustments of sector shares.

The balance sheet

The bank's balance sheet stood at DKK 17,269 million at the end of the year against last year's DKK 13,361 million, an increase of 29%. Deposits increased by 12% and amount to DKK 7,046 million. Loans increased by 27% to DKK 12,760 million. The guarantee portfolio was DKK 4,804 million at the end of the year against last year's DKK 5,142 million.

The growth in the bank's loans was broadly based in 2006. The branch network enjoyed growth throughout, and the general optimism and advances in the Danish economy have meant a high level of growth in loans. Within the niche concepts, developments in the financing of wind turbines and loans to Private Banking customers have been highly satisfactory, as has the intake of affluent customers from throughout Denmark to the bank's concepts within financing of holiday homes in Denmark and abroad, and the customer situation in general.

The portfolio of loans and foreign loans at the end of 2006 can be broadly classified thus:

- 48% of all loans from niche concepts and the distance customer division
- 13% of all loans from the new branches in Herning, Holstebro and Viborg
- 39% of all loans from the bank's old branches in West Jutland.

Liquidity

The bank's liquidity is good, and the excess cover relative to the statutory requirement is 134%, an increase relative to last year's 89%. Apart from the bank's natural liquidity, ongoing longterm loans from a large number of foreign banks have been taken up to cover the bank's excess of loans over deposits. The bank also has confirmed credit facilities to the equivalent value of DKK 1.3 billion. These are not normally used.

The bank's capital in 2006

Equity at the end of 2005 amounted to DKK 1,515 million, from which dividends etc. of DKK 146 million were paid, while other items amounted to minus DKK 90 million. The profit for the period was DKK 432 million, after which equity totalled DKK 1,711 million at the end of the year.

The bank also took up DKK 200 million in hybrid core capital in 2005 with an indefinite term, and DKK 300 million in subordinated loan capital was taken up in 2006 with a term of eight years. Total capital base at the end of 2006 was thus DKK 2,190 million.

The solvency ratio (Tier 2) was 12.3 at the end of 2006 and the core capital ratio (Tier 1) was 10.4. Both key figures were computed after proposed dividend and capital reduction.

The bank's shares were listed on Copenhagen Stock Exchange at the beginning of the year at 750. The share price rose during 2006 to 1,080 at the end of the year, a return including dividend of 48%. The price has risen further since the end of the year to 1,151 (2 February 2007). The bank's market value is now approx. DKK 6.1 billion.

The Ringkjøbing Landbobank share is included in Copenhagen Stock Exchange's MidCap+ index.

Capital 2007 - dividend - capital reduction and buy-up programme

The recommendation to the annual general meeting is that a dividend of DKK 30 per share be paid, equivalent to a total dividend of DKK 158.4 million.

A further recommendation to the general meeting is that 40,000 own shares, equivalent to 0.8% of the share capital shall be cancelled. At current prices, this is equivalent to a capital reduction of DKK 46 million. After cancellation, the bank's share capital will be DKK 26.2 million in 5,240,000 five DKK shares.

A final recommendation to the annual general meeting is that a new buy-up programme for up to 200,000 shares be established between now and the next annual general meeting. The shares must be bought at market prices and the maximum amount available for the buy-up will be DKK 240 million. The programme will other-

wise only be implemented in whole or in part to the extent to which the board of directors judges it commercially advantageous for shareholders.

New CAD 3/Basel II capital adequacy rules on 1 January 2007

New capital adequacy rules came into force on 1 January 2007. The bank will use the standard method from the beginning. The new rules and the bank's structure mean that the weighting of the bank's assets including operational risks is expected to be reduced significantly. Trial calculations made by the bank's computer contractor Bankdata show a reduction of 10%-15% in risk weighted assets when the changes in the system are fully implemented during 2007.

The bank's goal for many years has been to reduce the Tier 1 key figure via profitable growth and expansion of a diversified loans portfolio with a lower average credit risk than in the bank's total loan portfolio. The bank's goal is to work towards a Tier 1 core capital ratio of approx. 8 and a Tier 2 solvency ratio of approx. 11. This strategy has succeeded, and notwithstanding the capital allocations in 2007, there will be comfortable room for the bank's future growth without calling on shareholders to inject new capital. To this must be added the positive effects of the new capital adequacy rules, which according to trial calculations will lift the core capital percentage by approx. 1.5 percentage points.

Accounting policies

The bank's accounting policies are unchanged relative to the last financial year apart from a change concerning the treatment of interest on written-down loans. This change has not, however, affected the result, the balance sheet figures and the equity.

As in the rest of the sector, the accounting policy in future will be such that interest on loans on which write-downs have been made will be included for that part of loans which have been written down under the item »Write-downs on loans and debtors etc.«.

Expectations and plans

The result achieved for 2006 is significantly better than expected at the beginning of the year. This is attributable partly to much better banking operations than the budgeted result of DKK 325-340 million against the realised DKK 477 million, and partly to a positive value adjustment of securities.

Ringkøbing Landbobank has a market share of about 50% in that part of West Jutland in which its old branches are located. The bank's policy is to retain and develop this part of its customer portfolio with good and competitive products.

The bank also markets itself in Herning, Holstebro and Viborg, where the newest branches are located. Ringkøbing Landbobank is being perceived to a higher and higher degree as the best local alternative to the major banks, which is resulting in a strong increase in customer numbers and leading the bank to expect that our presence in these cities will be further extended in the years to come.

The bank's Distance Customer department and niche concepts are the fastest growing part of the bank - a development which is expected to continue in 2007. The concepts within the financing of wind turbines, medical practitioners, securities, dissavings loans, Danish and foreign holiday homes and Private Banking are thus expected to continue to develop positively in the years to come.

Against this background, net interest and fees are expected to increase in 2007. Costs including depreciations on tangible assets are expected to rise by about 10% in 2007. The good economic conditions are expected to continue into 2007, and the need for new write-downs and provisions is therefore expected to be at a low level.

The bank's general expectation is that the result of actual banking operations in 2007 will be in the range DKK 400-450 million against DKK 477 million in 2006, when write-downs to net DKK 69 million were reversed. To this must be added the result of the bank's portfolio of securities.

Financial calendar

The financial calendar for the coming year is as follows:

28 February 2007	General meeting
18 April 2007	Quarterly report - 1st quarter 2007
8 August 2007	Half-yearly report for the first six months of 2007
24 October 2007	Quarterly report - 3rd quarter 2007

Corporate Governance

Corporate governance in Ringkjøbing Landbobank concerns the goals which govern the bank's management and the general principles and structures governing the interplay between the bank's management and shareholders as well as the bank's customers, employees and the local areas in which the bank has branches.

Goals

Ringkjøbing Landbobank's goal is to play a vital role in West Jutland. In terms of both capital and its consultancy services, the bank must meet the expectations of a full-service bank held by the area's private and business customers.

Ringkjøbing Landbobank's goal is to achieve operating results among the best third within the Danish financial sector via rational operation and a sensible credit policy. The bank's goal is also to grow faster than the average for the financial sector in Denmark.

Ringkjøbing Landbobank's final goal is to be a good workplace for its employees. The bank intends a growth strategy to create an exciting and challenging workplace which will attract and retain competent employees.

Committee for corporate governance

Ringkjøbing Landbobank's board of directors and board of managers first decided its position on the so-called »Nørby Committee's« report and recommendations for listed companies in 2002, and the bank's management has subsequently regularly reviewed the bank's attitude to the Committee's recommendations.

In 2005, the committee for corporate governance set up by Copenhagen Stock Exchange issued a proposal for revised recommendations. When Copenhagen Stock Exchange made the revised recommendations a part of the disclosure requirements for listed companies, the bank's management again took a position on the recommendations for corporate governance during the preparation of the 2006 Annual Report.

All recommendations concerning corporate governance are available on Copenhagen Stock Exchange's website at www.omxgroup.com.

The following explains management's positions on the committee's recommendations in general terms within the eight main areas which the committee has worked with, and supplementary information is given in accordance with the Danish Financial Business Act.

Please see the bank's website at www.landbobanken.dk for a more detailed review of the management's position on some of the recommendations within the individual main areas.

The role of shareholders and interaction with management

The bank essentially follows the recommendations for the area.

The shareholders are the bank's owners, and the bank's goal is to achieve the best possible long-term return for its shareholders.

Through its defined Investor Relations policy, Ringkjøbing Landbobank endeavours to provide the greatest possible transparency concerning the bank's affairs, and the bank's website offers relevant, detailed and up-to-date information on the bank. The bank constantly examines the possibility of using the information technology which is available to the bank to improve communication between the bank and its shareholders.

In recent years, the bank's management has focused on a gradual adjustment of the bank's capital structure, and it is management's goal to continue focusing on this area. It should be noted that the general meeting has authorised the board to permit the bank until the next ordinary general meeting to acquire own shares within a total nominal value totalling 10% of the bank's share capital, and such that the shares can be acquired at the current listed price +/-10%. It can be added that the bank's articles of association contain an authorisation of the board empowering it, in consultation with the shareholders committee, to increase the share capital by DKK 14.2 million to DKK 40.6 million in one or more increases. For the time being, this authorisation is valid until 22 February 2011; it was last used was in 2002 in connection with the acquisition of Tarm Bank.

Under the bank's articles of association, a shareholding of up to and including nom. DKK 500 carries one vote, and shareholdings of more than that carry two votes. The board has found no reason to change the original voting rules from when the bank was established, as long as the bank's performance is above average in the Danish financial sector. No new restrictions on voting rights will be introduced into the bank's articles of association. Furthermore there are no restrictions on the negotiability of the shares. Amendments to the bank's articles of association are only valid if a proposal is adopted by at least two thirds of both votes cast and the voting share capital represented at the general meeting.

In the event of a takeover bid for the bank, the bank's board will assess what is in the shareholders' best long-term interest and act accordingly.

The role and significance of the bank's partners

The bank has always regarded the role of the various partners as very significant for the bank's development, and the board of directors has thus defined the following policy with respect to its partners. The bank thus follows the applicable recommendations for the area.

Ringkjøbing Landbobank is an integral part of West Jutland, the bank's old core area, in which the bank has a very high market share. The bank's goal is to retain and develop this part of its customer portfolio with sound and competitive products.

Since the mid-1990s, the bank has established new branches in three large cities in central Jutland outside the old core area. The bank's goal is to expand strongly and become a solid local bank in the three communities.

The bank's products are also offered via a distance banking service domiciled in Ringkjøbing, whose goal is to service selected customer groups throughout Denmark with a high level of expertise and competitive products.

The bank's employees are well-educated and motivated, which is a critical prerequisite for the bank's continued success and growth. Ringkjøbing Landbobank is a good place to work, where the atmosphere is informal and unpretentious. The bank has worked for a number of years to create an effective and efficient organisation of tasks in the bank and to further develop our employees' professional and human expertise. It is therefore a vital factor for the bank's employees that they want to participate in the exciting developments which are also expected to distinguish the bank in the years to come.

Openness and transparency

The bank follows the recommendations on openness and transparency.

Ringkjøbing Landbobank formulated an Investor Relations-policy in autumn 2002. Based on the formulated policy, the bank's website was extended significantly, and it has subsequently and regularly been further developed.

The level of information complies with the recommendations of Copenhagen Stock Exchange. The aim of the bank's Investor Relations-policy is to promptly issue all material information of importance to shareholders' and the financial markets' assessment of the bank in both Danish and English.

The board of directors places heavy emphasis on a continuous dialogue with shareholders and other partners. This dialogue is ensured by providing various sections on Corporate Governance-related issues on the bank's website, and the bank's board of managers regularly meets with investors. Finally, it should be noted that the Ringkjøbing Landbobank share is included in Copenhagen Stock Exchange's so-called MidCap+ Index.

The tasks and responsibilities of the board of directors

The bank essentially follows the recommendations for the area.

The board of directors undertakes the overall strategic management of the bank and supervises and monitors the daily management. The board of directors performs its tasks by holding board meetings, checking ingoing reports, and generally through dialogue with the bank's board of managers. The board of directors holds strategy seminars on an ad hoc basis, at which the bank's overall goals and strategies are discussed and established. Strategies are also regularly discussed by the board of directors.

The board of directors's tasks and its delegation to the board of managers and the guidelines for ongoing reporting to the board of directors are described in the rules of procedure for the board of directors and miscellaneous instructions under Section 70 of the Danish Financial Business Act.

Composition of the board of directors

The bank follows the majority of the recommendations issued.

Election of members to the shareholders committee is determined at the general meeting by simple majority, and the members of the board of directors are elected from among the members of the bank's shareholders committee. The bank's articles of association provide for an age limit of 67 years for both members of the shareholders committee and members of the board of directors. Both members of the shareholders committee and of the board of directors are elected for a term of four years at a time and they may be re-elected. The board of directors finds that the four-year election period ensures good continuity in the board work and has thus found no reason to propose a change in the election period.

When recommending new members for the shareholders committee, the shareholders committee and the board of directors aim to propose persons with wide business experience and professional expertise as well as to ensure a good age distribution in the shareholders committee. When the proposed members of the shareholders committee are presented at the bank's general meeting, a review of the relevant persons' background etc. is given, and this is considered sufficient by the board of directors. When new members are elected to the shareholders committee and to the board of directors, they are given an introduction to the performance of their tasks.

Under the articles of association, the bank's board of directors has between four and six shareholder-elected board members. In addition, the board has the statutory members. The board of directors regularly considers whether the number of shareholder-elected board members and the composition in general are appropriate in view of the bank's needs. The recommendations concerning the board's independence are followed, although the board does not consider it relevant to issue information on individual board members' shareholdings in the company. The share dealings of the individual members of management are issued in accordance with applicable rules.

The board of directors convenes approximately eleven times a year, and the recommendations on the frequency of meetings and working plan are thus followed. In light of the frequent meetings, the board of directors has not at present found any reason to set up board committees etc.

With respect to resources for the work of the board of directors and the number of directorships of each board member, the board of directors finds that it is not the number of directorships that are vital to an efficient performance on the board, but the amount of work associated with them. The individual board members regularly assess whether they can perform efficiently on the board of directors.

In the light of a close partnership between the board of directors and the board of managers as well as the frequency of the meetings of the board of directors, it is considered unnecessary to introduce schematic evaluations of the board of directors or the board of managers and cooperation within management, as this is regularly evaluated.

Remuneration of board of directors and board of managers

The bank follows some of the recommendations issued.

The bank follows the recommendation for remuneration, and it is estimated that the total remuneration is on a competitive and reasonable level which reflects the board of directors's and the general managers's efforts and results.

The board of directors has prepared no remuneration policy as such, but the board of directors estimates that the total remuneration to the bank's board of directors and board of managers reflects the management's efforts for the bank and generally follows common practice in the area. The board of directors is paid a fixed fee and the board of directors has not, and will not, participate in bonus and incentive agreements including share option schemes. The board of managers are paid in accordance with separate salary agreements which do not at present contain provisions on bonus and incentive agreements.

Overall, the board of directors judges that information on individuals' remuneration, resignation agreements and employment conditions in general are not relevant to an assessment of the bank, and the board of directors thus finds that the information on remuneration for the board of directors and the board of managers given in the Annual Report is adequate and sufficient.

Risk management

The bank follows the recommendations for the area.

The bank's management continuously directs its full attention to the bank's most important business risks and issues current reports, whereby management systematically follows developments in the most important risk areas. In all important areas, the bank has thus established effective risk management and reporting systems which are continuously evaluated internally as well as by the bank's internal and external auditors and the Danish Financial Supervisory Authority.

Ringkjøbing Landbobank's most significant category of business risk is the credit risk associated with loans, which comprise by far the greatest part of the bank's assets and also generate a correspondingly large part of its earnings. Historically the bank has always had a healthy credit policy, and this is also our goal for the future.

The gearing of loans relative to the capital base is approx. six, and the bank's goal is realisation of the results with a lower or the same credit gearing as that of Denmark's major banks.

The Annual Report contains description on the bank's risk conditions and risk management.

Audit

The bank generally follows the various recommendations for the area.

The bank's management has an ongoing dialogue with both internal and external auditors, and the management discusses the audit result and accounting policies with the auditors.

The board of directors has found no reason to set up an audit committee.

Risks

The primary risks in Ringkjøbing Landbobank's operations are the credit risk on the bank's loans and market risks: interest risk, foreign exchange risk, risk on shares, risk on property and liquidity risk.

The credit risk is defined as the risk that customers' payments owed to the bank are judged not to be collectable because of a debtor's lack of ability or will to pay at the agreed time.

The market risk is defined as the risk that the market value of the bank's assets and liabilities will change because of changes in market conditions.

The bank's general policy with respect to assumption of risks is that the bank should primarily carry the risks which are in accordance with the business principles under which the bank is run, and for which the bank possesses the expertise and the historical experience to manage.

The policy for management of the various risks is that they are continuously and closely monitored centrally and reported to the board of managers and the board of directors.

The bank's credit risks and the various market risks are discussed further below.

Credit risks

Ringkjøbing Landbobank has grown and developed over the last 10-15 years to the point where it is now 50% regional bank and 50% niche bank.

This development has been a part of the bank's growth strategy, and the bank's management notes with satisfaction that the bank has achieved an appreciably diversified loans portfolio, including a significant spread in terms of both sector and geography.

In general, Ringkjøbing Landbobank assumes credit risks on the basis of a credit policy whose goal is that the bank's losses should be at an acceptable level relative to the Danish financial sector, and such that actual losses in extreme situations can be accommodated within the bank's results. Viewed historically, the bank has a healthy credit policy, and future focus will also be on an effective management of the bank's total loans portfolio via the central credit department.

The bank's regional operations are run partly via branches in the bank's original core area in West Jutland and partly via branches in the three large Central and West Jutland cities of Herning, Holstebro and Viborg. The bank's loans portfolio in the regional sector is about half private customers with the other half small and medium-size businesses within various sectors.

The most significant niches within the bank's niche sector are loans for the financing of wind turbines, affluent clients' financing of holiday homes etc., a Private Banking department including financing of securities, financing of doctors' purchases of private practices, and finally a wholesale department which provides loans against satisfactory security. Loans are made to Danish end investors for the financing of wind turbines erected in Denmark, Germany and France, and the financing of holiday homes acquired by Danes in Denmark, Germany, France, Spain and other areas.

An important common denominator for the niche loans is that the bank seeks to hedge its credit risk through first mortgages in the underlying assets.

As will be evident from the above, apart from the geographic and sectorial spread within the bank's regional area, the bank's niche area has gained further significant spread which is helping to secure the considerable diversification in the bank's loans portfolio, so that the portfolio does not correlate to the same extent in terms of market economics as if the bank were run purely as a regional bank.

Market risks

The basic policy with respect to market risks is that the bank wishes to keep risks at a relatively low level.

The bank has a concrete framework for each type of risk within the various market risk areas, and the risk assessment includes the goal that there must be a sensible and balanced relationship between risk and return.

The bank uses derivatives to cover and manage the various market risk areas to the extent to which the bank wishes to reduce the extent of or eliminate the market risks which the bank has assumed.

Interest risk

The bank's loan and deposit business and accounts with credit institutions are mostly entered into on a liquid variable basis. The bank maintains an internal book for fixed-interest business, and cover is regularly taken out with a consequent reduction in the interest risk.

Ringkjøbing Landbobank's policy is thus to maintain a low interest risk.

Foreign exchange risk

The bank's main currency is the Danish kroner, but the bank has also entered into loan and deposit business and taken up loans with other banks in other currencies, primarily euros, Swiss francs and U.S. dollars.

The bank does not wish to assume significant foreign exchange risks, and the bank is therefore reducing its ongoing positions in foreign currencies. The bank's policy is to maintain a low foreign exchange risk.

Share risk

The bank is co-owner of various sector companies. The most significant items are ownership interests in DLR Kredit A/S, PRAS A/S, BankInvest Holding A/S, Letpension A/S and Sparinvest Holding A/S.

The bank also has a minor portfolio of listed shares, but this portfolio is of modest size relative to the bank's equity, and the bank's policy is to maintain a low share risk.

Property risk

The bank's portfolio of both domicile and investment properties is also of quite modest size relative to the bank's balance sheet and its equity. The bank does not wish to assume significant property risks.

Liquidity risk

The bank's loans portfolio is funded partly via its deposit base and partly via taking up loans with other banks.

The bank's deposit base consists primarily of core deposits, and the bank does not focus on receipt of short-term injections.

The bank's funding from other banks comprises both long-term agreements and shorter-term ongoing money market business. Ringkjøbing Landbobank has entered into a number of longer-term funding agreements (typically of at least five years duration) with various West European banks, as well as various short-term money market transactions have also been entered into with both Danish and West European banks.

The bank thus has major cooperative relationships with numerous credit institutions and banks in various West European countries. It should, however, be noted that the funding situation is not such that the bank is dependent on the institutions in a single country or on individual institutions.

The shorter-term money market business is supported via the bank's portfolio of liquid securities, via short-term loans to other Danish banks, and finally via long-term agreements on committed credit facilities with both Danish and West European banks. The committed credit facilities are entered into successively for periods of five years and are not normally used in everyday business. The bank's policy is not to have significant uncovered net funding requirements.

The total funding of the loan portfolio is generally reconciled against the portfolio's underlying term to maturity.

Management report - 5 year key figures

Summary DKK 1,000	2006	2005	2004	2003	2002
Profit and loss account					
Interest receivable	705,949	500,547	412,762	358,609	363,806
Interest payable	309,366	166,080	118,719	101,121	116,417
Net income from interest	396,583	334,467	294,043	257,488	247,389
Interest-like commission income	19,963	23,308	18,940	12,150	10,716
Dividend on capital shares etc.	4,596	3,979	5,357	6,156	5,015
Income from fees and commissions	188,587	159,995	107,221	89,531	70,381
Fees and commissions paid	30,464	34,451	23,692	17,414	14,960
Net income from interest and fees	579,265	487,298	401,869	347,911	318,541
Value adjustments	+128,979	+56,237	+64,606	+118,213	+35,072
Other operating income	4,717	2,650	2,079	7,592	5,726
Staff and administration costs	204,038	187,426	177,580	158,714	151,482
Amortisation, depreciation and write-downs on intangible and tangible assets	4,517	2,421	6,728	4,075	3,988
Other operating costs	5	48	0	0	0
Write-downs on loans and debtors etc.	+69,027	+5,047	+4,096	9,741	+5,530
Result of capital shares	0	144	-1	0	0
Profit before tax	573,428	361,481	288,341	301,186	209,399
Tax	141,046	96,885	74,103	71,062	62,028
Profit for the financial year	432,382	264,596	214,238	230,124	147,371
Balance sheet					
Cash in hand and claims on credit institutions and central banks	3,339,743	2,226,283	1,288,988	1,097,450	436,286
Loans and other debtors at amortised cost price	12,760,168	10,023,406	7,209,111	5,206,516	4,567,167
Bonds and shares etc.	967,102	929,444	827,456	705,524	874,816
Tangible assets	66,143	62,015	56,023	52,269	54,118
Other assets	136,202	119,456	79,346	470,707	69,367
Total assets	17,269,358	13,360,604	9,460,924	7,532,466	6,001,754
Debt to credit institutions and central banks	7,810,180	5,077,055	2,635,780	1,677,220	1,063,906
Deposits and other debts	7,046,159	6,291,696	5,144,209	4,390,606	3,713,777
Other liabilities	201,291	256,358	290,230	298,250	177,203
Provisions for liabilities	21,650	19,821	18,417	13,927	12,619
Subordinated debt	479,288	200,952	0	0	0
Share capital	26,400	26,400	26,400	26,400	27,789
Reserves	1,684,390	1,488,322	1,345,888	1,126,063	1,006,460
Total equity	1,710,790	1,514,722	1,372,288	1,152,463	1,034,249
Total liabilities and equity	17,269,358	13,360,604	9,460,924	7,532,466	6,001,754
Off-balance sheet items					
Guarantees etc.	4,803,619	5,141,858	3,938,152	2,895,758	2,705,095
Other contingent liabilities	3,695	53,140	52,760	2,639	52,663
Total off-balance sheet items	4,807,314	5,194,998	3,990,912	2,898,397	2,757,758

Management report - 5 year key figures



		2006	2005	2004	2003	2002
Solvency ratio	%	12.3	11.6	11.9	14.4	14.9
Core capital ratio	%	10.4	11.6	12.2	15.1	14.6
Pre-tax return on equity	%	35.6	25.0	22.5	27.5	21.6
Return on equity after tax	%	26.8	18.3	16.7	21.0	15.2
Income/cost ratio	DKK	5.11	2.95	2.60	2.75	2.40
Interest risk	%	1.6	1.7	1.6	1.9	3.4
Foreign exchange position	%	4.1	1.7	2.1	0.3	0.3
Foreign exchange risk	%	0.0	0.0	0.0	0.0	0.0
Loans and write-downs thereon relative to deposits	%	185.2	164.9	147.1	127.6	133.3
Loans relative to shareholders' equity		7.5	6.6	5.3	4.5	4.4
Excess cover relative to statutory liquidity requirements	%	134.3	88.5	83.4	137.0	126.7
Growth in loans for the year	%	27.3	39.0	38.5	14.0	28.9
Total large exposures	%	116.1	73.3	95.5	90.9	55.3
Cumulative write-down percentage	%	1.7	2.3	3.1	4.6	5.0
Write-down percentage for the year	%	-0.39	-0.03	-0.04	0.11	-0.07
Proportion of debts at reduced interest	%	0.1	0.2	0.2	0.3	0.3
Profit for the year after tax per share*	DKK	1,637.8	1,002.3	811.5	849.3	520.9
Book value per share**	DKK	6,631	5,862	5,325	4,473	3,888
Dividend per share*	DKK	600	550	500	175	0
Price/profit for the year per share**		13.2	15.0	13.4	8.5	7.3
Price/book value per share*		3.26	2.56	2.04	1.62	0.98

* Calculated on the basis of a denomination of DKK 100.

** Calculated on the basis of number of shares outstanding at the end of the year.

Accounting policies - general

The Annual Report was prepared in accordance with the provisions of the Danish Financial Business Act and the applicable Executive Order on the Presentation of Accounts. The Annual Report was also prepared in accordance with the information requirements of the Copenhagen Stock Exchange, to the extent to which the Danish Financial Business Act, the Executive Order on the Presentation of Accounts, or other Executive Orders from the Danish Financial Supervisory Authority do not specify a different practice.

The accounting policy differs from that of last year on a single point as per the next section »Changed accounting policies«.

Changed accounting policies

In connection with the implementation of new Danish accounting rules in 2005, the Danish Financial Supervisory Authority permitted implementation of the change in policy concerning the treatment of interest on the written-down part of loans to wait until preparation of the 2006 Annual Report. Ringkjøbing Landbobank availed itself of this option.

As in the rest of the sector, the bank's accounting policy concerning the treatment of interest on the written-down part of loans will in future be that the interest in question is entered under the item »Write-downs on loans and debtors etc.«.

This change has not, however, affected the result, the balance sheet figures and equity. The comparative figures on pages 3, 5, 14, 15, 20, 21 and in relevant notes have been adjusted for the change in policy.

Accounting estimates

In computing the book value of certain assets and liabilities, an estimate has been made of how future events will affect the value of the assets and liabilities on the balance sheet date.

The estimates made are based on assumptions which management judges to be responsible, but which are not certain. The final actual results may thus deviate from the estimates as the bank is subject to risks and uncertainties which can affect the results.

The most important estimates concern write-downs on loans and receivables, computation of current values for unlisted financial instruments, and allocated provisions. The most important estimates on write-downs on loans and receivables are associated with quantification of the risk that no future payments will be received.

Foreign currency

Assets and liabilities in foreign currency were converted to Danish kroner at the closing exchange rate for the currency on balance sheet date, corresponding to the rate published by the Danish National Bank. Income and expenses were converted continuously at the exchange rate on the transaction date.

Financial instruments - general

The reader is referred to the following section for inclusion criteria and basis of estimating for the financial assets and liabilities in the bank's balance sheet. In general, however, the bank estimates financial assets and liabilities at current value on the balance sheet date unless another procedure follows specifically from the sections referred to below for the individual items. The bank also generally uses the date of payment as the date of inclusion for financial instruments.

Loans and other debtors

Loans and other debtors are included at amortised cost price. Establishment fees etc. which are comparable to an ongoing interest payment, and can thus be considered an integral part of the effective interest rate for the loan, are allocated over the life of the individual loan.

If an objective indication of impairment is found for loans and other debtors, a write-down is made to cover the bank's loss based on an estimated cash flow.

Changes in write-downs which have been made are adjusted in the profit and loss account under the item »Write-downs on loans and debtors etc.«.

Bonds and shares

Securities which are listed on a stock exchange are included at current value, determined on the basis of the closing price on balance sheet date.

Unlisted securities are also included at current value, computed on the basis of what the price would be in a transaction between independent parties.

All ongoing value adjustments to listed and unlisted securities are entered in operations under the item »Value adjustments«.

Capital shares in associated companies

Capital shares in associated companies are entered in the balance sheet under the intrinsic value method.

Land and buildings

Land and buildings cover the two items »Investment properties« and »Domicile properties«. The properties which house the bank's branches are included under domicile properties, while other properties are considered to be investment properties.

Investment properties are included in the balance sheet at current value, computed under the yield method. Ongoing changes in value concerning investment properties are included in the profit and loss account.

Domicile properties are included in the balance sheet at reassessed value, which is the current value computed on the basis of the yield method less cumulative depreciation and any loss due to impairment. Depreciation is calculated on the basis of expected useful life, which is 50 years, on the basis of depreciation computed as cost price less scrap value. Depreciations and losses due to impairment are included in the profit and loss account, while increases in the reassessed value are included directly on the equity under the item »Provisions for revaluation« unless the increase corresponds to a reduction in value which was previously included in the profit and loss account.

Other tangible fixed assets

Other tangible fixed assets including operating equipment are included in the balance sheet at cost price less cumulative depreciation and write-downs for any loss due to impairment. Depreciations are calculated on the basis of the assets' expected lives, which are 1-5 years, on the on the basis of depreciation computed as cost price less scrap value. Depreciations and losses due to impairment are included in the profit and loss account.

Derivative financial instruments

Forward transactions, interest swaps and other derivatives are included at current value on balance sheet date.

Hedging transactions which, under the terms of the Danish Financial Supervisory Authority's Executive Order on the Presentation of Accounts are regarded as hedging at current value for accounting purposes are included at current value on the balance sheet date with respect to both the hedging instrument and the hedged part of the financial instrument.

All value adjustments concerning derivatives and items subject to hedging for accounting purposes are entered under the item »Value adjustments« in the profit and loss account.

Issued bonds

Issued bonds are measured at amortised cost price.

Subordinated debt

Subordinated debt is measured at amortised cost price however, please see the section »Derivative financial instruments«.

Guarantees

The bank's outstanding guarantees are given in the notes under the item »Contingent liabilities«. If it is considered likely that an outstanding guarantee will incur a loss to the bank, the liability is given under the item »Provisions for losses on guarantees« and booked under costs in the profit and loss account under the item »Write-downs on loans and debtors etc.«

Interest income

Interest income is included on the basis of the effective interest method, under which interest income includes the allocated portion of establishment fees etc. which are considered to be a part of the effective interest on the loan.

On loans which have been written down or written off, the interest income relating to the written-off part is entered under the item »Write-downs on loans and debtors etc.«.

Income from fees and commissions

That part of the bank's commission income which derives from guarantees on foreign loans is included as a separate item designated »Interest-like commission income« in the profit and loss account on the basis of an assessment of materiality.

Tax

Tax on the profit for the year is booked as a cost in the profit and loss account. The bank operates under the tax prepayment scheme.

Net deferred tax is calculated on the items which cover the delay in accounting and booking of taxable income and expenses at the tax rate applicable on the balance sheet date. A deferred tax liability is allocated under the item »Provisions for deferred tax« and if a deferred tax asset is booked under the item »Deferred tax assets« following a cautious assessment of the asset's value.

Incentive schemes

The bank has established a bond incentive scheme with its employees.

The costs of the bond incentive scheme with the employees are included and booked under costs in the profit and loss account in the financial year to which the costs apply.

Information and key figures

Total capital base on page 3 under »Main figures« is computed as the total shareholders' equity at the end of the year including proposed dividend etc. plus the book value of total subordinated debt.

The pre-tax return on equity at the beginning of the year, and the return on equity after tax at the beginning of the year as given on page 3 under »Key figures for the bank per cent« were both calculated after deduction of dividend etc.

Profit and loss account

Note no.		2006 DKK 1,000	2005 DKK 1,000 Adjusted to changed accounting policies
1	Interest receivable	705,949	500,547
2	Interest payable	309,366	166,080
	Net income from interest	396,583	334,467
	Interest-like commission income	19,963	23,308
3	Dividend on capital shares etc.	4,596	3,979
4	Income from fees and commissions	188,587	159,995
4	Fees and commissions paid	30,464	34,451
	Net income from interest and fees	579,265	487,298
5	Value adjustments	+128,979	+56,237
	Other operating income	4,717	2,650
6,7,8	Staff and administration costs	204,038	187,426
18,19	Amortisation, depreciation and write-downs on intangible and tangible assets	4,517	2,421
	Other operating costs	5	48
14	Write-downs on loans and debtors etc.	+69,027	+5,047
	Result of capital shares	0	144
	Profit before tax	573,428	361,481
9	Tax	141,046	96,885
	Profit for the financial year	432,382	264,596

Proposed distribution of profit

	Profit for the financial year	432,382	264,596
	Total amount available for distribution	432,382	264,596
	Dividends	158,400	145,200
	Other purposes	300	300
	Transferred to reserve for net revaluation under the intrinsic value method	0	144
	Appropriation to own funds	273,682	118,952
	Total distribution of the amount available	432,382	264,596

Actual banking operations

	2006 DKK 1,000	2005 DKK 1,000 Adjusted to changed accounting policies
Net income from interest	396,583	334,467
Interest-like commission income	19,963	23,308
Dividend on capital shares etc.	4,596	3,979
Net income from fees and commissions	158,123	125,544
Value adjustments of sector shares*	20,534	14,572
Foreign exchange income	11,723	6,019
Other operating income	4,717	2,650
Total net income	616,239	510,539
Staff and administration costs	204,038	187,426
Amortisation, depreciation and write-downs on intangible and tangible assets	4,517	2,421
Other operating costs	5	48
Total net costs	208,560	189,895
Write-downs on loans and debtors etc.	+69,027	+5,047
Result of actual banking operations	476,706	325,691

* Excl. gain of shares in Totalkredit A/S and Sparinvest Holding A/S.

Balance sheet

Note no.		2006 DKK 1,000	2005 DKK 1,000
	Assets		
	Cash in hand and claims at call on central banks	51,868	53,587
12	Claims on credit institutions and deposits with central banks	3,287,875	2,172,696
13,14,15	Loans and other debtors at amortised cost price	12,760,168	10,023,406
16	Bonds at current value	685,718	716,250
17	Shares etc. Capital shares in affiliated companies etc.	280,829 555	212,639 555
18	Buildings and land total	62,101	59,316
	Investment properties	8,665	10,361
	Domicile properties	53,436	48,955
19	Other tangible assets	4,042	2,699
	Actual tax assets	13,399	4,705
20	Deferred tax assets	26,653	30,829
	Other assets	94,877	83,922
	Periodic-defined items	1,273	0
	Total assets	17,269,358	13,360,604

Balance sheet

Note no.		2006 DKK 1,000	2005 DKK 1,000
	Liabilities and equity		
	Debt		
21	Debt to credit institutions and central banks	7,810,180	5,077,055
22	Deposits and other debts	7,046,159	6,291,696
	Issued bonds at amortised cost price	2,955	0
	Other liabilities	197,524	255,209
	Periodic-defined items	812	1,149
	Total debt	15,057,630	11,625,109
	Provisions for liabilities		
23	Provisions for pensions and similar liabilities	13,205	13,967
14	Provisions for losses on guarantees	5,087	4,150
	Other provisions	3,358	1,704
	Total provisions for liabilities	21,650	19,821
	Subordinated debt		
	Subordinated loan capital	287,988	0
	Hybrid core capital	191,300	200,952
24	Total subordinated debt	479,288	200,952
	Shareholders' equity		
25	Share capital	26,400	26,400
	Provisions for revaluation	0	149
	Reserve for net revaluation under the intrinsic value method	204	204
	Proposed dividend etc.	158,700	145,500
	Profit carried forward	1,525,486	1,342,469
	Total shareholders' equity	1,710,790	1,514,722
	Total liabilities and equity	17,269,358	13,360,604
27	Contingent liabilities		

Statement of shareholders' equity

	Share capital	Provisions for revaluation	Reserve for net revaluation under the intrinsic value method	Proposed dividend etc.	Profit carried forward	Total shareholders' equity
Shareholders' equity at the end of the previous financial year	26,400	149	204	0	1,487,969	1,514,722
Dividend etc. paid					-145,500	-145,500
Shareholders' equity after allocation of dividend etc.	26,400	149	204	0	1,342,469	1,369,222
Dividend received on own shares					3,214	3,214
Purchase and sale of own shares					-93,807	-93,807
Tax calculated on transactions with own shares					-13,749	-13,749
Adjustment of deferred tax concerning own shares					13,677	13,677
Other shareholders' equity items		-149				-149
Profit for the financial year				158,700	273,682	432,382
Shareholders' equity on balance sheet date	26,400	0	204	158,700	1,525,486	1,710,790

Capital adequacy computation

	2006 DKK 1,000	2005 DKK 1,000
Calculated pursuant to Executive order on Capital Adequacy issued by the Danish Financial Supervisory Authority.		
Total shareholders' equity	1,710,790	1,514,722
Proposed dividend etc.	-158,700	-145,500
Other deductions from the core capital	-26,653	-30,978
Hybrid core capital, included at	200,000	200,000
Core capital after deductions	1,725,437	1,538,244
Subordinated loan capital	300,000	0
Addition to/deduction from the capital base	0	+149
Capital base after deductions	2,025,437	1,538,393
Weighted non-trading book assets	15,869,400	12,659,024
Weighted items with market risks etc.	655,709	638,497
Total weighted items	16,525,109	13,297,521
Core capital ratio excl. hybrid core capital (%)	9.2	10.1
Core capital ratio (Tier 1) (%)	10.4	11.6
Solvency ratio (Tier 2) pursuant to Section 124(1) of the Danish Financial Business Act (%)	12.3	11.6
Capital requirements under Section 124(1) of the Danish Financial Business Act	37,280	37,303

Notes to the Annual Report

Note no.		2006 DKK 1,000	2005 DKK 1,000 Adjusted to changed accounting policies
1	Interest receivable		
	Claims on credit institutions and deposits with central banks	59,838	37,150
	Loans and other debtors	633,987	467,878
	Loans (interest concerning the written-down part of loans)	-20,559	-23,100
	Bonds	26,184	22,759
	Total derivatives financial instruments	6,060	-4,721
	of which		
	Currency contracts	9,965	4,862
	Interest-rate contracts	-3,905	-9,583
	Other	439	581
	Total interest receivable	705,949	500,547
2	Interest payable		
	Credit institutions and central banks	141,209	60,237
	Deposits and other debts	146,045	97,190
	Issued bonds	35	0
	Subordinated debt	21,012	8,153
	Other	1,065	500
	Total interest payable	309,366	166,080
3	Dividend on shares etc.		
	Shares	4,596	3,979
	Total dividend on shares etc.	4,596	3,979
4	Gross income from fees and commissions		
	Securities trading	57,362	52,162
	Asset management	65,303	38,835
	Payment handling	15,910	14,725
	Loan fees	8,151	12,925
	Guarantee commissions	26,027	25,997
	Other fees and commissions	15,834	15,351
	Total gross income from fees and commissions	188,587	159,995
	Net income from fees and commissions		
	Securities trading	41,834	31,095
	Asset management	60,950	36,501
	Payment handling	15,640	13,916
	Loan fees	5,832	9,949
	Guarantee commissions	26,029	25,997
	Other fees and commissions	7,838	8,086
	Total net income from fees and commissions	158,123	125,544
5	Value adjustments		
	Loans and other debtors at current value	-6,169	-1,613
	Bonds	-5,886	-167
	Shares etc.	61,076	28,780
	Shares in sector companies	20,534	14,572
	Shares in Totalkredit A/S and Sparinvest Holding A/S	30,829	0
	Foreign exchange income	11,723	6,019
	Total derivatives financial instruments	-3,864	10,984
	of which		
	Interest-rate contracts	-4,560	8,462
	Share contracts	696	2,522
	Other liabilities	20,736	-2,338
	Total value adjustments	128,979	56,237

Notes to the Annual Report

Note no.		2006 DKK 1,000	2005 DKK 1,000 Adjusted to changed accounting policies
6	Staff and administration costs		
	Salaries and payments to board of managers, board of directors and shareholders' committee		
	Board of managers	5,200	4,505
	Board of directors	738	726
	Shareholders' committee	215	210
	Total	6,153	5,441
	Staff costs		
	Salaries	97,618	87,045
	Pensions	9,282	8,334
	Social security expenses	10,102	8,886
	Total	117,002	104,265
	Other administration costs	80,883	77,720
	Total staff and administration costs	204,038	187,426
7	Number of employees		
	Average number of employees during the financial year converted into full-time employees	270.6	250.9
8	Audit fee		
	Total fee to the firms of accountants, elected by the General Meeting, that perform the statutory audit	1,059	811
	Of this concerning other contributions than audit	356	164
	The bank also has an internal auditor.		
9	Tax		
	Tax calculated on the years profit	128,279	109,561
	Adjustment of deferred tax	17,853	-14,571
	Adjustment of tax calculated for previous years	-5,086	0
	Tax on write-downs account	0	1,895
	Total tax	141,046	96,885
	Effective tax rate (%):		
	The current tax rate of the bank	28.0	28.0
	Non-liable income and non-deductible costs etc.	-2.5	-1.7
	Adjustment of tax calculated for previous years	-0.9	0.0
	Tax on write-downs account	0.0	0.5
	Total effective tax rate	24.6	26.8
10	Incentive schemes		
	An employee share scheme was introduced in 2000 as a reward of the staff's commitment to the bank. In the 2000-2004 accounting years, the bank's staff were thus offered shares for which the remaining vesting periods are currently 1, 0, 1, 2 and 3 years. The bank's staff had acquired a total of 94,208 shares as of the end of 2006.		
	An agreement was entered into in the 2005 financial year on an employee bond scheme with the object of rewarding employees' efforts on behalf of the bank. The bank's maximum liability under the agreement for the current financial year is entered as a cost in the financial year and included in the accounts under the item »Other provisions« at tDKK 1,858.		
	The incentive and loyalty agreement entered into with the board of managers in 2000, which included share options, was exercised on 1 December 2006. Please see the stock exchange report published on 4 December 2006.		
11	Board of managers and board of directors	2006 DKK 1,000	2005 DKK 1,000
	The amount of loans, mortgage, sureties or guarantees and appurtenant collaterals issued to members of the bank's: Interest rates 2006		
	Board of managers 6.0%	150	105
	Board of directors, incl. elected by the staff 3.7%-10.0%	19,055	21,993
	All commitments are performed under market terms, including both interest and guarantee commission rates.		
	Security pledged from members of the bank's:		
	Board of managers	0	0
	Board of directors	7,318	8,602

Notes to the Annual Report

Note no.		2006 DKK 1,000	2005 DKK 1,000
12	Claims on credit institutions and deposits with central banks		
	Claims at call	475,877	39,026
	Up to 3 months	2,602,362	1,729,356
	Over 3 months and up to 1 year	64,912	74,605
	Over 1 year and up to 5 years	74,560	264,921
	Over 5 years	70,164	64,788
	Total claims on credit institutions and deposits with central banks	3,287,875	2,172,696
	Distributed as follows:		
	Claims at notice on central banks	2,067,362	1,154,356
	Claims on credit institutions	1,220,513	1,018,340
		3,287,875	2,172,696
13	Loans and other debtors at amortised cost price		
	At call	4,850,271	3,699,673
	Up to 3 months	925,398	791,916
	Over 3 months and up to 1 year	2,287,434	1,579,391
	Over 1 year and up to 5 years	2,509,300	2,124,133
	Over 5 years	2,187,765	1,828,293
	Total loans and other debtors at amortised cost price	12,760,168	10,023,406
14	Write-downs on loans and other debtors and provisions for losses on guarantees		
	Individual write-downs		
	Cumulative individual write-downs on loans and other debtors at the end of the previous financial year	340,750	347,705
	Write-downs/value adjustments during the year	61,100	110,245
	Reverse entry - write-downs made in previous financial years	-110,203	-98,060
	Booked losses covered by write-downs	-11,734	-19,140
	Cumulative individual write-downs on loans and other debtors on balance sheet date	279,913	340,750
	Group write-downs		
	Cumulative group write-downs on loans and other debtors at the end of the previous financial year	12,100	10,000
	Write-downs/value adjustments during the year	0	2,100
	Reverse entry - write-downs made in previous financial years	-2,100	0
	Cumulative group write-downs on loans and other debtors on balance sheet date	10,000	12,100
	Total cumulative write-downs on loans and other debtors on balance sheet date	289,913	352,850
	Provisions for losses on guarantees		
	Cumulative individual provisions at the end of the previous financial year	4,150	4,150
	Provisions/value adjustments during the year	1,387	0
	Reverse entry - provisions made in previous financial years	-450	0
	Cumulative individual provisions on balance sheet date	5,087	4,150
	Total cumulative write-downs on loans and other debtors and provisions for losses on guarantees on balance sheet date	295,000	357,000
	No write-downs were made on claims on credit institutions and other debtors.		
	Loans and other debtors with an objective indication of impairment included in the balance sheet at a book value greater than zero		
	Balance for loans and other debtors before write-downs	625,120	877,471
	Write-downs	-249,553	-309,800
	Balance for loans and other debtors after write-downs	375,567	567,671

Notes to the Annual Report

Note no.		2006 DKK 1,000	2005 DKK 1,000
15	Suspended calculation of interest		
	Loans and debtors with suspended calculation of interest on balance sheet date	20,578	35,796
16	Bonds at current value		
	Quoted on the stock exchange	685,718	716,250
	Total bonds at current value	685,718	716,250
17	Shares etc.		
	Quoted on the Copenhagen Stock Exchange	97,105	55,132
	Quoted on other stock exchanges	132	274
	Unlisted shares	540	6,113
	Sector shares	168,532	136,373
	Other holdings	14,520	14,747
	Total shares etc.	280,829	212,639
18	Buildings and land		
	Investment properties		
	Current value at the end of the previous financial year	10,361	10,814
	Acquisitions during the year, including improvements	0	0
	Disposals during the year	-1,696	-453
	Value adjustments to current value for the year	0	0
	Other changes	0	0
	Current value on balance sheet date	8,665	10,361
	Domicile properties		
	Reassessed value at the end of the previous financial year	48,955	45,208
	Acquisitions during the year, including improvements	4,694	4,580
	Disposals during the year	0	-641
	Depreciations	-213	-192
	Changes in value included directly on the equity during the year	0	0
	Changes in value included directly in the profit and loss account during the year	0	0
	Other changes	0	0
	Total reassessed value on balance sheet date	53,436	48,955
	No external experts were involved in the valuation of investment and domicile properties.		
19	Other tangible assets		
	Cost price		
	Cost price at the end of the previous financial year without depreciations and write-downs	23,700	21,032
	Acquisitions during the year, including improvements	5,664	3,724
	Disposals during the year	-1,074	-1,056
	Transfers to other items during the year	0	0
	Total cost price on balance sheet date	28,290	23,700
	Write-downs and depreciations		
	Write-downs and depreciations at the end of the previous financial year	21,001	21,031
	Write-downs for the year	0	0
	Depreciations for the year	4,304	1,026
	Write-downs and depreciations on sold and discarded assets	0	0
	Reverse entry of previous years' write-downs during the year and reverse entry of total depreciations and write-downs on assets which were sold or taken out of operation during the year	-1,057	-1,056
	Total depreciations and write-downs on balance sheet date	24,248	21,001
	Total other tangible assets on balance sheet date	4,042	2,699

Notes to the Annual Report

Note no.		2006 DKK 1,000	2005 DKK 1,000				
20	Deferred tax assets						
	The calculated deferred tax asset relates to the following balance sheet items:						
	Loans and other debtors	6,293	5,280				
	Tangible assets	2,190	2,365				
	Securities and financial instruments	22,326	20,687				
	Provisions for liabilities	4,638	4,388				
	Other assets/liabilities	-8,794	-1,891				
	Total deferred tax assets	26,653	30,829				
	Deferred tax is calculated at (percent)	28.0	28.0				
21	Debt to credit institutions and central banks						
	Debt payable on demand	1,089,593	321,860				
	Up to 3 months	5,445,984	4,083,750				
	Over 3 months and up to 1 year	0	0				
	Over 1 year and up to 5 years	1,192,960	671,445				
	Over 5 years	81,643	0				
	Total debt to credit institutions and central banks	7,810,180	5,077,055				
	Distributed as follows:						
	Debt to central banks	0	0				
	Debt to credit institutions	7,810,180	5,077,055				
		7,810,180	5,077,055				
	The bank has at the end of year 2006 undrawn long-term committed lines for DKK 1,296 mio.						
22	Deposits and other debts						
	On demand*	4,114,253	3,886,585				
	Deposits at notice:						
	Up to 3 months	1,134,697	821,822				
	Over 3 months and up to 1 year	300,832	139,544				
	Over 1 year and up to 5 years	691,382	910,339				
	Over 5 years	804,995	533,406				
	Total deposits and other debts	7,046,159	6,291,696				
	Distributed as follows:						
	On demand	4,066,567	3,841,243				
	At notice	67,150	74,256				
	Time deposits	2,203,759	1,772,328				
	Special types of deposits	708,683	603,869				
		7,046,159	6,291,696				
	* Special types of deposits are entered under the item »On demand« pending payment, while in the specification of the different types of deposit, the sum is instead included under »Special types of deposits«.						
23	Provisions for pensions and similar liabilities						
	The provisions concern a conditional pension commitment to a current member of the board of management and a pension commitment to former members of the board of management from a merged bank.						
24	Subordinated debt						
			Cost in				
	Type	Expiration date	Principal	Currency	Interest rate %	Interest in the financial year	the financial year on raising
	Subordinated loan capital	9 Feb. 2014	DKK 300 million	DKK	*3,995	11,140	1,470
	Hybrid core capital	Indefinite	DKK 200 million	DKK	**4,795	9,872	0
	tDKK 500,000 of the subordinated debt is included in the computation of the capital base.						
	* The interest rate will change on 9 February 2011 to a quarterly variable coupon rate equivalent to the CIBOR rate published by the Danish National Bank for a term of three months plus 2.30% p.a.						
	** The interest rate will change on 2 March 2015 to a quarterly variable coupon rate equivalent to the CIBOR rate published by the Danish National Bank for a term of three months plus 2.16% p.a.						

Notes to the Annual Report

Note no.		2006 DKK 1,000	2005 DKK 1,000
24	Subordinated debt (continued)		
	Subordinated loan capital	298,816	0
	Value adjustment, subordinated loan capital	-10,828	0
	Hybrid core capital	198,870	198,614
	Value adjustment, hybrid core capital	-7,570	2,338
	Total subordinated debt	479,288	200,952
25	Share capital		
	Number of shares at DKK 5 each	5,280,000	5,280,000
	Share capital	26,400	26,400
	The whole share capital has been admitted for listing on Copenhagen Stock Exchange.		
26	Own capital shares		
	Own capital shares included in the balance sheet at	0	0
	The market value is	129,278	84,063
	Number of own shares:		
	Beginning of year	112,084	126,240
	Purchase of own shares during the year	568,127	436,984
	Sale of own shares during the year	-560,509	-451,140
	End of year	119,702	112,084
	Nominal value of holding of own shares, end of year	599	560
	Own shares' proportion of share capital (%):		
	Beginning of year	2.1	2.4
	Purchase of own shares during the year	10.8	8.3
	Sale of own shares during the year	-10.6	-8.6
	End of year	2.3	2.1
	Total purchase price for shares acquired during the year	531,100	287,445
	Total sales price for shares sold during the year	437,293	298,771
	The transactions for the year in own shares were made on the basis of the bank's ordinary trading in own shares. An options programme issued to the bank's management was also exercised during the year.		
27	Contingent liabilities		
	Guarantees etc.		
	Finance guarantees	1,830,027	1,601,820
	Guarantees for foreign loans	1,470,113	1,865,478
	Guarantees against losses on mortgage credit loans	1,188,010	1,102,521
	Registration and conversion guarantees	193,619	150,670
	Other guarantees	121,850	421,369
	Total guarantees	4,803,619	5,141,858
	Other contingent liabilities		
	Irrevocable credit commitments	0	50,000
	Other liabilities	3,695	3,140
	Total other contingent liabilities	3,695	53,140
	As security for clearing etc., the bank has mortgaged bonds from its total bond holding to the Danish National Bank to a total market price of		
		160,434	96,376

Notes to the Annual Report

Note no.		2006 DKK 1,000	2005 DKK 1,000
28	Credit risks		
	Loans and guarantees distributed on sectors and lines of business (in % end year)		
	Public authorities	0.3	1.6
	Business		
	Agriculture, hunting and forestry		
	Cattle farming etc.	4.4	4.7
	Pig farming etc.	3.6	3.4
	Other agriculture, hunting and forestry	2.8	2.8
	Mink farming etc.	1.5	1.1
	Fishing industry	1.1	0.6
	Manufacturing business, primary business, electricity-, gas-, water- and heating plants	6.7	6.5
	Building and construction	1.9	1.6
	Wholesale and retail trade, catering- and hotel trade	5.6	6.8
	Carrying trade, storage- and communication service	0.7	0.9
	Credit- and financial intermediation and insurance business	7.7	6.2
	Real-estate administration, real-estate agent, service business	6.1	4.8
	Other business	8.8	8.7
	Total business	50.9	48.1
	Private persons	48.8	50.3
	Total	100.0	100.0
	The distribution by sector is based on Statistics Denmark's sector codes.		
29	Credit risk on derivative financial instruments		
	Positive market value (by counterpart risk) after netting		
	Counterpart riskweight 0%	53,144	0
	Counterpart riskweight 20%	0	11,915
	Counterpart riskweight 100%	0	4,961
30	Market risks		
	Foreign-exchange risk		
	Assets in foreign currency	2,855,665	1,912,504
	Liabilities in foreign currency	6,534,935	3,890,573
	Foreign-exchange indicator 1	-70,599	26,247
	Foreign-exchange indicator 1 in % of core capital after deductions (%)	4.1	1.7
	Interest-rate risks		
	Total interest-rate risk on liabilities, etc.	27,417	26,388
	Interest-rate risk by the foreign currencies of the bank with the largest interest-rate risk		
	Currency:		
	DKK	16,229	23,388
	EUR	10,704	2,256
	USD	738	921
	CHF	-268	-176
	JPY	9	0
	CAD	3	0
	Other currencies	2	-1
31	Hedging		
	The following are hedged:		
	Fixed interest claim on credit institution, fixed interest loans, fixed interest subordinated loan capital and fixed interest hybrid core capital		
	Risk cover:		
	Interest risk		
	Book values:		
	Claim on credit institution	26,599	28,331
	Loans	80,600	127,200
	Subordinated loan capital	287,988	0
	Hybrid core capital	191,300	200,952
	Cover is thus:		
	Interest swaps - synthetic principal	550,600	297,200
	Total market value	-7,286	+2,363

Notes to the Annual Report



Derivative financial instruments

By residual maturity

(1,000 DKK)

	Up to 3 month		Over 3 month and up to 1 year	
	Nominal value	Net market value	Nominal value	Net market value
Foreign-exchange contracts				
Forward transactions/Futures, purchase	6,047,672	-17,445	79,336	43
Forward transactions/Futures, sale	2,359,650	25,525	79,728	719
Swaps				
Options, purchase			1,720	156
Options, sale			1,720	-157
Interest-rate contracts				
Forward transactions/Futures, purchase	18,577	-3	1,539	6
Forward transactions/Futures, sale	1,131	5		
Swaps			79,824	-970
Options, purchase				
Options, sale				
Share contracts				
Forward transactions/Futures, purchase	40	36		
Forward transactions/Futures, sale	40	-36		
Options, purchase	825	4		
Options, sale	825	-4		
			Over 5 years	
			Nominal value	Net market value
Foreign-exchange contracts				
Forward transactions/Futures, purchase	758,183	392		
Forward transactions/Futures, sale	772,416	110		
Swaps	18,512	0		
Options, purchase				
Options, sale				
Interest-rate contracts				
Forward transactions/Futures, purchase				
Forward transactions/Futures, sale				
Swaps	583,224	-7,313	348,889	-1,986
Share contracts				
Forward transactions/Futures, purchase				
Forward transactions/Futures, sale				
Options, purchase				
Options, sale				
	Total		Net market value	
	Nominal value		2006	2005
	2006	2005		
Foreign-exchange contracts				
Forward transactions/Futures, purchase	6,885,191	3,457,591	-17,010	6,977
Forward transactions/Futures, sale	3,211,794	1,624,504	26,354	1,991
Swaps	18,512	13,940	0	
Options, purchase	1,720	4,797	156	12
Options, sale	1,720	4,797	-157	-15
Interest-rate contracts				
Forward transactions/Futures, purchase	20,116	30,616	3	316
Forward transactions/Futures, sale	1,131	41,033	5	
Swaps	1,011,937	649,671	-10,269	-11,481
Options, purchase		50,000		
Options, sale		50,000		
Share contracts				
Forward transactions/Futures, purchase	40	101	36	-1
Forward transactions/Futures, sale	40	101	-36	
Options, purchase	825	1,462	4	4
Options, sale	825	2,090	-4	-83,709
Net marked value, total			-918	-85,906

Notes to the Annual Report



Derivative financial instruments

(1,000 DKK)

	Market value				Average market value			
	Positive		Negative		Positive		Negative	
	2006	2005	2006	2005	2006	2005	2006	2005
Foreign-exchange contracts								
Forward transactions/Futures, purchase	10,140	11,798	27,150	4,821	9,045	11,128	16,503	5,854
Forward transactions/Futures, sale	30,344	5,723	3,990	3,732	18,280	6,685	3,637	2,504
Swaps	206	42	206	42	100	28	100	28
Options, purchase	156	12			741	6		
Options, sale			157	15			802	7
Interest-rate contracts								
Forward transactions/Futures, purchase	43	334	40	18	133	215	122	10
Forward transactions/Futures, sale	5				191	1	113	177
Swaps	4,042	6,803	14,311	18,284	1,814	5,739	18,279	23,814
Options, purchase								
Options, sale								
Share contracts								
Forward transactions/Futures, purchase	36			1	106	226	14	183
Forward transactions/Futures, sale		1	36	1	233	183	85	226
Options, purchase	4	4			5	285		
Options, sale			4	83,709			78,643	75,235
Total	44,976	24,717	45,894	110,623	30,648	24,496	118,298	108,038

All contracts of derivative financial instruments are non-guaranteed contracts.

Unsettled spot transactions

(1,000 DKK)

	Nominal value	Market value		Net market value
		Positive	Negative	
Foreign-exchange transactions, purchase	6,637	3	0	3
Foreign-exchange transactions, sale	11,346	2	7	-5
Interest-rate transactions, purchase	18,119	44	12	32
Interest-rate transactions, sale	175,057	12	335	-323
Share transactions, purchase	87,334	1,722	936	786
Share transactions, sale	85,811	1,173	1,893	-720
Total 2006	384,304	2,956	3,183	-227
Total 2005	340,194	3,709	3,548	161

Management statement

The Board of Directors and the Board of Managers have today reviewed and approved the Annual Report of Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2006.

The Annual Report was prepared in accordance with the provisions of the Danish Financial Business Act and additional Danish requirements placed on listed financial institutions regarding disclosure in annual reports. We consider the accounting policies to be appropriate and the estimates which have been made to be responsible, so that the Annual Report provides a true and fair picture of the bank's assets, liabilities and financial position as of 31 December 2006 and of the result of the bank's activities for the financial year 1 January - 31 December 2006.

The Annual Report will be submitted to the annual general meeting for approval.

Ringkøbing, the 7 February, 2007

Board of Managers:

Bent Naur John Bull Fisker

Ringkøbing, the 7 February, 2007

Board of Directors:

Jens Lykke Kjeldsen Gravers L. Kjærgaard

Gert Asmussen Keld Hansen

Mogens Andersen Vibeke Ballegaard Søren Nielsen

The internal auditors report

To the shareholders of Ringkjøbing Landbobank A/S

I have audited the Annual Report of Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2006, prepared in accordance with the Danish Financial Business Act. In addition, the Annual Report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

Basis of opinion

I conducted my audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. and the Danish Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

The audit has been performed in accordance with the division of duties agreed with the external auditors and has included an assessment of procedures and internal controls established, including the risk management organised by Management relevant to the entity's reporting processes and significant business risks. Based on materiality and risk, I have examined, on a test basis, the basis of amounts and other disclosures in the Annual Report, including evidence supporting amounts and disclosures in the Annual Report. Furthermore, the audit has included evaluating the appropriateness of the accounting policies applied by Management and the reasonableness of the accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

My audit has not resulted in any qualification.

Opinion

In my opinion, the procedures and internal controls established, including the risk management organised by Management relevant to the entity's reporting processes and significant business risks, are working satisfactorily.

Furthermore, in my opinion, the Annual Report gives a true and fair view of the Bank's financial position at 31 December 2006 and of its financial performance for the financial year 1 January - 31 December 2006 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial institutions.

Ringkøbing, the 7 February, 2007

Henrik Haugaard
Internal Audit Manager

The independent auditors' report

To the shareholders of Ringkjøbing Landbobank A/S

We have audited the Annual Report of Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2006, which comprises the Management report, accounting policies, profit and loss account, balance sheet, statement of shareholders' equity, notes and Management statement. The Annual Report has been prepared in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

Management's responsibility for the Annual Report

Management is responsible for the preparation and fair presentation of the Annual Report in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and using appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the bank's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the bank's financial position at 31 December 2006 and of the results of its operations for the financial year 1 January - 31 December 2006 in accordance with the Danish Financial Business Act and in accordance with additional Danish disclosure requirements for annual reports of listed financial institutions.

Ringkøbing, the 7 February, 2007

KPMG C. Jespersen

Statsautoriseret Revisionsinteressentskab

Kristian Winkler Hansen
State Authorized
Public Accountant

Jakob Nyborg
State Authorized
Public Accountant

PricewaterhouseCoopers

Statsautoriseret Revisionsaktieselskab

Kim Rune Brarup
State Authorized
Public Accountant

Alex Nyholm
State Authorized
Public Accountant



Bent Naur
General manager



John Bull Fisker
General manager



Sten Erlandsen
Manager of securities and
cash manager



Jørgen Højgaard
Foreign manager



Lars Hindø
Financial manager



Jørn Nielsen
Credit manager

Head office and foreign department

Torvet 1
DK-6950 Ringkøbing
Denmark
Phone: +45 9732 1166
Telefax: +45 9732 1818
E-mail: post@landbobanken.dk
Website: www.landbobanken.dk
SWIFT address: RING DK22

Branches:

Grønbjerg
Hellerup
Herning
Investcenter Herning
Holstebro
Hvide Sande
Lem
Spjald
Tarm
Thorsminde
Tim
Ulfborg
Viborg
Vildbjerg
Ørnhøj

