ANNUAL REPORT 2017

Ringkøbing Landbobank

Ringkjøbing
Landbobank

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DEAR SHAREHOLDER

2017 was a really good year for Ringkjøbing Landbobank. The profit of DKK 735 million before tax is the best in the bank's history, and results in a 22% return on equity. The bank's core earnings exceeded expectations at DKK 675 million. These results were achieved on the basis of a very good increase in customer numbers, which led to an 11% increase in the bank's loans and a 4% increase in deposits.

We again saw a year with high levels of customer satisfaction and in November 2017 we were designated the bank in Denmark with the best reputation. The mantra "the Customer is King" is not new to Ringkjøbing Landbobank, and our strong focus on customers is valued by our customers and staff. Trust, a high level of expertise and fast decision-making have been keywords for the many new customers we welcomed during the year.

The growth in Danish economy in 2017 was the highest in ten years aided by the record low interest rate level. The low rate of inflation ensured consumers a handsome real-earnings increase and employment was high. In addition, the price of real property and securities is generally increasing. This combination resulted in an increase in consumer spending without an increase in the granting of credit.

We expect the rising trend in consumer spending to continue and exports to develop positively. Growth will thus remain high in 2018. However, substantial global imbalances could derail the positive development. In particular, it will be interesting to see how the big central banks will normalise interest rates without any impact on the economies.

The general meeting is recommended to approve an increase in ordinary dividend to DKK 9 per share. A new buy-back programme for up to DKK 170 million is also proposed. 63 per cent of the bank's profit will thus be paid to shareholders, and the rest will be transferred to equity to support future growth in the bank's lending.

The bank's rate of costs was 32.8, and we thus remain the most efficient bank in Denmark. This is a situation we are happy about because it makes us very competitive and makes our results highly robust, for the benefit of all our stakeholders.

The bank's highly skilled employees again did a fantastic job in 2017. Their expertise, stability, loyalty and fighting spirit are an unsurpassed combination.

We expect 2018 to be an interesting year, in which our main task will be to serve our current customers and continue to increase our market shares with additional new customers. We expect core earnings in the range DKK 600 - 675 million, to which the result for the securities portfolio must be added.

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

John Bull Fisker   Jørn Nielsen

ANNUAL REPORT - 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

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 impairments	**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**
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

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MANAGEMENT'S REVIEW

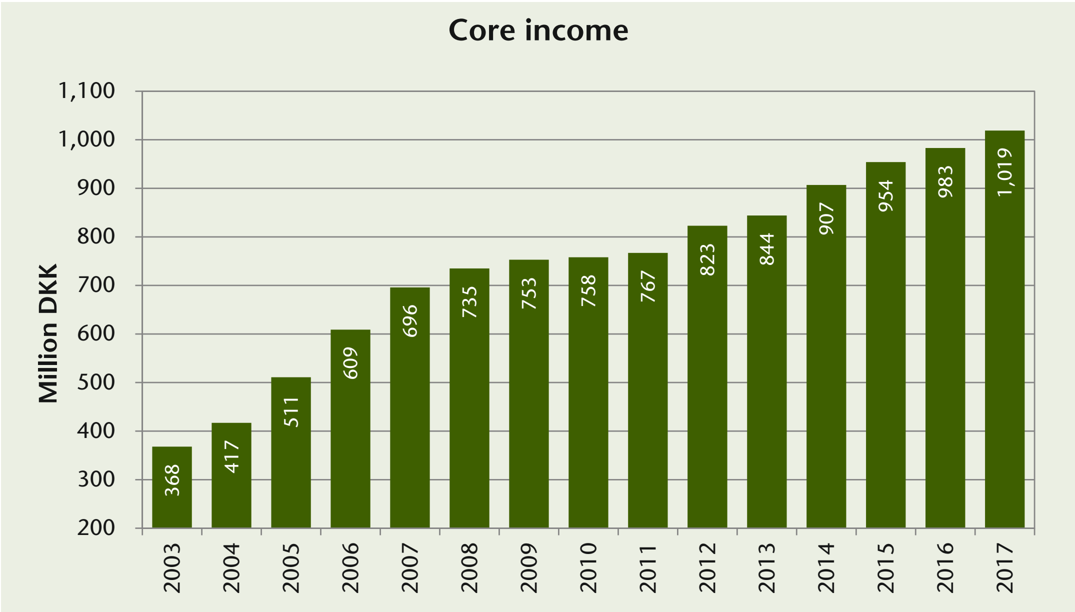
Financial review

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.

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.

Net fee, commission and foreign exchange income was derived as follows:

(DKK million)	**2017**	**2016**
Securities trading	65	41
Asset management and custody accounts	85	97
Payment handling	22	20
Loan fees	7	6
Guarantee commission and mortgage credit commission etc.	77	65
Other fees and commission	24	26
Foreign exchange income	21	16
Total	**301**	**271**

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.

The correlations between core income, core earnings and profit before tax are explained in notes 15 - 18 on page 75.

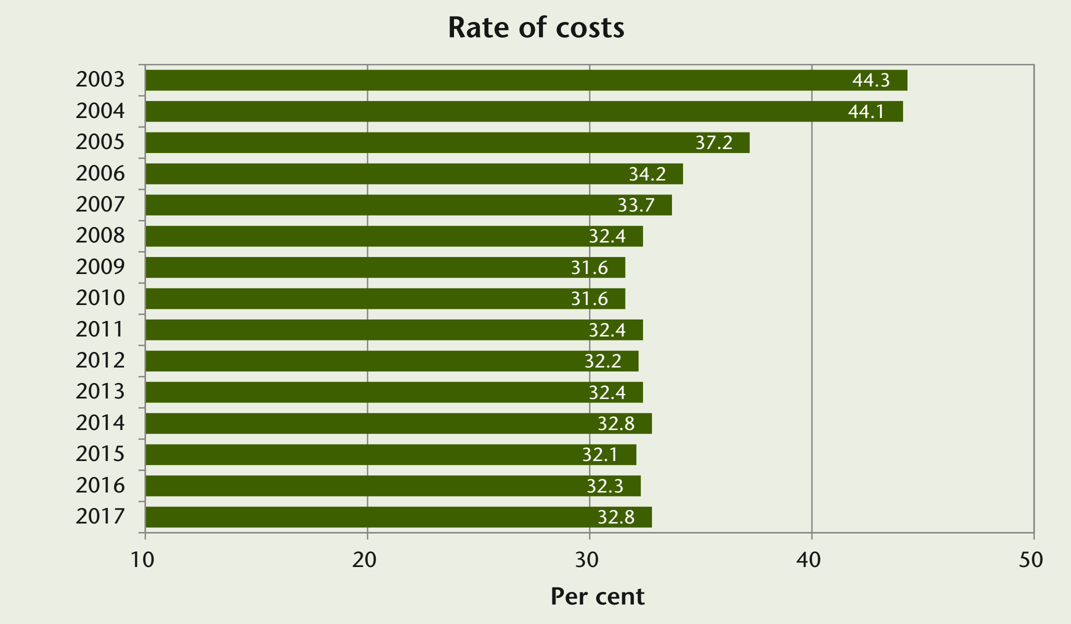
Costs and depreciation

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	2012	2011	2010	2009	2008
Total core income	1,019	983	954	907	844	823	767	758	753	735
Total expenses etc.	-334	-318	-306	-298	-273	-265	-248	-240	-238	-239
Core earnings before impairment charges	685	665	648	609	571	558	519	518	515	496
Impairment charges for loans	-10	-48	-60	-87	-120	-157	-129	-138	-159	-77
Core earnings	**675**	**617**	**588**	**522**	**451**	**401**	**390**	**380**	**356**	**419**

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:

Value at Risk	**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%

Further details on the Value at Risk model are given in the "Value at Risk" section under "Risks and risk management" on page 32 and in note 46 on page 94 of this annual report.

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.

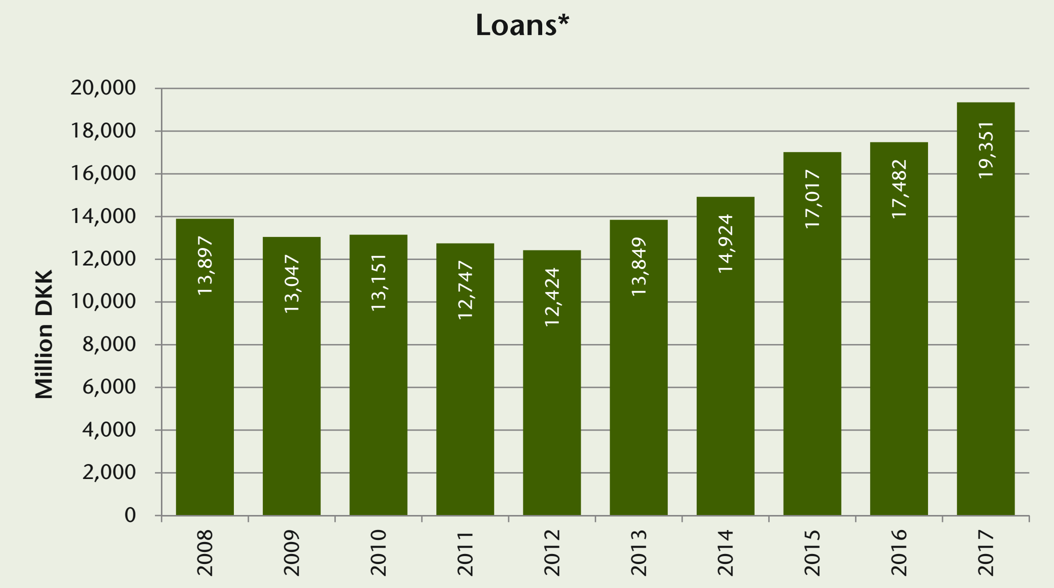
Balance sheet

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.



** Excluding reverse repo transactions.*

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.

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%.

Further details on the bank's liquidity are given in the "Liquidity risk" section under "Risks and risk management" on page 33 of this annual report.

Rating

The bank was rated for the first time by the international credit rating bureau Moody's Investors Service in May 2007. At the end of September 2017 the bank's rating by Moody's Investors Service was extended to include Long Term and Short Term Issuer Ratings.

The bank was assigned a Long Term Issuer Rating of A2 and a Short Term Issuer Rating of P-1.

The Long Term Issuer Rating means that bonds issued by the bank in euros are now eligible as collateral in the European Central Bank (ECB).

Concurrently with extending the rating, Moody's Investors Service affirmed the bank's other ratings, including the Long Term and Short Term Bank Deposit Ratings at A1 and P-1 respectively, with stable outlook.

The bank's different ratings at the end of 2017 were thus as follows:

Baseline Credit Assessment / Adjusted Baseline Credit Assessment	Long Term Bank Deposit / Long Term Issuer Rating	Short Term Bank Deposit / Short Term Issuer Rating	Long Term / Short Term Counterparty Risk Assessment
a3 / a3	A1 / A2	P-1 / P-1	Aa3(cr) / P-1(cr)
Outlook: Stable			

The bank's Baseline Credit Assessment and Long Term Deposit Rating are among the highest for Danish banks rated by Moody's Investors Service.

Capital reduction, dividends and share buy-back programme

Under the share buy-back programme which was adopted by the annual general meeting in February 2017, 538,000 shares have been bought and reserved during the year. 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.

Reference is made to the "Capital structure" section on page 21 of this annual report for further details about the MREL requirement.

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.

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.

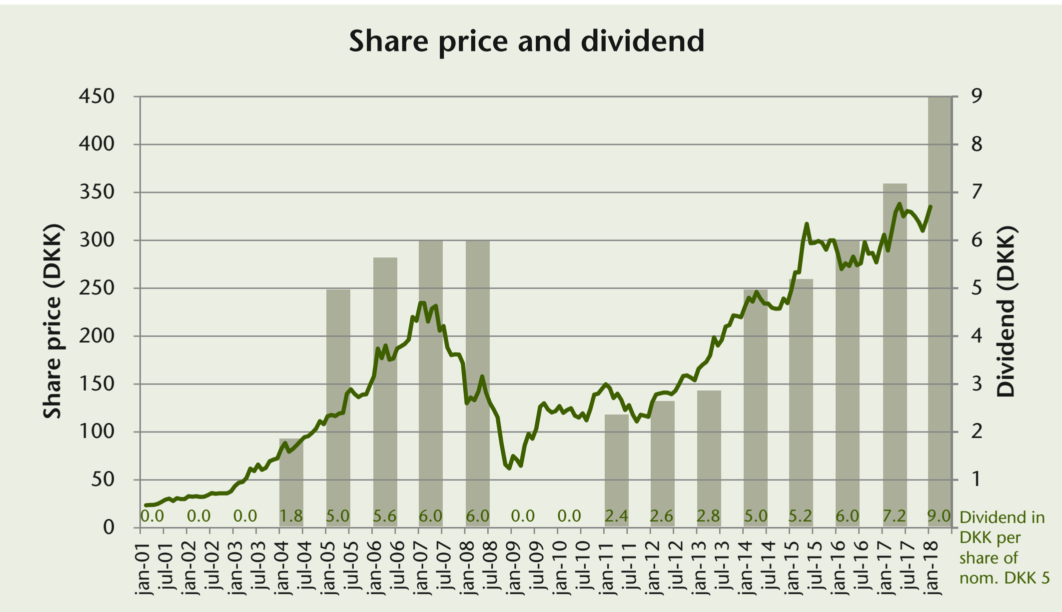
The bank's shares

In May 2017 the bank conducted a 5-for-1 share split and each shareholder thus received five new shares for each share owned.

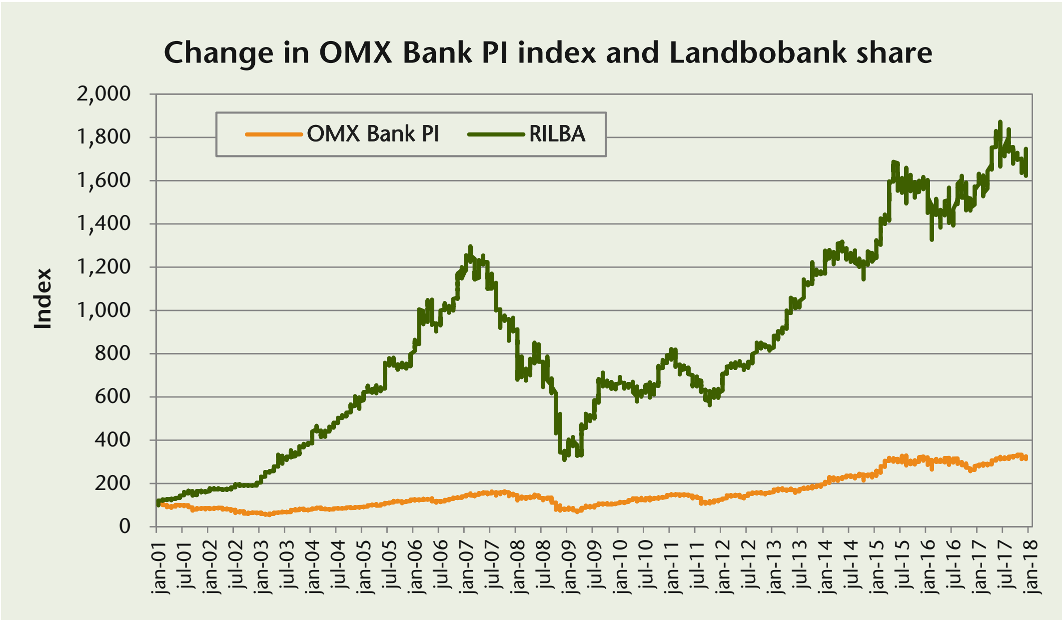
In the same month, the bank also implemented a capital reduction of nom. DKK 500,000. The bank's share capital at the end of 2017 was thus DKK 22.350 million in 22,350,000 nom. DKK 1 shares.

The bank's shares at the beginning of the year were listed on the Nasdaq Copenhagen at 292.6 (converted to the new nominal value per share). During 2017, the share price increased to 321.5 at the end of the year and including the dividend of DKK 7.20 paid in 2017 (converted to the new nominal value per share), the share value thus increased by 12% in 2017 compared to the beginning of the year.

Including dividend, an investment in the bank's shares at the beginning of 2001 had increased by over 20 times by the end of 2017 as shown in the following chart.



As indicated in the chart on the following page, the bank's share has done well compared with the index for banks (OMX Bank PI index).



Changes in the bank's board of directors

There were various changes in the bank's board of directors during the year.

Printer Gert Asmussen, Tarm, and administrative manager Inge Sandgrav Bak, Ringkøbing, both of whom have been long-standing members of the bank's shareholders' committee and board of directors, resigned at their own accord from the shareholders' committee and the board of directors with effect from the annual general meeting on 22 February 2017.

In addition, the board member and former bank manager Jørgen Lund Pedersen, Skanderborg, also retired from the board with effect from the annual general meeting due to the provision on age in the bank's articles of association.

The bank's shareholders' committee on 31 January 2017 elected Group COO of PFA Pension, Jon Steingrim Johnsen, Humlebæk, born 17 April 1968, to replace Jørgen Lund Pedersen as a new member of the bank's board of directors with effect from 22 February 2017.

On 26 April 2017 the bank's shareholders' committee elected the following members of the shareholders' committee new members of the bank's board of directors with effect from the same date:

- Jacob Møller, Ringkøbing, born 2 August 1969, CEO of RAH (Ringkøbing Amts Højspændingsforsyning) in Ringkøbing
- Lone Rejkjær Söllmann, Tarm, born 26 January 1968, finance manager of Tama ApS in Tarm

Due to the provision on age in the articles of association, chairman of the board of directors for 16 years and long-standing member of the shareholders' committee and board, timber merchant Jens Lykke Kjeldsen must retire from the bank's shareholders' committee and from the board of directors with effect from the forthcoming annual general meeting, to be held 28 February 2018.

The bank's shareholders' committee will hold an election to the board of directors at a meeting of the committee on 25 April 2018 to bring the number of board members back up to nine.

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 directly indicated in the income statement. 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. See "Accounting policies etc." in note 1 on page 64 for a detailed description.

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.

Further details on the above are given in the "Explanation of significant events after the reporting period" section under "Accounting policies etc." on page 69 of this annual report.

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 "Future capital structure" section under "Capital structure" on page 21 and the update of the Supervisory Diamond in the "Supervisory Diamond" section above on page 13.

Profit distribution

The bank's general meeting in February 2017 authorised the bank's management to implement a share buy-back programme for up to DKK 170 million on the basis of the 2016 profit, with a view to cancelling the shares at a future general meeting.

Under the share buy-back programme, shares to the value of DKK 169.9 million, equivalent to 538,000 shares, have been bought and reserved during the year, as shown in the following table:

	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 reserved on 29 November 2017	**538,000**		**169,883**

It is thus proposed to the general meeting to cancel the 538,000 shares, which will reduce the number of shares from 22,350,000 to 21,812,000 by a capital reduction.

The board of directors further proposes 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 7.2 per share was paid for the 2016 financial year, and the dividend thus increases by 25%.

Finally, it is proposed to the general meeting that a new share buy-back programme be established for up to DKK 170 million, with a view to cancelling the shares bought back under the programme at a future general meeting. It is also proposed that the board of directors be authorised to cancel or reduce the share buy-back programme if this is considered commercially appropriate for the bank, in the bank's long-term interest, or the bank's circumstances with respect to capital otherwise so require. If the general meeting adopts the proposal for a new share buy-back programme, the amount of the share buy-back programme must be deducted from the bank's total capital which, seen in isolation, will mean a reduction of the bank's common equity tier 1 capital ratio by 0.9 percentage point calculated on the basis of the capital structure on 31 December 2017.

Capital objective

In management's general assessment, the bank's strong capitalisation in recent years contributed to securing competitive funding and a considerable increase in new customers.

The bank's management wants the bank to be capitalised in such a way that it has sufficient capital for future growth, and there must also be sufficient capital to cover any fluctuations in the risks assumed by the bank.

Given these general objectives, the bank's management has set a long-term capital target of approximately 15% for the bank's common equity tier 1 capital.

CAPITAL STRUCTURE

The long-term capital target will be met by continuing the policy for distributions practised in recent years. The policy is characterised by stable dividends combined with share buy-backs / extraordinary dividends to regularly adjust the capital structure relative to the development in the bank's total risk exposure amount and the bank's future growth opportunities as envisaged by the bank's management.

The following summary shows the actual pay-out ratios in per cent in recent years. The summary lists the actual pay-out ratios for the 2013 - 2016 financial years and the expected ratio for 2017.

Pay-out ratios

(DKK million)	**2017**	**2016**	**2015**	**2014**	**2013**
Net profit for the year	588.6	539.5	458.7	445.9	357.7
Distributions					
Ordinary dividend	201.2	164.5	140.1	124.3	72.6
Buy-back programme	170.0	169.9	140.4	142.6	127.6
Total	**371.2**	**334.4**	**280.5**	**266.9**	**200.2**
Pay-out ratio in %	**63**	**62**	**61**	**60**	**56**

See page 68 for detailed comments on the pay-out ratios.

During 2017 the bank realised an increase in the total risk exposure amount of 8%, partly attributable to the growth in loans for the year. This contributed to an adjustment of the bank's capital structure towards the long-term capital target.

The bank also expects to be able to create growth in total risk exposure in the years to come and to make profitable investments, which will enable the bank to continue working towards the long-term target.

Current capital structure

The bank's capital ratios as of the end of December 2013 - 2017 were as follows:

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 and capital buffer

Regarding capital structure, Ringkjøbing Landbobank also focuses on its internally calculated individual solvency requirement, defined as adequate total capital as a percentage of the bank's total risk exposure amount.

Adequate total capital is assessed and calculated on the basis of an internal calculation model as the amount which is appropriate to cover the bank's current and future risks.

The bank calculates the individual solvency requirement using the so-called 8+ model. This means the calculation method is based on 8% plus any supplements calculated for customers with financial problems, and others. The 8+ model thus takes no account of the bank's earnings and cost base and its robust business model.

Despite this, the bank's individual solvency requirement at the end of 2017 was calculated at 9.0%, which is unchanged relative to the end of 2016. To this should be added the 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 2017 was thus DKK 1.5 billion, equivalent to 7.5 percentage points. As of 1 January 2018, the requirement for the capital conservation buffer increased by an additional 0.6%, which means that 1.9% of the final buffer of 2.5% has been phased in as of this date. After adjusting for this, the buffer is thus 6.9 percentage points. Further reference is made to the section below.

Individual solvency requirement and excess cover	**2017**	**2016**	**2015**	**2014**	**2013**
Individual solvency requirement (%)	9.0	9.0	9.0	8.9	8.9
Capital conservation buffer (%)	1.3	0.6	0.0	0.0	0.0
Countercyclical buffer (%)	0.0	0.0	0.0	0.0	0.0
Total requirement for the bank's total capital (%)	10.3	9.6	9.0	8.9	8.9
Excess cover in percentage points relative to individual solvency requirement	8.8	9.3	9.8	8.6	11.1
Excess cover in percentage points relative to total requirement for total capital	7.5	8.7	9.8	8.6	11.1

The computed adequate total capital is assessed on a regular basis, and regular reports are also made to the Danish FSA. The Danish FSA most recently reviewed the bank's statement of its individual solvency requirement in autumn 2017 in connection with the annual inspection.

For further information on the calculation of Ringkjøbing Landbobank's individual solvency requirement, please see the bank's solvency requirement report for the fourth quarter of 2017 on the bank's website at the address: www.landbobanken.dk/solvency.

Future capital structure

In 2018 all Danish banks will be required to meet an MREL requirement (Minimum Requirement for own funds and Eligible Liabilities which can be used to convert debt into share capital / bail-in). The total fully phased-in capital requirement consists of the solvency requirement, various buffer requirements and an MREL add-on in the 3.5 - 6% interval comprising both a loss absorption amount and a recapitalisation amount. In addition, banks with a balance sheet exceeding EUR 3 billion will be subject to a further MREL add-on of between 1.25% - 5% depending on the bank's total balance sheet.

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.

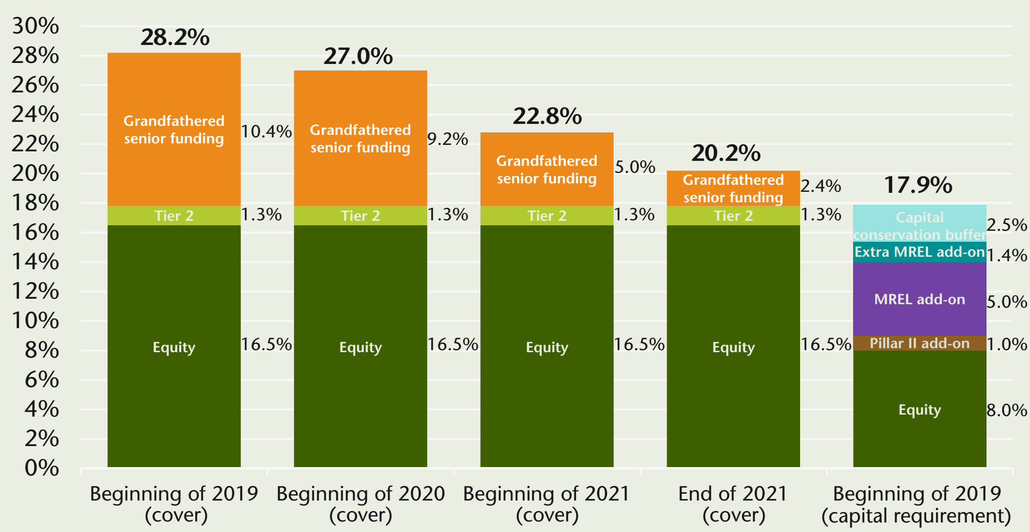
The 17.9% capital requirement includes a fully phased-in capital conservation buffer of 2.5%.

The Systemic Risk Council has recommended to the Minister for Industry, Business and Financial Affairs that a countercyclical buffer rate of 0.5% be fixed in Denmark with effect from 31 March 2019. The Council has also advised that it may recommend a further increase of the buffer rate by 0.5 percentage points within the next year. Within a period of three months from 20 December 2017 when the Systemic Risk Council made its recommendation, the Minister is required to either comply with the recommendation or present a statement explaining why the recommendation has not been complied with.

The bank's management will determine an internal management buffer above the MREL add-ons which is set for the bank. The bank expects that, if introduced, a countercyclical capital buffer of the size stated can be contained in the future management buffer.

On 31 December 2017 the bank's capital ratio to cover the capital requirement inclusive MREL add-ons totalled 17.8%, which comprised common equity tier 1 of 16.5% and tier 2 capital of 1.3%. In addition, the bank has a portfolio of contractual senior funding covered by grandfathering, which will be 10.4% at the beginning of 2019.

Fully phased-in MREL requirement and cover



The bank's current capital (equity and tier 2) at the end of 2017 was used to calculate the cover of the capital requirement inclusive MREL add-ons. The contractual senior funding covered by grandfathering which can be included regularly in the cover, calculated on the basis of risk-weighted assets at the end of 2017, was added to the current capital.

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

Subordinated debt

The maturity structure of the bank's external subordinated debt is presented in the following overview:

Tier 2 capital

- Nom. EUR 50 million issued on 20 May 2015, term 10 years to 20 May 2025, option of early redemption from 20 May 2020 if approved by the Danish FSA.

Capital adequacy rules

The bank uses the following methods for the calculation of the total risk exposure amount as provided by the CRD IV rules:

Calculation of capital adequacy - methods used

• Credit risk outside the trading portfolio	Standardised Approach
• Counterparty risk	Mark-to-Market Method
• Credit risk reducing method - financial collateral	Comprehensive Method
• Market risk	Standardised Approach
• Operational risk	Basic Indicator Method

As evident from the above, the bank uses the standardised method for calculation of its credit risk and thereby the total risk exposure amount. This approach uses fixed risk weightings.

The method means that the bank does not apply the same down-weighting of risks as those banks which apply one of the advanced methods.

On the other hand, the bank does not experience increasing risk weightings in periods of recession. Relative to the advanced methods, use of the standardised method means that there is significantly greater robustness in the calculated capital ratios and a smaller volatility in the total risk exposure amount.

The calculation of the total risk exposure amount includes a discount on the risk weighting of exposures with small and medium-sized enterprises (SMEs). The European Commission has proposed continuing the present discount for SMEs as well as expanding it for SMEs.

Risks and risk management

Ringkjøbing Landbobank is exposed to various types of risk in its operations: credit risk, market risk, liquidity risk and operational risk.

The credit risk is defined as the risk that payments owing to the bank have to be rated non-recoverable because of a lack of either ability or willingness 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 as a result of changes in market conditions. The bank's total market risk includes interest rate risks, foreign currency risks, share price risks and property risks.

The liquidity risk is defined as the risk that the bank's obligations to make payments cannot be honoured due to the bank's cash flow position.

Finally, the operational risk is defined as the risk of either direct or indirect financial losses as a result of flaws in internal processes and systems, human error or external events.

Policies on risk-taking and management

The framework for the bank's risk-taking is specified by the board of directors, which has adopted a policy for each individual risk area which includes a definition of the bank's risk profile in the area. The board reviews and reassesses each policy at least once a year in connection with its position on the bank's general business model and risk profile.

The bank's general principle for risk-taking is only to take risks within a moderate risk profile which it has the expertise to manage.

The basis for the board of directors' review of the bank's business model and associated policies for each individual risk area is a general risk report which is provided to the board. The report covers the various risks to which the bank is exposed, and gives the board a complete picture of the bank's general risk profile. In line with the market possibilities, the board then assesses whether to adjust the bank's business model and risk profile. The report also acts as a basis for a possible decision on adaptation of the policies in the various risk areas.

Apart from the strategic risk management, there is ongoing central operational management and monitoring of the bank's risks in each area. This monitoring is reported to the bank's general management and board of directors. The management function and the control and reporting functions are separate, and the work is performed by different central staff functions in the bank. The bank's risk manager ensures full reporting of risks which provides a meaningful picture of the bank's actual risk-taking. In this context, the risk manager prepares a risk management report to the board of directors' risk committee.

The various types of risk are described in more detail below.

Credit risks

Credit risks, loans

Over the years, Ringkjøbing Landbobank has developed to its present status as primarily a regional bank in Central and West Jutland while also operating within selected niches.

This development has been a part of the bank's strategy, and the management notes with satisfaction that the bank has achieved a significant loan portfolio diversified across industries, geographical areas and otherwise.

In general, Ringkjøbing Landbobank assumes credit risks on the basis of a policy, the objectives of which are to strike the right balance between assumed risks and the return gained by the bank, keep the bank's losses at an acceptable level relative to the Danish financial sector, and finally, absorb losses suffered even in extreme situations within the bank's results.

The bank's ratio of loans to total capital is 5.5, and its objective is to achieve results with a credit gearing less than or equal to Denmark's major banks.

Historically, Ringkjøbing Landbobank has always had a sound and conservative credit policy, and focus will remain on ensuring efficient management and monitoring of its total portfolio of loans via its central credit department.

The central credit department regularly reviews and follows up all large exposures. Apart from this normal credit monitoring and management, the bank has developed a set of credit evaluation models which are used to assess the quality of the credit exposure.

Statistical models are used for personal and small business customers, while expert models are used for major business customers. The statistical models use various factors, including information on the customer's assets and a quantity of behavioural data.

The expert models for major business customers are based on information on the customer's financial standing and earning capacity.

Using these models, the bank's judgment is that the credit quality for those of the bank's loans and guarantees which have not been impaired has improved relative to 2016. The bank gained many new customers throughout 2017. When establishing new customer relationships, the bank is highly attentive to the customers' creditworthiness and potential risks. A separate review of new customers in 2017 shows that these customers' credit quality is satisfactory on average. The bank's many customers with high credit quality also repay debts at a high rate, however. In 2016 and 2017, the bank was successful in selling home loans to some of the bank's creditworthy personal customers. This meant that loans to personal customers with high credit quality increased substantially. Overall, the result is a credit quality which is better than in 2016 (see note 43 on page 89).

Actual net losses

(DKK 1,000) Year	Actual net losses	Actual net losses after interest	Loans and other receivables with suspended calculation of interest	Impairments for loans and provisions for guarantees	Total loans and guarantees etc.	Percentage loss before interest*	Percentage loss after interest*
1987	-6,696	304	10,544	75,000	1,358,464	-0.49%	0.02%
1988	-14,205	-5,205	4,522	93,900	1,408,830	-1.01%	-0.37%
1989	-18,302	-5,302	13,107	117,270	1,468,206	-1.25%	-0.36%
1990	-15,867	-1,867	47,182	147,800	1,555,647	-1.02%	-0.12%
1991	-11,429	3,571	47,626	170,000	1,805,506	-0.63%	0.20%
1992	-32,928	-14,928	43,325	177,900	1,933,081	**-1.70%**	**-0.77%**
1993	-27,875	-6,875	30,964	208,700	1,893,098	-1.47%	-0.36%
1994	-14,554	4,446	33,889	223,500	1,938,572	-0.75%	0.23%
1995	-10,806	10,194	27,292	238,800	2,058,561	-0.52%	0.50%
1996	-19,802	-1,802	18,404	233,400	2,588,028	-0.77%	-0.07%
1997	-31,412	-12,412	39,846	236,600	3,261,429	-0.96%	-0.38%
1998	-2,914	18,086	4,905	263,600	3,752,602	-0.08%	0.48%
1999	-442	21,558	18,595	290,450	5,148,190	**-0.01%**	0.42%
2000	-405	27,595	12,843	316,750	5,377,749	**-0.01%**	**0.51%**
2001	-8,038	20,962	14,222	331,950	6,113,523	-0.13%	0.34%
2002	-8,470	20,530	26,290	382,850	7,655,112	-0.11%	0.27%
2003	-22,741	2,259	23,412	394,850	8,497,124	-0.27%	0.03%
2004	-14,554	9,446	18,875	404,855	11,523,143	-0.13%	0.08%
2005	-22,908	192	35,796	357,000	15,522,264	-0.15%	0.00%
2006	-13,531	7,028	20,578	295,000	17,858,787	-0.08%	0.04%
2007	-15,264	4,888	13,190	289,097	19,227,573	-0.08%	0.03%
2008	-34,789	-10,237	22,110	356,083	16,475,975	-0.21%	-0.06%
2009	-73,767	-47,658	62,649	467,025	14,890,027	-0.50%	-0.32%
2010	-69,428	-40,207	66,237	565,035	14,758,234	-0.47%	-0.27%
2011	-78,813	-43,073	61,419	649,856	14,448,638	-0.55%	-0.30%
2012	-90,022	-48,337	113,312	758,363	14,849,602	-0.61%	-0.33%
2013	-69,030	-25,117	85,258	853,421	16,604,640	-0.42%	-0.15%
2014	-53,427	-9,206	58,244	931,398	18,073,200	-0.30%	-0.05%
2015	-87,250	-48,815	74,220	942,950	20,194,063	-0.43%	-0.24%
2016	-86,666	-54,200	59,904	937,128	20,878,475	-0.42%	-0.26%
2017	-45,769	-16,414	24,995	931,035	23,465,775	-0.20%	-0.07%
30-year average (1988-2017)						**-0.51%**	**-0.05%**
10-year average (2008-2017)						**-0.41%**	**-0.21%**

** Actual net losses relative to total loans, guarantees, impairment charges for loans and provisions for guarantees.*

Explanation: The percentage losses are computed as the actual net losses for the year before and after interest on the impaired part of loans as a percentage of total loans, guarantees, impairments for loans and provisions for guarantees. A minus in front of a percentage loss indicates a loss, while a positive percentage loss means that the interest on the impaired part of loans was greater than the actual net losses for the year. All the above figures are computed exclusive of amounts concerning reverse repo transactions and the national Bank Package I etc.

The above table documents the bank's sound credit policy. As will be evident, the bank's average percentage loss after interest over the last 30 years (1988 - 2017) was -0.05%, with -0.77% (1992) as the highest percentage loss and +0.51% (2000) the most positive figure. The average percentage loss before interest over the last 30 years is -0.51%, with -1.70% (1992) the highest percentage loss and -0.01% (1999 and 2000) the lowest percentage loss. The average percentage loss after interest over the last ten years (2008 - 2017) was -0.21%; the average percentage loss before interest was -0.41%.

The regional section of the bank is run partly via branches in the bank's West Jutland heartland and partly via branches in the three big central and western Jutland cities of Herning, Holstebro and Viborg. In 2018 the bank plans to expand the existing Private Banking branch in Aarhus with actual business competences so that the regional section will cover business customers in all of the bank's branches in the entire Central Denmark Region.

The most important areas within the bank's niche section are a Private Banking concept covering asset management for affluent personal customers, medical practitioners' and dentists' purchases of private practices, loans for the financing of renewable energy, including wind turbines and solar cell systems, and selected wholesale loans, including real estate financing. The financing of wind turbines is primarily for Danish end investors' purchases of wind turbines erected in Denmark and Germany.

An important common factor in the niche loans is that the bank attempts to obtain a first mortgage, and thereby satisfactory security in the mortgaged assets, which is an important part of its business philosophy.

Credit concentration

As indicated in the summary below, total large exposures amount to 22.5% on two good quality exposures and fully hedged with adequate security.

Credit concentration

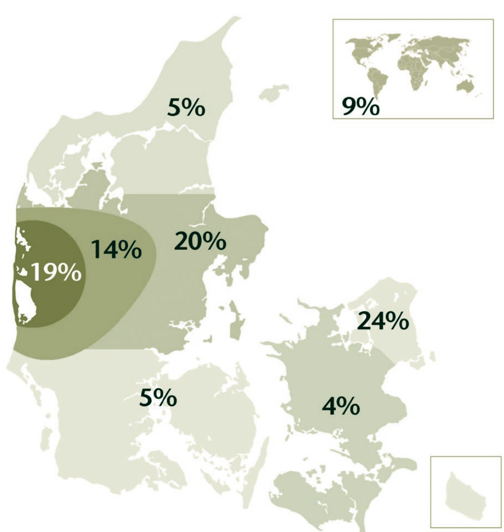
	2017	2016	2015	2014	2013
Total large exposures	22.5%	29.5%	63.4%	47.8%	35.0%

Explanation: The Danish FSA key figure "Total large exposures".

Geographic spread of the bank's loans and guarantee portfolio

As the figure shows, a significant geographical diversification of the bank's portfolio of loans and guarantees has been achieved via both the regional section and the niche section.

The loans via the bank's niche section have also helped to ensure a major diversification in the bank's loans portfolio, so that this portfolio is less exposed to cyclical economic fluctuations than it would be if the bank were run exclusively as a regional bank.



Explanation: Distribution of the bank's portfolio of loans and guarantees (excluding reverse repo transactions) before impairments and provisions, based on the customers' addresses.

Credit risks on financial counterparties

Exposure to financial counterparties, and consequently a credit risk, including a settlement risk, arises from the bank's trading in securities, foreign currency and derivative financial instruments, its loans to other banks, and its possession of bonds and payment handling.

The settlement risk is the risk that in connection with the settlement of trades in securities and / or currency, the bank will not receive payment or securities corresponding to the securities and / or payments which it had made and delivered.

The bank's board of directors grants lines for credit risks and settlement risks on financial counterparties. When granting lines, account is taken of the individual counterparty's risk profile, rating, if any, size and financial circumstances, and there is constant follow-up on the lines which are granted. The bank also mitigates its settlement risk concerning clearing of foreign exchange via its membership of a clearing partnership (referred to as the CLS partnership).

The bank has also entered into a number of CSA agreements in connection with ISDA agreements which had been signed. The CSA agreements contribute to reducing the credit risks for either the bank or the financial counterparties in derivatives contracts. Whether it is the bank or the financial counterparty (with whom the individual derivatives contract was signed) which is hedged, depends on the market value of the derivatives in question.

During 2017, further risks in relation to non-cleared OTC derivatives in the sector have been eliminated. The EMIR regulation thus requires financial counterparties trading in non-cleared OTC derivatives to protect themselves against risk exposure in the derivatives market by providing collateral. The collateral consists in the exchange of a variation margin, which will protect the parties against value fluctuations in non-cleared OTC derivatives agreements outstanding. This was initiated in 2017.

A requirement concerning clearing of derivatives (referred to as CCP clearing) has also been introduced gradually. The gradual implementation means that, so far, the largest banks are clearing through CCPs. The bank also wants to participate in CCP clearing to further mitigate the counterparty risk concerning derivatives, and wants to be able to continue to offer competitive products to its customers.

The bank's policy is to keep the credit risk exposure to financial counterparties at a balanced level relative to the bank's size, and limit it to credit institutions with good credit quality.

Receivables from central banks and credit institutions

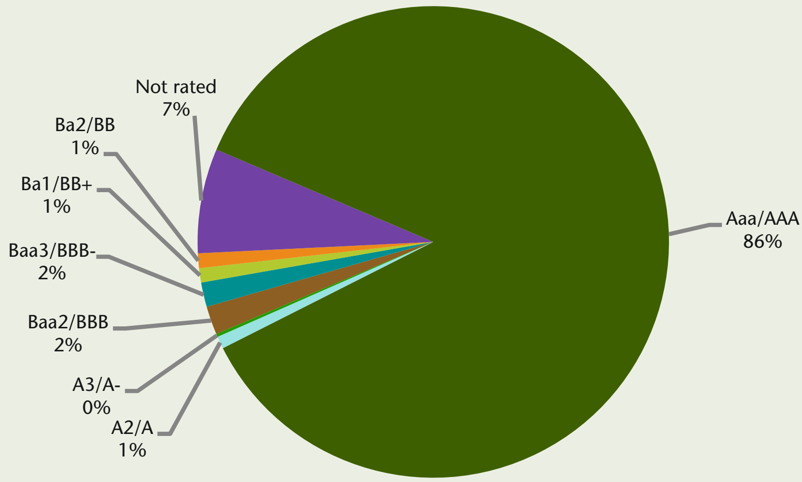
One of the major items of credit risk exposure to financial counterparties is receivables from central banks and credit institutions. The bank has assumed only a moderate risk on this item and, of the total receivables from central banks and credit institutions, 87% is thus due within three months.

The bond portfolio

The bank's bond portfolio is another major item involving credit risk exposure to financial counterparties.

The majority of the bond portfolio consists of AAA-rated Danish government and mortgage credit bonds. There is also a holding of corporate bonds. The credit quality of the bonds in the portfolio of corporate bonds is good, but their market value can vary over time in connection with general changes in credit spreads in the market, and company-specific circumstances can also affect the value of these bonds.

Bonds distributed by rating classes



Explanation: The bond portfolio distributed by rating classes. Ratings from the credit rating agencies Moody's Investors Service, Standard & Poor's and Fitch were used in the specification.

Market risks

The bank's basic policy with respect to market risks is to keep the total of such risks at a moderate level.

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

The bank uses derivatives to hedge and manage the various market risk types if it wishes to reduce or eliminate the market risks which the bank has assumed. To supplement the more traditional measures of market risk, the bank has a mathematical / statistical model to compute market risks. The model is used to compute Value at Risk (VaR), which is regularly reported to the bank's management.

VaR is a measure of risk which describes the bank's risk under normal market conditions.

A separate VaR is calculated for interest rate, foreign exchange and listed share positions etc., and a total VaR is also calculated for all of the bank's market risks consisting of interest rate, foreign exchange and listed share positions etc. This possibility of calculating a VaR for the bank's market risks is one of the major advantages of the VaR model over more traditional measures of risk. The reader is referred to the section "Value at Risk" below for the specific results etc. under the VaR model.

Interest rate risk

The bank's lending and deposit activities and accounts with credit institutions are mostly based on a floating rate. The bank also has certain fixed-rate financial assets and liabilities which are monitored continuously, and hedging transactions are entered into as needed, with a consequent reduction of the interest rate risk.

Ringkjøbing Landbobank's policy is to maintain a moderate interest rate risk, and the bank thus does not assume high levels of exposure to movements in interest rates.

The bank's interest rate risk is monitored and managed daily by its securities department. The bank's accounts department checks that the limits for assumption of interest rate risk are observed, and reports to the bank's board of directors and general management.

Explanation: The interest rate risk shows the impact on profit of a one percentage point change in interest rate level as a percentage of tier 1 capital.

As the figure shows, the bank has had a moderate interest rate risk over the last five years, in accordance with its policy for this type of risk.

Foreign exchange risk

The bank's principal currency is the Danish krone, but it has also entered into lending and deposit activities in other currencies.

The bank’s policy is to maintain a low foreign exchange risk, and the bank thus reduces ongoing positions in foreign currencies via hedging.

The bank’s positions in foreign exchange are managed daily by the foreign department, while the bank’s accounts department monitors compliance with limits and reports to the board of directors and general management.

As in previous years, the bank’s foreign exchange risk in 2017 was at an insignificant level.

Share price risk

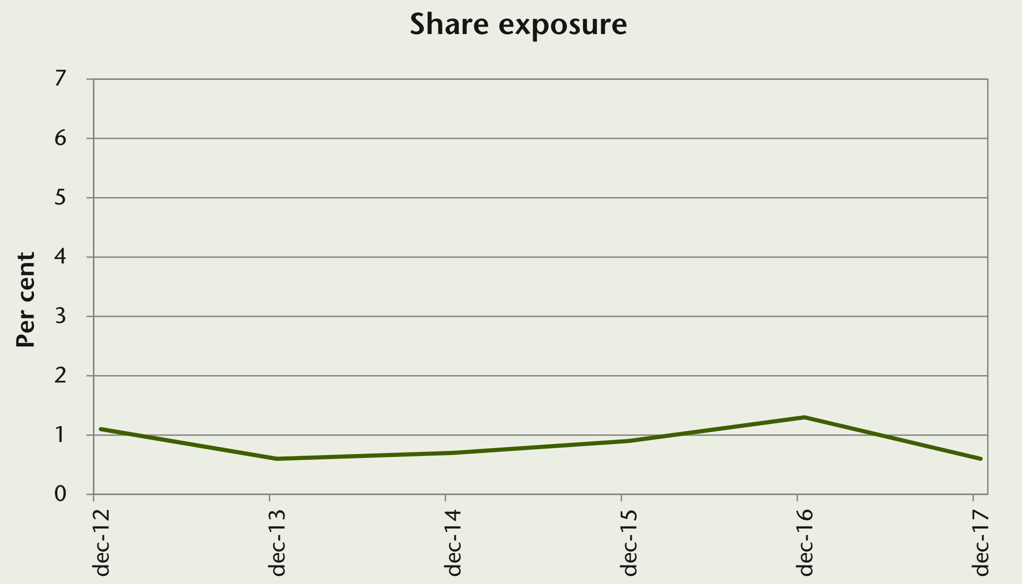
The bank is co-owner of various sector companies via equity interests in BankInvest Holding A/S, Bokis A/S, DLR Kredit A/S, Letpension Holding A/S, PRAS A/S, Sparinvest Holdings SE, Stonehenge Fondsmæglerselskab A/S, Swift, VP Securities A/S and others.

These holdings are comparable with the wholly owned subsidiaries of major banks, and the equity interests are thus not deemed to be a part of the bank’s share price risk. The bank also holds a small portfolio of listed shares etc.

The bank’s holding of shares etc. amounted to DKK 621 million at the end of the year, with DKK 20 million in listed shares etc. and DKK 601 million in sector shares etc.

The bank’s policy is to maintain a moderate share price risk. The daily management of the bank’s share portfolio is undertaken by the securities department, while monitoring of limits and reporting to general management and the board of directors are performed by the bank's accounts department.

As will be evident from the figure below, the bank’s exposure to shares (excluding sector and bond-based investment fund certificates) as a percentage of the bank’s equity has been in accordance with the bank’s policy for this type of risk over the last five years, thereby documenting the bank’s goal of maintaining a moderate risk on share prices.



Explanation: The share exposure is computed as the bank’s portfolio of shares (excluding sector shares and bond-based investment fund certificates etc.) as a percentage of the bank’s equity.

Property risk

The bank primarily wishes to possess only properties for use in banking operations, and also to maintain low property risks.

The bank's portfolio of both domicile and investment properties is thus quite modest relative to both the bank's balance sheet total and equity.

Value at Risk

The bank's total VaR was DKK 6.0 million at the end of 2017. This sum is an expression of the maximum loss in a statistical perspective which the bank could risk losing with 99% probability if all market positions were retained unchanged for a period of 10 days.

Value at Risk summary

(DKK million) **Risk**	**Average VaR figure**	**Min. VaR figure***	**Max. VaR figure***	**End of year VaR figure**
Interest	9.6	0.9	16.3	5.8
Foreign currency	0.2	0.2	0.1	0.1
Share	2.5	2.5	2.8	1.1
Diversification	-2.3	-1.1	-1.7	-1.0
Total VaR figure	**10.0**	**2.5**	**17.5**	**6.0**

** Determined by the total VaR figure.*

As indicated in the table, the bank's total VaR throughout 2017 varied from DKK 2.5 million to DKK 17.5 million. The average VaR figure was DKK 10.0 million, which is lower than last year.

Reference is made to note 46 on page 94 for the VaR figures for the years 2013 - 2017.

The model in brief

The model is a parametric VaR model based on a historical analysis of the covariance (correlations) between the prices of various financial assets etc., including different share indices, various official interest rates and interest swap rates, and different exchange rate indices. By combining historical knowledge of the covariance on the financial markets with the bank's current positions, the model can calculate a risk of losses for a forthcoming ten-day period. All of the bank's interest rate, foreign currency and listed share positions etc. are included in the calculation, while positions in sector shares are not included. The model does not take account of credit spread risks on the bank's bond portfolio. The model is unchanged relative to last year.

Back tests and stress tests

"Back tests" are made to document that the VaR model provides a sensible picture of the bank's risk. The test compares the calculated loss under the model with the losses which the bank would actually have suffered if the positions in question had been retained for a ten-day period. A number of stress tests are also carried out to indicate the bank's risk of loss in abnormal market situations. Back tests of the model were performed throughout the year with satisfactory results.

Liquidity risk

In general with respect to liquidity management, it is the bank's objective not to have any uncovered net funding requirements and not to be dependent on the short-term money market.

It is also an objective that the budgeted liquidity meets the current LCR requirement for a period of at least 12 months and to maintain sufficient liquidity for a stress scenario by means of recovery plans for a period of at least 12 months.

In terms of liquidity, the bank must comply with the LCR (Liquidity Coverage Ratio) requirement. This key ratio expresses the ability of banks to honour their payment obligations for a 30-day period without access to market funds. The LCR figure is computed as the ratio of a bank's cash and cash equivalents / liquid assets to its payment obligations for the next 30 days as computed in accordance with specific rules.

On 1 January 2017, the minimum LCR requirement for non-SIFI banks was 80%, and on 1 January 2018 it increased by an additional 20 percentage points, which means that from that date the LCR must be at least 100%. The requirement for SIFI banks has been cover of at least 100% since implementation of the LCR requirement on 1 October 2015.

Since its introduction, Ringkjøbing Landbobank has sought to follow the same rules that apply to SIFI banks. On 31 December 2017 the bank's LCR was 193%, and the bank thus complies with the applicable rules.

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%.

The bank's assets and thus its loans portfolio are funded via a range of sources, primarily the bank's deposits, by joint funding (bond issue) of the bank's home loans, by obtaining longer-term loans with other credit institutions, via the subordinated capital issued by the bank and, finally, the bank's equity.

The bank's deposit base consists of core deposits and deposits from customers with a long-term relationship with the bank. Ringkjøbing Landbobank has also entered into longer-term bilateral loan agreements with various European business partners.

The composition of the bank's funding situation does not leave the bank dependent on individual business partners or partners in a single country.

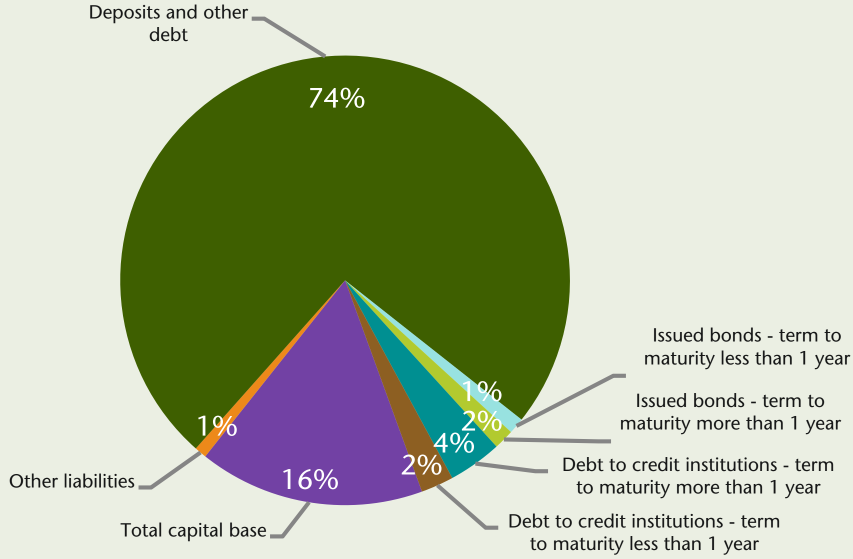
To ensure diversification in funding, the bank also has an EMTN bond programme of EUR 2 billion. The programme helps to ensure alternative funding sources for the bank. Funds were raised under the programme in 2017.

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.

The bank also has joint funding agreements with Totalkredit / Nykredit and BRFkredit. The agreements mean that the bank can procure liquidity by letting Totalkredit / Nykredit or BRFkredit issue SDO bonds against security in the loans which the bank has provided to customers with security in real property.

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

Distribution of funding



	(DKK 1,000)
The short-term funding (term to maturity less than 1 year):	
Debt to credit institutions and central banks - term to maturity less than 1 year	607,482
Issued bonds - term to maturity less than 1 year	297,802
Total	**905,284**
Covered as follows:	
Cash in hand and demand deposits with the central bank of Denmark	308,211
Receivables with notice from central banks - certificates of deposit	957,086
Receivables from credit institutions - term to maturity less than 1 year	199,491
Listed bonds, shares and investment fund certificates at fair value	3,972,841
Total	**5,437,629**
Excess cover	**4,532,345**

As evident from the above, the short-term funding (time to maturity less than one year) is supported via the bank’s cash in hand and demand deposits with the central bank of Denmark, certificates of deposit, short-term placings with other banks etc., and the bank’s own portfolio of liquid securities. Excess liquidity at the end of 2017 was DKK 4.5 billion, while the corresponding figures at the end of 2016, 2015 and 2014 were as follows: 2016: DKK 5.4 billion, 2015: DKK 3.6 billion, and 2014: DKK 3.7 billion.

Operational risk

The capital adequacy rules require the banks to quantify and recognise an amount for operational risks when computing their capital adequacy.

The bank uses the basic indicator method which bases the calculation on an average of the most recent three financial years' net incomes. A sum is then quantified and added to the total risk exposure to cover the bank's operational risks.

The bank regularly produces reports on the losses and events which are attributed to operational risks. From the reports, an assessment is made whether procedures etc. can be adjusted and improved in order to avoid or minimise any operational risks. The bank's procedures are regularly reviewed and assessed by the bank's internal and external auditors. In addition, the bank makes thematic reviews of selected business areas, identifying and assessing the potential risk scenarios for each area and subsequently adjusting the bank's procedures accordingly.

An important area in the assessment of the bank's operational risks is IT.

The bank's IT organisation and management keep a watchful eye on IT security, including preparation of IT contingency plans, in connection with which the bank specifies requirements and levels for availability and stability of the IT systems and data used by the bank. These requirements apply to both the bank's internal IT organisation and its primary external IT supplier Bankdata, which the bank owns together with a number of other banks.

Further information on the bank's risks

Danish banks are required by law to disclose information on risk. Some of the required risk information is given in this annual report but, for a more detailed overview of the bank's disclosure requirement, the reader is referred to the bank's website at the address: www.landbobanken.dk/risk-information.

Statement on corporate governance

Goal

Ringkjøbing Landbobank has set a goal for corporate governance which focuses on the bank's primary stakeholders, namely its shareholders, customers, employees, and the local areas where the bank has branches.

For the bank's owners, its shareholders, the bank's goal is to realise the best possible return for them in the long term. It is also the bank's goal to realise operating results among the top one-third of the Danish financial sector, via rational operation of the bank and sound credit policy.

For its customers, the bank's goal is to play a central role in Central and West Jutland, of which the bank is an integral part. The bank's goal is thus to retain and further develop that section of its customer portfolio which is situated in Central and West Jutland.

It also seeks to serve selected customer groups throughout Denmark via the bank's distance customer department and niche concepts and the bank's Private Banking branches via a high level of expertise and competitive products.

In general, the bank will thus meet the expectations of a full-service bank for both personal and business customers via its strengths in both capital and consultancy.

It is also a goal for Ringkjøbing Landbobank to be a good and attractive place to work for its employees. On the basis of its chosen strategy, the bank wishes to create an interesting and challenging workplace which can attract and retain competent employees.

Finally, the bank's goal is to support development in those areas where it has branches.

Codes of management

As a listed financial institution and member of Finance Denmark, the bank is covered by a number of codes. As a company listed on the Nasdaq Copenhagen, the bank is covered by the "Recommendations on Corporate Governance" issued by the Committee on Corporate Governance, and as a member of Finance Denmark, the bank is covered by the "Corporate Governance Code of the Danish Bankers Association."

In addition, the bank's management has considered the "Stewardship Code", which is also issued by the Committee on Corporate Governance.

The Recommendations on Corporate Governance

Corporate governance in Ringkjøbing Landbobank concerns the objectives, general principles and structures governing the bank and the interplay between the bank, the bank's management and its primary stakeholders: shareholders, customers and employees, and the local areas in which the bank has branches.

Since 2002, the bank's management has pursued an active approach to the recommendations issued on corporate governance, and the bank's attitude and position on corporate governance have been recorded in the annual reports since that year.

The Committee on Corporate Governance issued the edition of the recommendations applicable to the 2017 annual report in May 2013 with a minor update in November 2014. The number of recommendations is 47, and in the applicable edition of the recommendations, the Committee has particularly focused on companies' value creation, on the self-evaluation of the boards of directors and their involvement in the companies' development.

When preparing the 2017 annual report, under the "comply or explain" principle, the bank's board of directors and general management have re-assessed the bank's positions and actions on the recommendations. The bank's management supports the efforts in the area of corporate governance, and the general management and board of directors have adopted almost all of the recommendations in this area. In a small number of areas, the bank's management has, however, elected either not to follow the recommendations or to follow them only in part. The bank thus follows 43 of the total of 47 recommendations.

The Committee on Corporate Governance issued an updated version of the recommendations on 23 November 2017. The updated version will take effect for financial years commencing on or after 1 January 2018 and will be used at the general meeting considering the annual report for 2018 or later. The bank's management will specify how it acts on the updated recommendations when preparing the 2018 annual report.

Finance Denmark's (the Danish Bankers Association's) Corporate Governance Code

In 2013, the then Danish Bankers Association published a corporate governance code. The Corporate Governance Code of the Danish Bankers Association replaced and expanded its "Recommendations for member companies of the Danish Bankers Association."

The object of the recommendations in the then Danish Bankers Association's corporate governance code is that the Association's member companies must actively consider a number of managerial matters, and that greater openness will be obtained concerning the frameworks for management of the individual member companies.

On the "comply or explain" principle, the member companies of the then Danish Bankers Association must specify how they view the corporate governance code in connection with the presentation of the annual report.

When preparing the 2017 annual report, the bank's board of directors and general management also specified how they view the Corporate Governance Code of the Danish Bankers Association. The bank's management generally also supports the Association's corporate governance code, and board of directors and general management have thus elected to follow all 12 recommendations.

Stewardship Code

On 29 November 2016, the Committee on Corporate Governance published its Stewardship Code addressed to Danish institutional investors, who invest in shares of Danish listed companies.

In addition to providing its position on the Recommendations on corporate governance and the Danish Bankers Association's corporate governance code when preparing the annual report for 2017, the bank's management has also considered and assessed whether the bank is covered by the Stewardship Code.

The management assesses that the Stewardship Code is not relevant for the bank because the bank only has a very modest holding of listed shares and, in the role of asset manager, the bank has not explicitly agreed with its customers that it must exercise stewardship.

The bank's financial reporting process, management organs and their functions

The board of directors, the board's audit committee and the general management regularly ensure that the bank's controls and risk management in connection with the financial reporting process are functioning satisfactorily.

The process is arranged in order to ensure that the annual report is presented in accordance with statutory requirements and free of material misstatement, whether due to fraud or error.

The financial reporting process is further organised so that the bank's annual report is prepared by the bank's accounts department in cooperation with the bank's general management and other relevant departments.

A general rule for the financial reporting process is that the bank's general management and the accounts department continuously monitor compliance with relevant legislation and other regulations and provisions in connection with the financial reporting process and report regularly to the bank's board of directors and the audit committee.

The complete statement on corporate governance describes in detail various matters including processes, internal systems, recognition and measurement, the control environment, risk assessment, control activities, monitoring and reporting.

The statement also describes the bank's management organs and their functions in detail.

Complete statement

The statutory complete statement on management and corporate governance in Ringkjøbing Landbobank is available on the bank's website at the address: www.landbobanken.dk/cg.

Diversity in the board of directors

The bank's nomination committee has adopted a policy on diversity on the board of directors. The board of directors assessed the policy in December 2017 and found no need for changes.

This policy expresses the desire for a board composition with diverse competencies and backgrounds, including differences in professional identity, work experience, gender, age, etc.

The policy further lays down that recruitment of candidates for the board of directors must focus on ensuring that the candidates possess different competencies, backgrounds, knowledge and resources which match the bank's business model etc.

Compliance with the adopted policy on diversity on the board of directors was assessed by the nomination committee and the board of directors during the annual evaluation process.

The board of directors' assessment on this basis confirms compliance, through focus on the policy criteria in the recruitment process for candidates both for the board of directors and shareholders' committee, and otherwise. The reason for focus on the criteria when recruiting candidates for the shareholders' committee is that the shareholders' committee elects the bank's board of directors, and five of the current six board members, elected by the shareholders' committee, came from the membership of the shareholders' committee, while only one board member (the member with managerial experience from another financial undertaking) was not elected from the membership of the shareholders' committee.

The under-represented gender

In March 2013, the bank's board of directors adopted a target figure for the percentage of the under-represented gender to be represented on the board of directors and a policy aiming at increasing the percentage of the under-represented gender at the bank's other management levels.

In connection with the annual review in December 2017, the board's nomination committee adopted one adjustment to the "Policy to increase the percentage of the under-represented gender at the bank's other management levels".

The statement specifies that, the target figure for the proportion of board members of the under-represented gender elected by the shareholders' committee should be at least 17% to 33% (provided that the number of board members elected by the shareholders' committee is 6).

Figures on the date of closing the accounts were:

- 17% women
- 83% men

The bank thus meet the target.

The policy adopted to increase the percentage of the under-represented gender at the bank's other management levels aims at creating a basis for a more equal gender distribution at these management levels.

It is the bank's overall and long-term aim to provide a more equal gender distribution at the bank's other management levels. The bank wants to be able to follow up on developments with respect to gender distribution at other management levels and to adjust the effort continually in relation to the target.

Based on these wishes, the bank has set the following specific targets for the under-represented gender at the bank's other management levels:

- The employees must, irrespective of gender, feel that they have equal career and management opportunities.
- The percentage of managers from the under-represented gender must be at least 20%.

At the end of 2017, the gender distribution at the bank's other management levels was as follows:

- 26% women
- 74% men

The distribution thus meets the target. In future recruiting processes for management positions, the bank will take its policy and the above targets etc. into consideration.

In accordance with Section 135a of the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., the statutory complete statement on the under-represented gender is available on the bank's website at the address: www.landbobanken.dk/gender.

Communication with the bank's stakeholders

The bank also places great weight on communication with its stakeholders. It has always been a priority to the bank that its advisers and other staff must be available to both customers and other stakeholders. This will remain a top priority in the future. The bank also gives high priority to having a website and an online banking platform which are accessible, easy to understand and can be used in the bank's communication with its customers and other stakeholders.

The bank has prepared an Investor Relations Policy dealing with the bank's information to, and communication with, investors and other stakeholders. A code of conduct has also been prepared which includes general guidelines for the bank's interaction with its stakeholders.

Investor Relations Policy

The bank's Investor Relations Policy states among other things that the bank must strive for openness and for good dialogue with its shareholders, investors and other stakeholders.

The bank's goal is thus to give

- the stock exchanges on which the bank has listed issues
- existing and potential shareholders and investors
- share analysts and securities brokers and
- other stakeholders

quick information which gives a true and fair view of both price-related and other significant matters.

The board of directors assessed the policy in December 2017 and found no need for changes.

The Investor Relations policy is available at the bank's website at the address: www.landbobanken.dk/policies.

Code of conduct

In December 2014, the bank's board of directors for the first time adopted a code of conduct which designates the guidelines for the bank's employees (including the bank's board of directors and general management) concerning the conduct which is expected of them, i.e. their conduct towards stakeholders, such as customers, suppliers and authorities. The board of directors adopted an update to the code of conduct in December 2017. In connection with the annual assessment of the need for updates, a paragraph on tax advice was thus added to the code of conduct and a few linguistic adjustments were also made.

The object of the current code of conduct is to assist employees in their daily decisions and conduct. The code is general and in no way exhaustive, but provides examples of unacceptable behaviour.

The complete code of conduct is available at the bank's website at the address: www.landbobanken.dk/policies.

Remuneration policy

In 2012 the bank's board of directors for the first time adopted a remuneration policy which was subsequently approved by the annual general meeting in 2013.

The board of directors and the remuneration committee have subsequently reviewed the remuneration policy each year to assess whether updating was required. This was not the case in the review of the policy in 2013, 2014 and 2015. However, both in 2016 and in January 2017 the board of directors and the remuneration committee found that updating was required and the policy was thus updated. The updated policy was submitted to and approved by the bank's annual general meeting in February 2017.

The board of directors and the remuneration committee again assessed the need for updates in late 2017, and found that none was required.

The current policy for management specifies that the bank's management is paid remuneration which is both in line with the market and reflects the management's performance for the bank. It has also been determined that the remuneration paid to the general management and the board of directors should be a fixed amount without any form of incentive component.

Within the financial framework for payment of personal allowances under a current workplace agreement, within the minimum threshold for variable salary components and subject to the provisions in point 3 of the remuneration policy, variable salary components may be paid in cash to other major risk-takers and employees in control functions. Severance pay may also be paid unless deemed to be variable salary in applicable law.

The complete remuneration policy is available at the bank's website at the address: www.landbobanken.dk/policies.

Information on listed companies

In accordance with Section 133a of the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., the bank advises as follows:

The bank's share capital on 31 December 2017 was DKK 22.350 million in 22,350,000 nom. DKK 1 shares.

The bank has only one share class, and the entire share capital, and thus all shares, are listed on the Nasdaq Copenhagen. There are no restrictions on the shares' negotiability.

Parvus Asset Management Europe Limited, of London, United Kingdom, and ATP, of Hillerød, Denmark, have advised that they own more than 5% of the bank's share capital. Both shareholders have 2 votes each.

With respect to the exercising of voting rights, each shareholding up to and including nom. DKK 500 carries 1 vote. Shareholdings above this level carry a total of 2 votes, which is the highest number of votes a shareholder can exercise when the shares are listed in the company's register of shareholders or when the shareholder has reported and documented his or her entitlement.

Under the bank's articles of association, the members of the bank's board of directors are elected by the members of the bank's shareholders' committee for four-year periods, and the bank's employees also elect members to the bank's board of directors in accordance with rules in force.

With respect to amendments of the bank's articles of association, a decision to change these is only valid if the proposal is adopted by at least 2/3 of votes cast and 2/3 of the voting capital represented at the general meeting.

On the date of closing the accounts, the board of directors holds the following authorities pursuant to the articles of association to issue shares:

The board of directors is authorised to increase the share capital, by cash payment of up to nom. DKK 14,210,980, to nom. DKK 36,560,980 in one or more new issues for which the board of directors will determine the price. The capital increase must be fully paid up. The authorisation is valid until 21 February 2022. A capital increase will take place with pre-emption for existing shareholders.

The board of directors is authorised to increase the share capital by payment of values other than cash of up to nom. DKK 14,210,980 to nom. DKK 36,560,980 in one or more new issues, for which the board of directors will determine the price, as payment for the bank's takeover of an existing business or specific asset values corresponding to the value of the shares issued. The capital increase must be fully paid up. The authorisation is valid until 21 February 2022. The capital increase will take place without pre-emption for existing shareholders.

Use of the authorisations may not exceed a total of nom. DKK 14,210,980, and each use of the authorisations will trigger simultaneous reductions in the amounts authorised under both authorisations, by the amount of the nominal capital issued.

The board of directors has the following powers with respect to the possibility of acquiring own shares:

The bank’s annual general meeting of 22 February 2017 has authorised the board of directors, before the next annual general meeting and in accordance with applicable law, to permit the bank to acquire its own shares to a total nominal value of 10% of the bank’s share capital, so that the shares can be acquired at the current listed price +/-10%.

At the annual general meeting in 2017, the board was also authorised to buy back the bank's own shares under a separate buy-back programme up to a market value of DKK 170 million, but with a maximum of 170,000 nom. DKK 5 shares, and set them aside for later cancellation. This authority was exercised in 2017 to the sum of DKK 169.883 million, the equivalent of 538,000 nom DKK 1 shares, which are recommended to be cancelled at the bank’s annual general meeting in February 2018.

In conclusion, the bank has accepted "change of control" clauses in certain funding agreements. For reasons of competition, no further details are given.

Corporate social responsibility

Ringkjøbing Landbobank wants to be a socially responsible and value-creating bank, and works to create the best results for its shareholders, customers and employees, the local communities, the surrounding environment and finally the bank itself as a financial institution.

It is also the bank's overall goal to be seen as a solid and attentive partner among all its stakeholders.

On the basis of this goal and the bank's deep roots in the local communities in which the bank is represented, the board of directors has prepared and adopted a corporate social responsibility (CSR) policy. The bank's CSR policy is divided to focus specifically on the four stakeholder groups: customers, employees, the environment and the local community.

The bank's CSR policy is available on the bank's website at the address: www.landbobanken.dk/csr. In accordance with Section 135 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., the statutory complete statement on corporate social responsibility is available at the same address.

Further to the above, please note that the bank has not prepared specific policies on human rights or climate. The bank supports the efforts to put human rights and the climate high on the agenda but, as a local and regional bank, has not currently found it necessary to develop separate policies for these areas.

Ringkjøbing
Landbobank

STATEMENT AND REPORTS

Management statement

The board of directors and the general management have today discussed and approved the annual report of Ringkjøbing Landbobank A/S for the financial year 1 January to 31 December 2017.

The annual report was prepared in accordance with the provisions of the Danish Financial Business Act. We consider the chosen accounting policies to be appropriate and the estimates made responsible, so that the financial statements provide a true and fair view of the bank's assets, liabilities and financial position as of 31 December 2017 and of the result of the bank's activities and cash flows for the financial year 1 January to 31 December 2017. We also believe that the management's review contains a true and fair account of the development in the bank's activities and financial circumstances as well as a description of the most important risks and uncertainties which can affect the bank.

The annual report is recommended for approval by the general meeting.

Ringkøbing, 31 January 2018

General management:

John Bull Fisker CEO	Jørn Nielsen General Manager

Ringkøbing, 31 January 2018

Board of directors:

Jens Lykke Kjeldsen Chairman	Martin Krogh Pedersen Deputy Chairman
Jon Steingrim Johnsen	Jacob Møller
Jens Møller Nielsen	Lone Rejkjær Söllmann
Dan Junker Astrup Employee board member	Bo Fuglsang Bennedsgaard Employee board member

Gitte E. S. H. Vigsø
Employee board member

Internal auditor's report

To the shareholders of Ringkjøbing Landbobank A/S

Opinion

In my opinion, the financial statements for Ringkjøbing Landbobank A/S give a true and fair view of the bank's assets, liabilities and financial position at 31 December 2017, and of the results of the bank operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Business Act.

My opinion is consistent with my long-form audit report to the audit committee and the board of directors.

The audit

I have audited the financial statements for Ringkjøbing Landbobank A/S for the financial year 1 January to 31 December 2017, which comprise income statement and statement of comprehensive income, core earnings, balance sheet, statement of changes in equity, statement of capital, cash flow statement and notes, including accounting policies, and five-year main and key figures. The financial statements were prepared in accordance with the Danish Financial Business Act.

The audit was performed on the basis of the Danish FSA's Executive Order on Auditing Financial Undertakings etc. and Financial Groups, and in accordance with international auditing standards regarding planning and performing the audit.

I have planned and performed the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. I participated in the audit of all material and high-risk areas.

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

Statement on management review

Management is responsible for the management review.

My opinion on the financial statements does not cover the management review, and I express no form of assurance opinion on that review.

In connection with my audit of the financial statements, my responsibility is to read the management review and, in doing so, consider whether it is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

I also considered whether the management's review includes the disclosures required by the Danish Financial Business Act.

Based on the work I have performed, in my view, the management review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. I did not identify any material misstatement in the management's review.

Ringkøbing, 31 January 2018

Henrik Haugaard
Chief auditor

Independent auditor's report

To the shareholders of Ringkjøbing Landbobank A/S

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the bank at 31 December 2017, and of the results of the bank operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our auditor's long-form report to the audit committee and the board of directors.

What we have audited

Ringkjøbing Landbobank A/S's financial statements for the financial year 1 January - 31 December 2017 comprise income statement and statement of comprehensive income, core earnings, balance sheet, statement of changes in equity, statement of capital, cash flow statement, notes, including summary of significant accounting policies, and five-year financial highlights ("the financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the bank in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

We were first appointed auditors of Ringkjøbing Landbobank on 25 April 1990 and are therefore required to resign as auditors of the company at the general meeting in 2021 at the latest. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of more than 23 years including the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report - continued

Key audit matter	*How our audit addressed the key audit matter*
Impairment of loans Loan are measured at amortised cost less impairment charges. Impairment of loans constitutes Management's best estimate of expected losses on loans at the balance sheet date based on events occurred. Impairment of the bank's loans is made both individually and collectively. Impairment charges are made if objective evidence of impairment (OEI) has been established based on events occurred that have an effect on the amounts expected to be paid. The collective assessment is based on a segmentation model developed by the association Lokale Pengeinstitutter (The Association of Local Banks, Savings Banks and Cooperative Savings Banks in Denmark) adjusted by Management to allow for changes in economic trends, including previous events. The bank has a relatively large portion of lending to the agricultural sector. Due to the continuing considerable financial challenges facing the agricultural sector, a material part of the bank's impairment charges relates to this sector. The situation of the agricultural sector implies increased uncertainty with respect to the statement of the required impairment relating to the agricultural sector. Impairment of loans constitutes a key focus area as Management makes material estimates with respect to whether impairment charges are to be recorded on loans as well as the amount of the impairment charges. The following matters are key to the determination of impairment losses: • The bank's procedures to ensure complete registration of loans with objective evidence of impairment (OEI) included in the calculation of the impairment charges. • The most material assumptions and estimates applied by Management in the calculation of the impairment charges, including principles for assessment of collateral with respect to eg properties and agricultural land included in the calculation of the impairment charges. • The bank's statement of collective impairment charges, including procedures for the identification and assessment of the effect of previous events in relation to customers who may be suffering from significant financial difficulties at the balance sheet date but where this has not yet materialised through delinquency or other indication of OEI on the individual customer. This includes Management's assessment of the effect of the current market conditions, including price conditions in the agricultural sector, at the balance sheet date. We refer to note 2 "Accounting estimates and assessments", note 42 "Risks and risk management" and note 43 "Credit risk" to the Financial Statements which show factors that may affect the impairment of loans and advances.	We reviewed and assessed the procedures prepared by the bank, including the involvement of the Loan Department, established to ensure that loans with OEI are identified in due time, and that impairment charges are calculated in accordance with the accounting provisions. We assessed and tested the principles applied by Management for the measurement of collateral with respect to eg property and agricultural land included in the calculation of the impairment of loans with OEI. We performed detailed testing of a sample of loans with OEI for which the bank had calculated individual impairment charges; we tested the impairment calculation and data applied against underlying documentation. We moreover performed detailed testing of a sample of loans not classified as being subject to OEI and made our own assessment of whether the rating classification was appropriate. The samples comprised primarily major loans and loans to segments with generally increased risks, including the agricultural segment. We examined the bank's statement of collective impairment charges, including Management's assessment of the effect of changed economic trends and previous events. We challenged Management's estimates based on our knowledge of the portfolio, the industry and the current economic trends.

Independent auditor's report - continued

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial atatements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether management's review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the bank or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.

Independent auditor's report - continued

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ringkøbing, 31 January 2018

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

H. C. Krogh
State Authorised Public Accountant
mne9693

Ringkøbing Landbobank

FINANCIAL STATEMENTS

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Note no.		2017 DKK 1,000	2016 DKK 1,000
3	Interest income	694,136	749,021
4	Interest expenses	53,094	69,743
	Net interest income	**641,042**	**679,278**
5	Dividends from shares etc.	10,258	18,995
6	Fee and commission income	322,717	297,328
6	Fee and commission expenses	42,486	42,417
	Net interest and fee income	**931,531**	**953,184**
7	Value adjustments	+143,225	+63,784
	Other operating income	4,979	7,560
8,9,10,11	Staff and administration costs	327,024	306,670
12	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
13	Impairment charges for loans and other receivables etc.	-10,320	-48,378
	Results from investments in associated companies	-20	+2,842
18	**Profit before tax**	**734,948**	**661,366**
14	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

	2017 DKK 1,000	2016 DKK 1,000
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 no.		2017 DKK 1,000	2016 DKK 1,000
15	Net interest income	642,707	665,312
6,16	Net fee and commission income excl. trading income	215,374	214,415
17	Income from sector shares etc.	70,674	38,611
6	Foreign exchange income	20,902	16,396
	Other operating income	4,979	7,560
	Total core income excl. trading income	**954,636**	**942,294**
6	Trading income	64,857	40,496
	Total core income	**1,019,493**	**982,790**
8,9,10,11	Staff and administration costs	327,024	306,670
12	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**
13	Impairment charges for loans and other receivables etc.	-10,320	-48,378
18	**Core earnings**	**674,726**	**616,786**
18	Result for the portfolio	+60,222	+44,580
18	**Profit before tax**	**734,948**	**661,366**
14	Tax	146,308	121,868
	Net profit for the year	**588,640**	**539,498**

BALANCE SHEET

Note no.	Assets	31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
	Cash in hand and demand deposits with central banks	308,211	284,139
19	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
20,21	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
22	Bonds at fair value	3,952,614	3,443,359
23	Shares etc.	621,285	530,503
	Investments in associated companies	489	509
24	Land and buildings, total	55,647	56,177
	Investment properties	3,561	3,561
	Domicile properties	52,086	52,616
25	Other tangible assets	18,811	18,874
	Current tax assets	20,483	20,444
26	Deferred tax assets	8,719	8,153
	Temporary assets	4,000	5,200
27	Other assets	235,351	323,848
	Prepayments	8,430	7,997
	Total assets	**25,796,483**	**24,258,137**

Note no.	Liabilities and equity	31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
28	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
29	Deposits and other debt	19,110,127	18,314,427
30	Issued bonds at amortised cost	673,436	297,370
31	Other liabilities	210,691	254,062
	Deferred income	3,879	2,449
	Total debt	**21,597,549**	**20,326,100**
21	Provisions for losses on guarantees	10,263	6,287
	Total provisions for liabilities	**10,263**	**6,287**
	Tier 2 capital	371,753	371,095
32	**Total subordinated debt**	**371,753**	**371,095**
33	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**

STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total share-holders' equity
2016					
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					
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**
Shareholders' 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

CASH FLOW STATEMENT

	2017 DKK 1,000	2016 DKK 1,000
Operating activities		
Net profit for the year	588,640	539,498
Amortisation, depreciation and write-downs on intangible and tangible assets	4,249	8,638
Impairment charges for loans and other receivables etc.	39,675	80,844
Other items not affecting cash flow	2,764	-20,423
Adjusted operating profit	**635,328**	**608,557**
Changes in working capital		
Receivables from and debt to credit institutions etc., net	296,280	135,271
Loans and other receivables at amortised cost	-1,908,703	-262,762
Securities, not liquid and pledged	-121,919	96,406
Deposits and other debt	795,700	1,327,884
Issued bonds at amortised cost	376,066	297,370
Other assets and liabilities, net	51,260	71,378
Cash flows from operating activities	**-511,316**	**2,274,104**
Investment activities		
Tangible assets, purchase	-3,927	-19,272
Tangible assets, sale	3	2,925
Investments in associated companies, sale	0	5,000
Cash flows from investment activities	**-3,924**	**-11,347**
Financing activities		
Dividend etc. paid, net	-160,869	-137,256
Own shares etc.	-168,550	-143,685
Subordinated debt, repaid etc.	658	-1,183
Cash flows from financing activities	**-328,761**	**-282,124**
Movement in cash and cash equivalents for the year	**-208,673**	**1,980,633**
Cash and cash equivalents, beginning of year	5,584,041	3,603,408
Total cash and cash equivalents, end of year	**5,375,368**	**5,584,041**
Cash and cash equivalents, end-of-year breakdown:		
Cash in hand and demand deposits with central banks	308,211	284,139
Receivables from credit institutions and central banks	1,057,298	1,768,161
Securities, unpledged	4,009,859	3,531,741
Total cash and cash equivalents, end of year	**5,375,368**	**5,584,041**

The cash flow statement is not based solely on the information in this annual report, and has also been adapted to the special format etc. for banks.

OVERVIEW OF NOTES

Note no.

1 **Accounting policies etc.**

General

The annual report is prepared in accordance with the provisions of the Danish Financial Business Act.

The annual report is presented in DKK.

The accounting policies are unchanged since last financial year.

Recognition and measurement - general

Assets are recognised in the balance sheet when it is probable that future financial advantages will accrue to the bank and the value can be measured reliably. Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.

Income is recognised in the income statement as it is earned. Costs paid to achieve the income for the year are recognised in the income statement, and value adjustments made to financial assets, financial liabilities and derivative financial instruments are also recognised in the income statement.

We refer to the following sections regarding the criteria for recognition and the basis of measurement.

Foreign currency

Assets and liabilities in foreign currency are converted to Danish kroner at the closing exchange rate for the currency on the balance sheet date, corresponding to the rate published by the central bank of Denmark. Income and expenses are converted continuously at the exchange rate on the transaction date.

Financial instruments - general

In general, the bank measures financial assets and liabilities at fair value on initial recognition. Measuring is subsequently made at fair value unless otherwise specifically stated in the following sections on the individual items. The bank uses the date of payment as the date of recognition for financial instruments.

Derivative financial instruments

Forward transactions, interest rate swaps and other derivative financial instruments are measured at fair value on the balance sheet date.

Hedging transactions which, under the terms of the Danish FSA’s Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., are regarded as hedge accounting at fair value, are recognised at fair 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 derivative financial instruments and items subject to hedge accounting are entered under the item "Value adjustments" in the income statement.

The income statement

Interest income

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

On loans which have been written down or off, the interest income relating to the written-down part is entered under the item "Impairment charges for loans and receivables etc."

Net fee and commission income

Fees and commission relating to loans and receivables are recognised as part of the book value of loans and receivables. They are recognised as interest income in the income statement over the term of the loans and receivables, as part of the effective interest rate on the loans. See "Interest income" section above. Guarantee-related commission is carried to income over the guarantee term. Income generated on performing a given transaction, including secu-

Note
no.

1 **Accounting policies etc. - continued**

rities and custodianship fees plus payment handling fees, is recognised as income when the transaction has been completed.

Staff and administration costs

Staff and administration costs include salaries, pension costs, IT costs, etc.

Other operating expenses

Other operating expenses include contributions to the Guarantee Fund and the Resolution Fund. Other operating expenses also include items which, by nature, are secondary to the banking activities.

Impairment charges for loans and receivables etc.

This item includes losses and impairment charges for loans and losses and provisions on guarantees. The item also includes losses and impairment charges on receivables from credit institutions.

Tax

Tax on the profit for the year is booked as a cost in the income statement.

Net deferred tax is calculated on the items which cover the temporary differences in accounting and booking of taxable income and expenses. Changes in the corporate tax rate will be taken into account.

Core earnings

The bank uses the alternative performance measure "Core earnings". Core earnings are used as a measure of performance for both external and internal financial reporting because they are deemed to give a true and fair view of the actual banking operations. Overall, core earnings contain the same items as the traditional measure of performance "Profit before tax," but the calculation method and degree of specification are different.

Core earnings show the bank's income and expenses adjusted for temporary fluctuations following from the development in the bank's trading portfolio of securities (the securities portfolio less sector shares etc.), and the profit before tax is divided into two main elements: core earnings and result for the portfolio.

The result for the trading portfolio is composed of value adjustments for the portfolio plus the actual return in the form of interest and dividends from the portfolio and less the calculated funding costs for the portfolio.

A numerical explanation of the correlation between profit before tax and core earnings is given in note 18 on page 75.

The balance sheet

Receivables from credit institutions and central banks

Initial recognition is made at fair value plus transaction costs, less establishment fees etc., and subsequent measurement is at amortised cost. Reference is made to the section "Derivative financial instruments" with respect to hedge accounting.

Loans and other receivables

Initial recognition is at fair value plus transaction costs, less establishment fees etc., and subsequent measurement is at amortised cost. Establishment fees etc. which are comparable with ongoing interest payments, and thus deemed part of the effective interest on the loan, are accrued over the life of the individual loan.

If objective evidence of impairment is found on an individually assessed loan, an impairment charge is made to cover the bank's loss on the basis of expected future payment series. This is based on an assessment of the most likely outcome.

Loans and receivables which have not been individually impaired are collectively assessed for objective evidence of impairment in value for the group.

Note no.

1 Accounting policies etc. - continued

This collective assessment is made on groups of loans and receivables with uniform credit risk characteristics. Twelve groups are used: one of public clients, one of private clients and ten of business clients, the latter further grouped by sector.

The collective assessment is made on a segmentation model developed by the Association of Local Banks, Savings Banks and Cooperative Savings Banks in Denmark, which handles ongoing maintenance and development. The segmentation model sets the relations in the individual groups between losses suffered and a number of significant explanatory macroeconomic variables via a linear regression analysis. The explanatory macroeconomic variables include unemployment, house prices, interest rates, number of bankruptcies / forced sales etc.

The macroeconomic segmentation model is initially calculated from loss data for the entire banking sector. The bank has therefore assessed whether the model estimates reflect the credit risk for the bank's own loan portfolio.

This assessment has resulted in an adaptation of the estimates under the model to the bank's own circumstances, whereby the adapted estimates form the basis of calculation of the collective impairment charges. The adjusted estimates were further adjusted, by management estimate, to take account of changed economic conditions, including "early events". For each group of loans and receivables, there is an estimate which expresses the percentage decrease in value associated with a given group of loans and receivables on the balance sheet date. A comparison of the individual loan's current risk of loss with its original risk of loss and its risk of loss at the beginning of the current accounting period provides the individual loan's contribution to the collective impairments. Impairment is calculated as the difference between book value and discounted value of expected future payments.

Changes to impairment charges are adjusted in the income statement under the item "Impairment charges for loans and receivables etc."

Leasing

Lease contracts are classified as finance leases if they transfer substantially all risks and rewards of ownership to an asset to the lessee.

Finance lease assets where the bank is the lessor are recognised as loans at the net investment in the lease contracts less depreciation (repayments) calculated according to the annuity method over the lease term.

Income from the lease assets is recognised on the basis of the effective interest agreed in the lease contracts and included under interest income in the income statement. Profit and loss from sale of lease assets are recognised as other operating income and other operating expenses.

All of the bank's lease agreements are finance lease agreements.

Sales and repurchase agreements (repo / reverse repo transactions)

Securities which have been sold under associated repurchase agreements remain listed under securities in the balance sheet. Amounts received are recognised as deposits or debt to credit institutions.

Securities which have been bought under associated resale agreements are recognised as loans to, or receivables from, credit institutions and the return is recognised under "Interest income".

Bonds and shares

Securities listed on a stock exchange are measured at fair value determined at the quoted price, best expressed as the closing price on the balance sheet date.

Unlisted securities and other ownership interests (including level 3 assets) are included at fair value, computed on the basis of the price of a transaction between independent parties. If no current market data exist, fair value is determined from published announcements of financial results, or alternatively using a yield model based on payment flows and other available information.

Note
no.

1 **Accounting policies etc. - continued**

The management actively considers the fair value computations.

All ongoing value adjustments to listed and unlisted securities are entered in the income statement under the item "Value adjustments".

Investments in associated companies

Investments in associated companies are measured in the balance sheet by the equity 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 fair value, computed by the return method. Ongoing changes in value of investment properties are recognised in the income statement.

Domicile properties are included in the balance sheet at reassessed value, which is the fair value computed by the return method less cumulative depreciation and any impairment loss. Depreciation is calculated on the basis of an expected useful life of 50 years, computing depreciation as cost plus or minus revaluation less scrap value. Depreciation and losses due to impairment are recognised in the income statement, while increases in reassessed value are recognised in total comprehensive income in shareholders' equity under the item "Provisions for revaluation" unless the increase corresponds to a reduction in value which was previously recognised in the income statement.

Other tangible assets

Other tangible assets, including operating equipment and improvements to rented premises, are recognised in the balance sheet at cost less cumulative depreciation and write-downs for any loss due to impairment.

Depreciation is calculated on the basis of the assets' expected lives, which are one to five years for operating equipment and thirty years for improvement to rented premises, on the basis of depreciation computed as cost less scrap value. Depreciation and losses due to impairment are recognised in the income statement.

Temporary assets

Temporary assets comprise assets taken over as a result of termination of customer exposures, the intention being to sell off the assets as soon as possible. Temporary assets are included at cost on transfer and will subsequently be written down to a possibly lower realisation value.

Other assets

Other assets include interest and commission receivables as well as the positive market value of derivative financial instruments.

Tax

Current tax assets and current tax liabilities are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax paid on account.

A deferred tax liability is allocated under the item "Provisions for deferred tax". A deferred tax asset is booked under the item "Deferred tax assets" following a prudent assessment of the asset's value.

The effect of changes in the corporate tax rate is recognised in "Deferred tax assets" / "Provisions for deferred tax".

Debt to credit institutions and central banks / Deposits and other debt / Issued bonds at amortised cost / Subordinated debt

Measurement is at amortised cost, but reference is made to the section "Derivative financial instruments" with respect to hedge accounting.

Note no.

1 Accounting policies etc. - continued

Other liabilities

Other liabilities include interest and commission payable and the negative market value of derivative financial instruments.

Provisions for liabilities

Provisions for liabilities include deferred tax and provisions for losses on guarantees. A provision is recognised in respect of a guarantee or an irrevocable credit commitment if it is probable that the guarantee or credit commitment will be called and the amount of the commitment can be reliably determined. Provisions are based on management's best estimate of the amount of the commitments. In measuring provisions for liabilities, discounting to net present value is made where deemed material.

Various information

Contingent liabilities / guarantees

The bank's outstanding guarantees are given in the notes under the item "Contingent liabilities". If the bank considers it likely that it will incur loss on an outstanding guarantee, the liability is shown under the item "Provisions for losses on guarantees" and recognised as an expense in the income statement under the item "Impairment charges for loans and receivables etc."

Cash flow statement

The cash flow statement is presented by the indirect method based on net profit for the year, adjusted for non-liquid items.

The statement shows net changes in the balance sheet, and on some points it will therefore not provide a full picture of actual cash flows.

Cash flows from operating activities are computed as net profit for the year, adjusted for non-liquid operating items and changes in working capital. Cash flows from investment activities cover purchases and sales of fixed assets etc. Cash flows from financing activities cover movements and allocations in subordinated debt and in shareholders' equity.

Cash and cash equivalents cover cash in hand, demand deposits with the central bank of Denmark, fully secured and liquid demand deposits in banks, unpledged certificates of deposit issued by the central bank of Denmark, and secured easily saleable listed unpledged securities, under Section 152 of the Danish Financial Business Act.

Information and main and key figures

"Loans" on page 3 are stated excluding reverse repo transactions etc.

The "Return on equity before tax, beginning of year", and the "Return on equity after tax, beginning of year" shown on page 3 under "Main and key figures for the bank" were calculated after deduction of dividend etc., net.

"Key figures per DKK 1 share" on page 3 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 and 2013: 23,900,000 shares.

The rate of costs is calculated as "Total expenses etc." in per cent of "Total core income". Both "Total expenses etc." and "Total core income" are indicated under "Core earnings" on page 57.

The comparative figures have been adjusted to the new denomination.

Pay-out ratios

Detailed comments on the pay-out ratios on page 20.

The pay-out ratios in general:

Note
no.

1 **Accounting policies etc. - continued**

Pay-out ratios for the individual years were computed as the actual distributions for the year in per cent of "Net profit for the year". Actual distributions were calculated as the proposed and subsequently paid dividend, any proposed and subsequently paid extraordinary dividend and the actual cost of buying back the shares under an adopted share buy-back programme which were actually cancelled, on the basis of the profit for a given financial year.

2016 buy-back programme:
The buy-back programme adopted at the bank's annual general meeting in February 2017 was fully used at DKK 170 million (the equivalent of 538,000 shares), and it is recommended at the annual general meeting in February 2018, that 538,000 shares be cancelled in connection with a capital reduction.

Pay-out ratios for 2017:
The percentage for 2017 is the expected distribution. The percentage was thus calculated on the basis of the proposed ordinary dividend and the maximum value of the proposed share buy-back programme.

Explanation of significant events after the reporting period

As described in the financial review, the reporting standard IFRS 9 will have entered into force with effect from 1 January 2018 when this annual report is published.

The general provisions of IFRS 9 have similarly been incorporated into the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. supplemented by special Danish impairment rules in annex 10 of the Executive Order, which details the general principles of IFRS 9.

The amended Danish Executive Order took effect on the same date as IFRS 9, i.e. for financial reporting periods commencing on or after 1 January 2018.

The IFRS 9 rules on financial instruments which have been incorporated into the Danish Executive Order specify the following on classification and measurement and impairment of financial assets:

IFRS 9 classification and measurement
Under IFRS 9 financial assets are classified and measured on the basis of the business model for financial assets and the contractual cash flow associated with the financial assets.

Financial assets which are held to collect contractual cash flows that are solely payments of principal and interest on the outstanding amount are measured at amortised cost after initial recognition.

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.

IFRS 9 impairment
With the introduction of IFRS 9, the current impairment model, which is an incurred loss model, will be replaced by an expected loss model. The new expected loss model means that, on initial recognition, a financial asset must be impaired by the expected credit loss for a twelve-month period (stage 1). If the credit risk for the asset subsequently increases significantly relative to initial recognition, the asset must be impaired by the expected credit loss over the asset's remaining life (stage 2). If there is objective evidence of impairment (stage 3), the asset must be impaired by the expected credit loss over the asset's remaining life, but interest income must be recognised in the income statement based on the effective interest method applied to the impaired amount.

Impairment relating to stage 1 and the majority of stage 2 customers / facilities is on a portfolio-based model, while impairment relating to the largest exposures to weak stage 2 customers / facilities and stage 3 customers / facilities is based on a manual individual assessment and calculation.

The portfolio-based calculation model is simpler and is based on the bank's rating of its custo-

Note no.

1 Accounting policies etc. - continued

mers in different rating classes and an assessment of the risk for the individual classes. Calculations are made in a set-up developed and maintained by the bank's data centre Bankdata supplemented with a forward-looking macroeconomic module developed and maintained by the association Lokale Pengeinsitutter (The Association of Local Banks, Savings Banks and Co-operative Savings Banks in Denmark). The forward-looking macroeconomic module generates a number of adjustment factors which are multiplied by the data centre's "raw" estimates and thus adjusts them relative to the starting point.

The expected effect of the IFRS 9 impairment rules is shown on page 18.

With a view to countering an unintended effect on total capital and consequently the banks' possibilities of supporting credit granting, the European Commission has proposed a five-year transition programme as part of the reform package introduced by the Commission on 23 October 2016 (the risk reduction package or CRR II/CRD V/BRRD II), under which any negative effect of the IFRS 9 impairment rules will not have the full impact on total capital until after five years.

The transition programme has been decided and, as with IFRS 9, it entered into force on 1 January 2018.

The programme is voluntary for the banks but they must notify the Danish FSA of their decision and publish the decision. Ringkjøbing Landbobank has decided to take advantage of the transition programme.

2 Accounting estimates and assessments

General

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 are based on assumptions which management judges to be responsible, but which are not certain and predictable. 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 the following areas:

- Valuation of loans and other receivables at amortised cost
- Fair value of unlisted financial instruments
- Fair value of domicile properties

Valuation of loans and other receivables at amortised cost

Impairment charges for loans are made to take account of any impairment after initial recognition. Impairment charges are made as a combination of individual and collective impairment. They involve a number of estimates, including estimates of which loans, or loan portfolios, are associated with objective evidence of impairment.

Impairment testing of individual loans involves estimating circumstances which are highly uncertain. The assessment involves estimating the most probable future cash flows which the customer is expected to generate.

Loans without objective evidence of impairment, or for which an individual need for impairment has not been identified, are part of a group, and the need for impairment is assessed at portfolio level. The key aspect of impairment testing of a group of loans is to identify the events which provide an objective indication that losses have been incurred on the group. Assessment of the present value of cash flows generated by the customers in the group involves uncertainty when historical data is used to reflect the current situation. Loans are placed in groups with uniform credit risk characteristics. The reader is referred to the section "Loans and other receivables" under note 1 "Accounting policies etc." for details on collective impairment.

To reduce the risk of the individual exposures, the bank receives security mainly in the form of physical assets (with real property as the main form), securities etc. Material managerial

Note
no.

2 **Accounting estimates and assessments - continued**

estimates are involved in valuing the security. A detailed description of security is provided in note 43 "Credit risk".

Fair value of unlisted financial instruments
The bank measures a number of financial instruments at fair value, including all derivative financial instruments and unlisted shares and bonds.

As part of its operations, the bank has acquired strategic shares in different sector companies. Strategic shares in sector companies are measured at fair value on the basis of available information on transactions in the relevant company's shares or, alternatively, by a valuation model using recognised methods and various data. Valuation is also influenced by co-ownership, trading, shareholders' agreements etc.

Valuation of financial instruments, which is based on observable market data only to a lesser extent, is influenced by estimates. This is the case, for example, with respect to unlisted shares and certain bonds where there is no active market. Please also see the sections "Derivative financial instruments" and "Bonds and shares" under note 1 "Accounting policies etc.".

Fair value of domicile properties
The return method is used for measuring domicile properties at fair value. The future cash flows are based on the bank's best estimate of the future profit or loss from ordinary activities and the required rate of return for each property, taking into account factors such as location and maintenance. A number of these assumptions and estimates significantly influence the calculations. Any changes in these parameters as a result of changes in market conditions affect the expected returns and consequently the domicile properties' fair values. Please also see the section "Land and buildings" under note 1 "Accounting policies etc." and note 24 "Land and buildings".

Note no.		2017 DKK 1,000	2016 DKK 1,000
3	**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**
4	**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**
5	**Dividends from shares etc.**		
	Shares	10,258	18,995
	Total dividends from shares etc.	**10,258**	**18,995**
6	**Fees and commission**		
	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**
	Fee and commission expenses		
	Securities trading	10,181	11,258
	Asset management and custody accounts	8,551	6,971
	Payment handling	10,288	9,499
	Loan fees	3,453	2,645
	Other fees and commission	10,013	12,044
	Total fee and commission expenses	**42,486**	**42,417**
	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**

Note no.		2017 DKK 1,000	2016 DKK 1,000
7	**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**
	* Cf. note 41.		
8	**Staff and administration costs**		
	Payments to general management, board of directors and shareholders' committee:		
	General Management:		
	John Bull Fisker	5,141	4,743
	Salary	4,324	4,176
	Pension	817	567
	Taxable amount for company car: 2017: tDKK 204 / 2016: tDKK 125. The amounts are not included in the salary amounts stated.		
	Jørn Nielsen	2,215	2,275
	Salary	2,215	2,275
	Pension	0	0
	Taxable amount for company car: 2017: tDKK 93 / 2016: tDKK 91. The amounts are not included in the salary amounts stated.		
	Total payments	7,356	7,018
	Board of directors:		
	Jens Lykke Kjeldsen, chairman	340	334
	Martin Krogh Pedersen, deputy chairman	225	222
	Gert Asmussen (retired on 22 February 2017)	42	166
	Inge Sandgrav Bak (retired on 22 February 2017)	42	166
	Jon Steingrim Johnsen (joined on 22 February 2017)	141	-
	Jacob Møller (joined on 26 April 2017)	113	-
	Jens Møller Nielsen	169	166
	Jørgen Lund Pedersen (retired on 22 February 2017)	42	166
	Lone Rejkjær Söllmann (joined on 26 April 2017)	113	-
	Dan Junker Astrup	169	166
	Bo Fuglsang Bennedsgaard	169	166
	Gitte E. S. H. Vigsø	169	166
	Total payments	1,734	1,718
	Shareholders' committee		
	Total payments	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**

Note no.		2017 DKK 1,000	2016 DKK 1,000
9	**Number of full-time employees**		
	Average number of employees during the financial year converted into full-time employees	**274**	**271**
10	**Salaries paid to other major risk-takers and employees in control functions**		
	Fixed salary	12,991	11,259
	Variable salary	250	250
	Pension	1,350	1,201
	Total	**14,591**	**12,710**
	Number of full-time employees end of year	16	14
11	**Fee to the auditor elected by the general meeting**		
	Statutory audit	562	548
	Other assurance engagements	60	60
	Advice on tax	0	0
	Other services	278	181
	Total fee to the auditor elected by the general meeting	**900**	**789**
	Fees for other reports, primarily to public authorities. Fees for other services including issue of the comfort letter regarding the bank's EMTN programme, verification of regular recognition of profit in common equity tier 1 and various accounting advice, including advice on the implementation of IFRS 9 etc.		
	The bank has also an internal auditor.		
12	**Amortisation, depreciation and write-downs on intangible and tangible assets**		
	Tangible assets		
	Domicile properties, depreciation	530	530
	Domicile properties, write-downs	0	3,585
	Other tangible assets, depreciation	3,719	4,523
	Total amortisation, depreciation and write-downs on intangible and tangible assets	**4,249**	**8,638**
13	**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**
14	**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 no.		2017 DKK 1,000	2016 DKK 1,000
	Explanation of the correlation between profit before tax and core earnings		
15	**Net interest income - correlation**		
	Net interest income - income statement	641,042	679,278
	Funding income - own portfolio	34,005	32,856
	Bond yields etc.	-32,340	-46,822
	Net interest income - core earnings	**642,707**	**665,312**
16	**Net fee and commission income excl. trading income - correlation**		
	Fee and commission income - income statement	322,717	297,328
	Fee and commission expenses - income statement	-42,486	-42,417
	Trading income	-64,857	-40,496
	Net fee and commission income excl. trading income - core earnings	**215,374**	**214,415**
17	**Income from sector shares etc. - correlation**		
	Market value adjustment of sector shares etc.	61,131	20,141
	Dividends from sector shares	9,543	18,470
	Income from sector shares etc. - core earnings	**70,674**	**38,611**
18	**Profit before tax and core earnings - correlation**		
	Profit before tax	**734,948**	**661,366**
	Value adjustments - income statement	143,225	63,784
	Results from investments in associated companies - income statement	-20	2,842
	Market value adjustment of sector shares etc.	-61,131	-20,141
	Foreign exchange income	-20,902	-16,396
	Funding expenses - own portfolio	-34,005	-32,856
	Bond yields etc.	32,340	46,822
	Dividends - not sector shares	715	525
	Result for the portfolio	**60,222**	**44,580**
	Core earnings	**674,726**	**616,786**

Note no.		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
19	**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**
	Distributed as follows:		
	Receivables from central banks	957,086	1,572,198
	Receivables from credit institutions	254,491	504,898
		1,211,577	**2,077,096**
20	**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**
	** Cf. note 41.*		
21	**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 collective 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**

** No impairment charges have been recognised for receivables from credit institutions and central banks.*

Note no.		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
22	**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**
	** The bank has no held-to-maturity bonds.*		
	*** See page 29 of the management review, where the rating classes are stated.*		
23	**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**
24	**Land and buildings**		
	Investment properties		
	Fair value at the end of the previous financial year	3,561	6,056
	Additions during the year, including improvements	0	0
	Disposals during the year	0	0
	Value adjustments to fair value for the year	0	-2,495
	Reversal of previous years' write-downs for the year and reversal of total depreciation and write-downs on assets which were disposed of or taken out of operation during the year	0	0
	Fair value on the balance sheet date	**3,561**	**3,561**
	Domicile properties		
	Revalued amount at the end of the previous financial year	52,616	58,231
	Additions during the year, including improvements	0	0
	Disposals during the year	0	-4,768
	Depreciation for the year	-530	-530
	Write-downs after revaluation for the year	0	-3,585
	Reversal of previous years' write-downs for the year and reversal of total depreciation and write-downs on assets which were disposed of or taken out of operation during the year	0	3,268
	Total revalued amount on the balance sheet date	**52,086**	**52,616**
	When measuring investment and domicile properties, a required rate of return between 6% and 8% is applied. No external experts were involved in the measurement of investment and domicile properties.		
25	**Other tangible assets**		
	Cost		
	Cost at the end of the previous financial year without depreciation and write-downs	52,335	34,718
	Additions during the year, including improvements	3,927	19,271
	Disposals during the year	-1,280	-1,654
	Total cost on the balance sheet date	**54,982**	**52,335**
	Depreciation and write-downs		
	Depreciation and write-downs at the end of the previous financial year	33,461	30,512
	Depreciation for the year	3,719	4,523
	Reversal of previous years' write-downs for the year and reversal of total depreciation and write-downs on assets which were disposed of or taken out of operation during the year	-1,009	-1,574
	Total depreciation and write-downs on the balance sheet date	**36,171**	**33,461**
	Total other tangible assets on the balance sheet date	**18,811**	**18,874**

Note no.		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
26	**Deferred tax assets**		
	The calculated provisions for deferred tax relates to the following balance sheet items:		
	Loans and other receivables	8,764	8,260
	Tangible assets	-1,157	-186
	Temporary assets	488	224
	Other balance sheet items	624	-145
	Total deferred tax assets	**8,719**	**8,153**
27	**Other assets**		
	Interest and commission receivable	37,471	54,124
	Positive market value of derivative financial instruments	128,986	185,143
	Collateral under CSA agreements	26,739	38,784
	Miscellaneous debtors and other assets	24,269	28,744
	Other deposits	17,886	17,053
	Total other assets	**235,351**	**323,848**
28	**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**
	Distributed as follows:		
	Debt to credit institutions	1,599,416	1,457,792
		1,599,416	**1,457,792**
29	**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**
	Of which deposits covered by the Guarantee Fund	44.6%	42.7%
	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**
	** Special types of deposits are entered under the item "Demand" pending payment, while in the specification of the different types of deposits, the sum is instead included under "Special types of deposits".*		
30	**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**

Note no.		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
31	**Other liabilities**		
	Interest and commission payable	3,627	4,389
	Negative market value of derivative financial instruments	104,539	173,715
	Miscellaneous creditors and other liabilities	102,525	75,958
	Total other liabilities	**210,691**	**254,062**

32 Subordinated debt

Type	Interest rate (%)	Foreign ex-change	Mil-lion	Due date	Possible early repayment date	31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
Tier 2 capital							
Bond loan*	Floating	EUR	50	20 May 2025	20 May 2020	372,253	371,713
Total tier 2 capital						**372,253**	**371,713**
Adjustment to amortised cost						-500	-618
Total subordinated debt						**371,753**	**371,095**
Distributed as follows:							
Subordinated debt included in total capital						372,253	371,713
Subordinated debt not included in total capital						0	0
Adjustment to amortised cost						-500	-618
						371,753	**371,095**

* *Issued on 20 May 2015.*
The interest rate is a quarterly floating rate corresponding to the three-month Euribor plus 1.80% p.a.
Interest expenses - 2017: tDKK 5,651 / 2016: tDKK 6,132.

Note no.		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
33	**Share capital**		
	Number of DKK 1 shares:		
	Beginning of year	22,850,000	23,350,000
	Cancellation 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**
	The whole share capital has been admitted for listing on Nasdaq Copenhagen.		
34	**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

Note no.		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
34	**Own shares - continued**		
	Own shares' proportion of share capital end of year (%):		
	Beginning of year	2.3	2.2
	Purchase during the year	6.4	7.5
	Sale during the year	-4.1	-5.2
	Cancellation during the year	-2.2	-2.2
	End of year	2.4	2.3
	The purchases and sales of own shares during the year were effected on the basis of the bank's ordinary trading in shares and the share buy-back programme.		
35	**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	392,000	516,724
	Total other contractual obligations	**392,000**	**516,724**
36	**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**

37 Contractual obligations

The following information is provided on material contractual obligations:

The bank is a member of the association Bankdata. If the bank terminates its membership, it is liable to pay an exit charge and its share of any book value of development projects in progress.

Like the rest of the Danish banking sector, the bank has an obligation to make payments to the Guarantee Fund and the Resolution Fund.

The bank has entered into a number of leases in connection with its operations and is liable to pay rent.

38 Legal proceedings etc.

The bank is not party to any legal proceedings expected to result in major losses and therefore to substantial alteration of the accounts.

Note no.

39 Related parties

Related parties are the bank's board of directors and general management and their related parties. Ringkjøbing Landbobank advises that it has no related parties with a controlling interest.

There were no transactions during the year with the board of directors and the general management, apart from payments of salaries and fees etc., securities trading, loans and the provision of collateral security.

All transactions performed in 2017 and 2016 with related parties were on market terms or on an at-cost basis.

Information on the remuneration paid to the board of directors and the general management is given in note 8.

Information on the size of loans, mortgages, sureties and guarantees provided to members of the bank's board of directors and general management and the security received is given in this note. The information in the note covers these parties' personal exposures and those of their related parties.

Information on the shareholdings held by the board of directors and the general managers is also given in this note.

	31 Dec. 2017 DKK 1,000	**31 Dec. 2016** DKK 1,000
The amount of loans issued to and mortgages, sureties or guarantees issued for the members of the bank's:		
General management	3,150	350
Interest rate	2.75%	(MasterCard)
Board of directors, including elected by the employees	5,566	8,839
Interest rate	0.75%-12.0%	0.75%-12.0%
New exposures during the year have been granted for a net	2,724	4,200
All exposures are performed on market terms, including both interest and guarantee commission rates.		
Security provided by members of the bank's:		
General management	0	0
Board of directors, including elected by the employees	1,084	160

	31 Dec. 2017 Number	**31 Dec. 2016** Number
The board of directors' and the general management shareholdings* in Ringkjøbing Landbobank at the end of the year		
Board of directors:		
Jens Lykke Kjeldsen	35,350	35,350
Martin Krogh Pedersen	50,005	32,505
Gert Asmussen (retired on 22 February 2017)	-	30,770
Inge Sandgrav Bak (retired on 22 February 2017)	-	12,240
Jon Steingrim Johnsen (joined on 22 February 2017)	0	-
Jacob Møller (joined on 26 April 2017)	775	-
Jens Møller Nielsen	470	690
Jørgen Lund Pedersen (retired on 22 February 2017)	-	1,050
Lone Rejkjær Söllmann (joined on 26 April 2017)	844	-
Dan Junker Astrup	46	25
Bo Fuglsang Bennedsgaard	2,741	2,660
Gitte E. S. H. Vigsø	98	115
General Management:		
John Bull Fisker	74,970	74,970
Jørn Nielsen	10,927	11,245

** Shares owned by members of management and related parties.*

Note no.

40 Fair value of financial instruments

Financial instruments are measured in the balance sheet at either fair value or amortised cost (with consideration to risk cover that fulfils the conditions applying to hedge accounting).

Fair value is the amount at which a financial asset can be traded or at which a financial liability can be repaid between agreed independent parties. The fair values of financial assets and liabilities priced on active markets are calculated on the basis of observed market prices on the balance sheet date. The fair values of financial instruments which are not priced on active markets are calculated on the basis of generally recognised pricing methods.

Shares etc. and derivative financial instruments are measured in the accounts at fair value. Recognised amounts equal fair values.

Loans are measured in the balance sheet at amortised cost. The difference from fair values is calculated as fees and commission received, costs paid in the lending activities, and for fixed-interest loans, the value adjustment which is dependent on the interest level and which can be calculated by comparing the actual market interest rate with the nominal rate applying to the loans.

The fair value of receivables from credit institutions and central banks is determined under the same method as for loans, but the bank has not currently made any impairment charges for receivables from credit institutions and central banks.

Issued bonds and subordinated debt are measured at amortised cost, which is estimated to be the fair value.

For floating-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, it is estimated that the carrying value corresponds to the fair value.

For fixed-rate financial liabilities in the form of deposits and debt to credit institutions measured at amortised cost, the difference from fair values is estimated to be the value adjustment which is dependent on interest level.

		31 Dec. 2017		31 Dec. 2016
	Book value DKK 1,000	Fair value DKK 1,000	Book value DKK 1,000	Fair value DKK 1,000
Financial assets				
Cash in hand and demand deposits with central banks	308,211	308,211	284,139	284,139
Receivables from credit institutions and central banks	1,211,577	1,211,577	2,077,096	2,077,096
Loans and other receivables at amortised cost*	19,379,167	19,432,386	17,510,202	17,565,800
Bonds at fair value*	3,952,614	3,952,614	3,443,359	3,443,349
Shares etc.	621,285	621,285	530,503	530,503
Derivative financial instruments	128,986	128,986	185,143	185,143
Total financial assets	**25,601,840**	**25,655,059**	**24,030,442**	**24,086,030**
Financial liabilities				
Debt to credit institutions and central banks*	1,599,416	1,599,416	1,457,792	1,457,792
Deposits and other debt*	19,112,221	19,119,009	18,317,848	18,328,345
Issued bonds at amortised cost*	673,635	673,635	297,401	297,401
Derivative financial instruments	103,909	103,909	173,715	173,715
Subordinated debt*	372,392	372,392	371,749	371,749
Total financial liabilities	**21,861,573**	**21,868,361**	**20,618,505**	**20,629,002**

** The item includes calculated interest on the balance sheet date. The calculated interest in the balance sheet is included under the items "Other assets" and "Other liabilities".*

Note no.		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
41	**Hedging***		
	The following are hedged:	Fixed-rate loans	Fixed-rate loans
	Hedging of:	Interest rate risk Foreign exchange risk	Interest rate risk Foreign exchange risk
	Book values:		
	Loans	82,484	86,674
	Hedging is thus:		
	Interest swaps - total synthetic principal	67,925	71,000
	Currency swaps - total synthetic principal	14,559	15,674
	Total market value	150	-141

** Fair value hedging only.*

42 Risks and risk management

As described in the section on risk "Risks and risk management" in the management review, Ringkjøbing Landbobank is exposed to various types of risk. See the section on risks on pages 24 - 35 of the management review for a description of financial risks and policies and objectives for their management:

- Credit risks - page 25
- Market risks - page 29
- Interest rate risk - page 30
- Foreign exchange risk - page 30
- Share price risk - page 31
- Value at Risk - page 32
- Liquidity risk - page 33

The following notes to the annual report contain some additional information and a more detailed description of the bank’s credit and market risks.

		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
43	**Credit risk**		
	Maximum credit exposure classified by balance sheet and off-balance sheet items		
	Loans and other receivables at amortised cost	19,350,866	17,481,838
	Guarantees (contingent liabilities)	3,183,874	2,459,509
	Unutilised credit facilities*	7,337,816	7,224,510
	Other exposures, including derivative financial instruments	914,172	824,492
	Total maximum credit exposure	**30,786,728**	**27,990,349**

** The bank has made unutilised credit facilities available to a total of DKK 7.3 billion. Committed credit facilities are DKK 392 million and the bank will be able to terminate the non-committed credit facilities with immediate effect.*

Note no.

43 Credit risk - continued

Security received for maximum credit exposure	Maximum credit exposure	Loans and guarantees	Security received				
			Real property	Movables	Securities and cash	Other security*	Total
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
2017							
Public authorities	**44,664**	**20,133**	**233**	**1,514**	**15,214**	**0**	**16,961**
Business customers:							
Agriculture, forestry and fishing	3,130,342	2,401,807	568,265	407,330	177,837	741,001	**1,894,433**
Industry and raw materials extraction	707,629	361,111	87,188	175,551	27,239	2,170	**292,148**
Energy supply	3,865,646	2,849,940	79,231	1,230	38,414	2,438,288	**2,557,163**
Building and construction	898,668	976,842	153,338	71,392	109,317	4,139	**338,186**
Trade	1,141,699	750,062	219,636	117,164	29,072	12,023	**377,895**
Transport, hotels and restaurants	359,688	305,696	54,321	80,814	60,318	121,309	**316,762**
Information and communication	139,158	76,174	34,344	11,491	22,780	2,928	**71,543**
Finance and insurance	4,681,833	3,057,317	170,792	285,985	2,314,626	394,052	**3,165,455**
Real property	4,723,202	3,659,737	2,297,301	3,276	207,303	135,624	**2,643,504**
Other business customers	2,532,538	1,602,843	614,019	65,615	287,909	46,669	**1,014,212**
Total business customers	**22,180,403**	**16,041,529**	**4,278,435**	**1,219,848**	**3,274,815**	**3,898,203**	**12,671,301**
Private individuals	**8,561,661**	**6,473,078**	**3,586,623**	**275,430**	**429,826**	**48,626**	**4,340,505**
Total	**30,786,728**	**22,534,740**	**7,865,291**	**1,496,792**	**3,719,855**	**3,946,829**	**17,028,767**

** Includes security in the form of wind turbines, production farms, mortgaged share capital, surety etc.*

Note no.

43 Credit risk - continued

Security received for maximum credit exposure	Maximum credit exposure	Loans and guarantees	Security received				
			Real property	Movables	Securities and cash	Other security*	Total
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
2016							
Public authorities	**59,049**	**34,126**	**87**	**289**	**23,741**	**0**	**24,117**
Business customers:							
Agriculture, forestry and fishing	2,748,973	2,040,562	550,381	421,111	163,811	596,317	**1,731,620**
Industry and raw materials extraction	1,009,002	506,395	93,446	178,713	39,858	3,691	**315,708**
Energy supply	3,879,389	3,142,007	88,729	0	33,536	2,703,938	**2,826,203**
Building and construction	627,492	443,168	112,696	65,494	20,825	2,670	**201,685**
Trade	1,100,427	685,288	169,418	122,133	35,823	21,546	**348,920**
Transport, hotels and restaurants	350,812	299,590	34,036	60,912	32,179	150,386	**277,513**
Information and communication	96,166	52,926	15,890	9,404	10,640	3,013	**38,947**
Finance and insurance	4,109,785	2,849,488	207,258	106,498	1,939,829	346,498	**2,600,083**
Real property	4,318,815	2,988,838	1,509,226	2,257	228,267	132,530	**1,872,280**
Other business customers	2,129,918	1,335,662	430,683	58,261	255,824	40,248	**785,016**
Total business customers	**20,370,779**	**14,343,924**	**3,211,763**	**1,024,783**	**2,760,592**	**4,000,837**	**10,997,975**
Private individuals	**7,560,521**	**5,563,297**	**2,754,483**	**229,392**	**417,785**	**51,808**	**3,453,468**
Total	**27,990,349**	**19,941,347**	**5,966,333**	**1,254,464**	**3,202,118**	**4,052,645**	**14,475,560**

** Includes security in the form of wind turbines, production farms, mortgaged share capital, surety etc.*

Description of security

When entering into transactions with its customers, Ringkjøbing Landbobank wants to reduce the risk as much as possible by obtaining collateral in the form of physical assets, securities, bank deposits etc. as well as guarantees, including by surety.

The bank regularly monitors the value of security obtained, and the related loan values are calculated in accordance with the bank's internal procedures as follows:

- Detached houses, owner-occupied flats and holiday homes are valued at fair value.
- Rental properties are valued at calculated fair values on the basis of profitability analyses.
- Movables are in principle valued at book value less a deduction.
- Agricultural properties are valued on the same principles as used by the Danish FSA, except that the bank applies lower prices for land and buildings.
- Securities are valued at fair value less a safety margin.
- Wind turbines are valued at the present value of the calculated cash flow over their expected lives / remaining lives. The calculation is based on the wind turbine's expected production in a normal wind year.

When computing loan values, a deduction is made to cover the risk in connection with realisation, costs etc.

Note no.

43 Credit risk - continued

The tables above only show values corresponding to the maximum credit exposure for the individual exposure. If the loan value for the individual exposure exceeds the maximum credit exposure allowed, the surplus loan value is not included in the tables.

As a result of general cautiousness when computing loan values, the possible realisation values are often higher than the loan values shown. In a number of instances, customers' utilisation of their maximum credit facilities is also conditional upon their ability to deposit additional security. The real collateral values for the maximum credit risk are therefore actually higher than indicated in the tables.

In addition, a portion of the undrawn credit limits which are part of the maximum credit exposure is in closed circuits, where the bank has financed assets without enabling the customers to claim any undrawn credit facilities. The maximum credit exposure is consequently lower in practice than indicated in the tables.

Distribution by sector and industry

A more detailed distribution by sector and industry of the items "Loans and other receivables at amortised cost", "Guarantees" and "Unutilised credit facilities" are given below. There is also a distribution by sector and industry covering only the items "Loans and other receivables at amortised cost" and "Guarantees".

	31 Dec. 2017 Per cent	31 Dec. 2016 Per cent
Loans, guarantees and unutilised credit facilities in per cent, end of year, by sector*		
Public authorities	**0.1**	**0.2**
Business customers:		
Agriculture, hunting and forestry		
Cattle farming etc.	1.6	1.2
Pig farming etc.	1.6	1.5
Other agriculture, hunting and forestry	4.0	4.1
Fishing	2.2	2.3
Mink production	0.9	0.9
Industry and raw materials extraction	2.1	3.4
Energy supply	1.6	1.8
Wind turbines - Denmark	2.8	3.0
Wind turbines - abroad	7.8	8.4
Building and construction	4.6	2.3
Trade	3.8	4.0
Transport, hotels and restaurants	1.2	1.3
Information and communication	0.4	0.4
Finance and insurance	16.2	15.1
Real property		
First mortgage without prior creditors	11.2	10.9
Other real estate financing	2.3	4.3
Other business customers	7.4	7.5
Total business customers	**71.7**	**72.4**
Private individuals	**28.2**	**27.4**
Total	**100.0**	**100.0**

** The distribution by sector and industry is made on the basis of Statistics Denmark's sector codes etc.*

Note no.		31 Dec. 2017 Per cent	31 Dec. 2016 Per cent
43	**Credit risk - continued**		
	Loans and guarantees in per cent, end of year, 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**

** The distribution by sector and industry is made on the basis of Statistics Denmark's sector codes etc.*

Comments on distribution by sector and industry

The bank's general assessment is that the credit quality of its loans is high. The ability of the bank's customers to pay is generally good, and combined with the bank's solid cover of many exposures through collateral, the result is low credit risks.

Personal customers account for a total of 28.7% of Ringkjøbing Landbobank's total loans and guarantees showing growth in 2017. The growth is attributable partly to an increase in the home loans which the bank offers to creditworthy home owners. The bank experienced improved credit quality in the period 2015 - 2017. However, the bank also experiences weak housing markets locally with slow marketability and realisation of properties in some cases resulting in losses for the bank. Collateral received from personal customers consists primarily of mortgages on real property (private homes).

The bank has a well-diversified portfolio related to agriculture, with pig farms accounting for 1.7% of the total volume of loans and guarantees, cattle farms accounting for 1.7%, and others for 3.9%. 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.

Security consists primarily of mortgages on agricultural property (land, buildings and other production facilities on the farms). To this must be added assignment to the bank of aid per hectare and other accounts etc.

Note no.

43 Credit risk - continued

Wind turbine funding has been a core competence for the bank for over 20 years, and the bank's loans to wind farms account for a total of 11.0%. The exposure to wind turbines primarily concerns wind turbines erected in Germany, but many turbines were also erected in Denmark from 2010 - 2014. Since then new loans have been limited, however, and combined with the good repayment ability of the existing projects, the result is a fall in lending to this segment. The bank's concept for wind turbine financing is based on first mortgage financing and the concept includes a legal and commercial due diligence which, combined with subsidy schemes, provides a high degree of security for the bank's loans. Fixed prices to the producers on the German market provide additional security that the bank will be paid. The bank's realised losses in this sector were minimal, and the financial crisis confirmed that the risk in this sector is limited. Security consists primarily of first mortgages on wind turbines as well as assignment to the bank of electricity accounts and possible subsidies. The bank is still experiencing an efficient wind turbine market with high marketability.

Real property accounts for a total of 16.2% of the bank's total loans and guarantees, which is an increasing share. Loans and security can be divided into the following main groups:

- Loans with first mortgages on real property and construction financing without prior creditors.
- Other forms of real estate financing, including loans with second mortgage on real property and a strong lessee with an irrevocable lease.

In the context of loans with a second mortgage on real property, the bank emphasises the project's ability to settle debt prior to expiration of the lease.

Financing and insurance comprise a total of 13.6% of the bank's total loans and guarantees and include exposure to well-consolidated financial counterparties and the bank's concept for securities lending. Security in this concept is primarily provided in the form of listed securities. The concept certainly demonstrated its strength during the extremely volatile periods on the financial markets during the financial crisis.

Note no.

43 Credit risk - continued

Credit quality of loans and guarantees which are neither in arrears nor impaired
The bank has credit rated a substantial number of customers internally. Statistical models are used for the rating of personal and small business customers (based on the probability of default), while an expert model is used for major business customers.

The statistical models use various factors, including information on the customer's assets and a quantity of behavioural data. The factors are chosen from a number of possible factors which best describe previously distressed accounts.

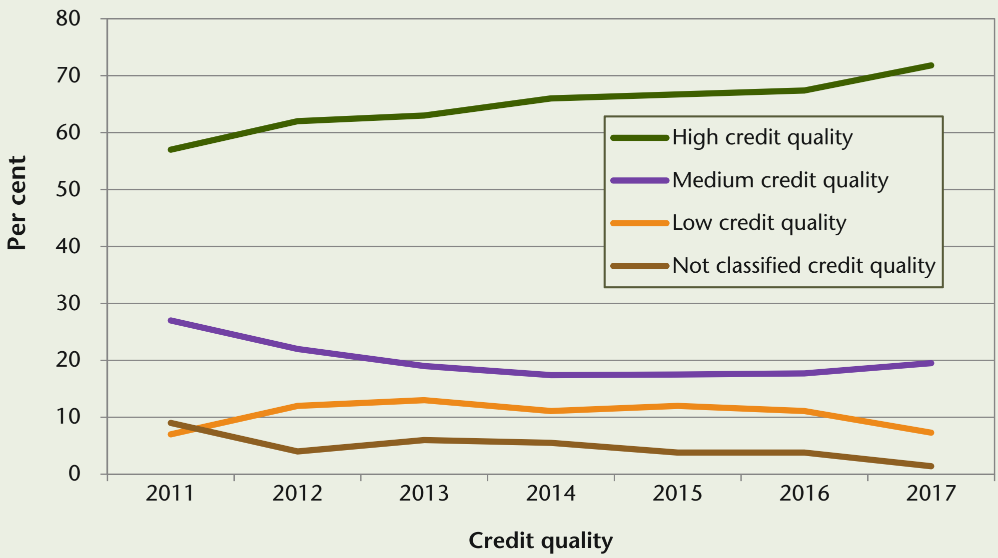
The expert models for major business customers are based on information on the customer's financial standing and earning capacity.

As a whole, the bank's credit quality improved in 2017.

The figure below indicates that the credit quality was high for 72% of loans and guarantees at the end of 2017, which is higher than at the end of 2016. The group with medium credit quality increased from 18% to 20%, whereas the group with low credit quality decreased from 11% to 7%. The group of non-classified exposures was 1%, which is lower than at the end of 2016. This group mainly consists of a mix of new customers who have not yet been rated and of older exposures which are running without any comments and which the bank's systems cannot rate for various reasons.

The bank gained many new customers throughout 2017, and when establishing new customer relationships, the bank is highly attentive to the customers' creditworthiness and potential risks. A separate review of new customers in 2017 shows that these customers' credit quality is satisfactory on average. The bank's many customers with high credit quality also repay debts at a high rate, however.

Distribution of loans* and guarantees without individual impairments or arrears



Total loans* and guarantees without individual impairments or arrears (million DKK)

2013	2014	2015	2016	2017
14,859	15,789	18,573	19,161	21,369

** Excluding reverse repo transactions.*

Note no.

43 Credit risk - continued

Value of individually impaired loans

Credit exposure by reason for impairment	Major financial difficulties	Breach of contract	Relaxation of terms	Probable bankruptcy	Total credit exposure	Individual impairment charges	Security for impaired receivables
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
2017							
Public authorities	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Business customers:							
Agriculture, forestry and fishing	178,140	53,900	71,081	37,078	340,199	265,993	78,881
Industry and raw materials extraction	50,744	1,858	1,576	0	54,178	47,502	16,471
Energy supply	36,402	3,455	3,152	0	43,009	12,249	31,022
Building and construction	6,136	4,805	222	738	11,901	7,881	4,022
Trade	5,241	5,433	12,081	845	23,600	15,523	8,161
Transport, hotels and restaurants	8,168	2,595	18,759	433	29,955	18,546	12,489
Information and communication	33	1,302	668	547	2,550	1,788	506
Finance and insurance	0	0	0	913	913	911	0
Real property	15,755	27,237	2,436	28,045	73,473	43,961	21,007
Other business customers	23,517	13,296	10,680	7,358	54,851	40,177	10,833
Total business customers	**324,136**	**113,881**	**120,655**	**75,957**	**634,629**	**454,531**	**183,392**
Private individuals	**99,100**	**57,674**	**28,415**	**16,667**	**201,855**	**122,959**	**47,813**
Total credit exposure	**423,236**	**171,555**	**149,070**	**92,624**	**836,484**	**577,490**	**231,205**
Individual impairment charges	**291,083**	**106,809**	**113,590**	**66,008**	**577,490**		

Note no.

43 Credit risk - continued

Value of individually impaired loans

Credit exposure by reason for impairment	Major financial difficulties	Breach of contract	Relaxation of terms	Probable bankruptcy	Total credit exposure	Individual impair-ment charges
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
2016						
Public authorities	**0**	**0**	**0**	**0**	**0**	**0**
Business customers:						
Agriculture, forestry and fishing	174,842	115,763	65,215	25,942	381,762	306,420
Industry and raw materials extraction	13,907	1,364	0	0	15,271	9,988
Energy supply	6,338	3,469	2,042	0	11,849	5,005
Building and construction	5,222	6,726	0	845	12,793	1,642
Trade	8,595	6,356	1,208	1,795	17,954	9,049
Transport, hotels and restaurants	7,580	2,601	3,159	992	14,332	12,778
Information and communication	97	93	714	3,112	4,016	2,564
Finance and insurance	0	0	0	986	986	973
Real property	36,247	24,571	1,498	52,815	115,131	49,492
Other business customers	40,928	15,973	6,928	5,855	69,684	39,798
Total business customers	**293,756**	**176,916**	**80,764**	**92,342**	**643,778**	**437,709**
Private individuals	**134,800**	**81,021**	**29,572**	**23,951**	**269,344**	**151,675**
Total credit exposure	**428,556**	**257,937**	**110,336**	**116,293**	**913,122**	**589,384**
Individual impair-ment charges	**266,456**	**174,558**	**80,637**	**67,733**	**589,384**	

Note no.

43 Credit risk - continued

Distribution by time from maturity for loan exposures in arrears but not impaired	Arrears less than 90 days	Arrears more than 90 days	Total arrears	Loans including arrears less than 90 days	Loans including arrears more than 90 days	Total loans including arrears
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
2017						
Public authorities	**0**	**0**	**0**	**0**	**0**	**0**
Business customers:						
Agriculture, forestry and fishing	9,557	1,546	**11,103**	121,675	13,416	**135,091**
Industry and raw materials extraction	2,398	55	**2,453**	12,564	120	**12,684**
Energy supply	3,948	18	**3,966**	26,469	450	**26,919**
Building and construction	3,033	429	**3,462**	64,918	719	**65,637**
Trade	4,510	1,949	**6,459**	47,552	4,599	**52,151**
Transport, hotels and restaurants	74,407	114	**74,521**	92,542	334	**92,876**
Information and communication	475	2	**477**	1,210	2	**1,212**
Finance and insurance	24,046	25,679	**49,725**	73,078	43,479	**116,557**
Real property	3,780	468	**4,248**	80,409	1,743	**82,152**
Other business customers	8,985	1,040	**10,025**	91,354	7,300	**98,654**
Total business customers	**135,139**	**31,300**	**166,439**	**611,771**	**72,162**	**683,933**
Private individuals	**46,143**	**3,440**	**49,583**	**133,058**	**17,643**	**150,701**
Total	**181,282**	**34,740**	**216,022**	**744,829**	**89,805**	**834,634**
2016						
Public authorities	**0**	**0**	**0**	**0**	**0**	**0**
Business customers:						
Agriculture, forestry and fishing	8,957	640	**9,597**	168,338	2,670	**171,008**
Industry and raw materials extraction	21,207	1	**21,208**	41,128	6	**41,134**
Energy supply	3,110	442	**3,552**	19,231	2,908	**22,139**
Building and construction	5,609	189	**5,798**	32,439	399	**32,838**
Trade	3,439	1,194	**4,633**	48,970	4,959	**53,929**
Transport, hotels and restaurants	65,726	5	**65,731**	82,965	205	**83,170**
Information and communication	1,151	115	**1,266**	6,639	145	**6,784**
Finance and insurance	944	16	**960**	50,380	16	**50,396**
Real property	8,091	1,380	**9,471**	51,998	11,315	**63,313**
Other business customers	4,026	892	**4,918**	84,968	2,682	**87,650**
Total business customers	**122,260**	**4,874**	**127,134**	**587,056**	**25,305**	**612,361**
Private individuals	**17,693**	**5,954**	**23,647**	**99,614**	**23,628**	**123,242**
Total	**139,953**	**10,828**	**150,781**	**686,670**	**48,933**	**735,603**

Note no.

43 Credit risk - continued

The bank is particularly focused on covering the risk on exposures which have been impaired. Under the bank's credit policy, these exposures must be covered to the greatest possible extent by collateral. When determining the need for an impairment charge, the value of collateral is included at the expected net realisation value. The bank only includes the ability to make payments over and above the value of collateral to a modest extent when determining the need for an impairment charge.

The bank has also made collective impairment charges of DKK 343 million as of the end of December 2017.

Note		31 Dec. 2017 DKK 1,000	31 Dec. 2016 DKK 1,000
	Loans and other receivables with objective evidence of impairment recognised in the balance sheet at a book value greater than zero		
	Individually impaired loans		
	Balance for loans and other receivables before impairment	861,856	1,085,657
	Impairment charges	-461,660	-557,037
	Balance for loans and other receivables after impairment	**400,196**	**528,620**
	Collectively impaired loans		
	Balance for loans and other receivables before impairment	18,143,128	16,343,443
	Impairment charges	-343,282	-341,457
	Balance for loans and other receivables after impairment	**17,799,846**	**16,001,986**
	Suspended calculation of interest		
	Loans and other receivables with suspended calculation of interest on the balance sheet date	**24,995**	**59,904**
	Credit risk on derivative financial instruments		
	Positive market value (by counterpart risk) after netting		
	Counterparty risk weight 20%	38,307	46,993
	Counterparty risk weight 50%	28,204	19,909
	Counterparty risk weight 75%	28,350	35,172
	Counterparty risk weight 100%	100,319	156,585
	Counterparty risk weight 150%	4,615	1,129
	Total risk weight	**199,975**	**259,788**
44	**Foreign exchange risk**		
	Total assets in foreign currency	4,007,535	3,830,833
	Total liabilities in foreign currency	4,567,850	3,961,843
	Foreign exchange indicator 1	34,776	17,034
	Foreign exchange indicator 1 in per cent of tier 1 capital (%)	**1.1**	**0.6**
	Foreign exchange indicator 2	159	71
	Foreign exchange indicator 2 in per cent of tier 1 capital (%)	**0.0**	**0.0**
45	**Interest rate risk**		
	Total interest rate risk	**35,374**	**55,669**
	Interest rate risk (%)	**1.1**	**1.8**
	Interest rate risk by foreign currency:		
	DKK	34,947	75,970
	NOK	148	100
	EUR	-22	-20,818
	CHF	-162	-205
	USD	87	40
	GBP	134	195
	SEK	250	406
	Other currencies	-8	-19
	Total	**35,374**	**55,669**

Note no.

46 Value at Risk / Market risk

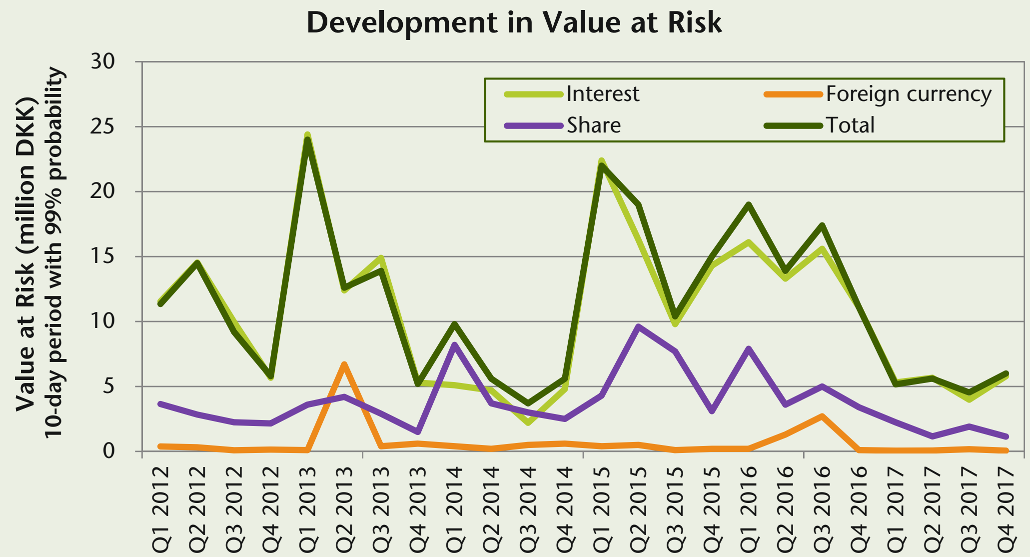
Ringkjøbing Landbobank uses a Value at Risk (VaR) model as a sensitivity analysis for market risks. The model is a parametric VaR model based on a historic analysis of the covariance (the correlations) between the prices of various financial assets etc. The model combines historical knowledge of covariance on the financial markets with the bank's current positions, and on this basis calculates the risk of losses for a forthcoming 10-day period. The bank's interest rate positions, foreign currency positions and listed share positions etc. are included in the calculation, while positions in sector shares etc. are not included. The model does not include the credit spread risks on the bank's portfolio of bonds. The calculated VaR thus indicates the bank's sensitivity to losses on the basis of its positions. The model is used as one of a number of tools in the bank's management of market risks.

Reference is made to pages 29 - 30 and 32 of this annual report for further description of the model etc.

Risk type	Average VaR figure	Minimum VaR figure*	Maximum VaR figure*	End of year VaR figure
(DKK million)				
Interest	9.6	0.9	16.3	5.8
Foreign exchange	0.2	0.2	0.1	0.1
Share price	2.5	2.5	2.8	1.1
Diversification	-2.3	-1.1	-1.7	-1.0
Total VaR figure	**10.0**	**2.5**	**17.5**	**6.0**

** Determined by the total VaR figure.*

Sensitivity analysis of sector shares (DKK 1,000)	
Sector shares cf. note 23	599,656
Impact on the profit of a 10% price change	59,966



Note
no.

47 Derivative financial instruments

Remaining time to maturity

DKK 1,000	Up to and including 3 months		More than 3 months and up to and including 1 year	
	Nominal value	Net market value	Nominal value	Net market value
Currency contracts				
Spot, purchase	13,829	4		
Spot, sale	26,736	-37		
Forward transactions / futures, purchase	1,292,506	3,734	141,956	-366
Forward transactions / futures, sale	552,971	12,392	89,151	2,483
Swaps				
Options, acquired	12,683	105		
Options, issued	12,683	-98		
Interest-rate contracts				
Spot, purchase	136,373	-247		
Spot, sale	33,151	17		
Forward transactions / futures, purchase	28,005	159	1,052	8
Forward transactions / futures, sale	108,041	-140	8,312	-27
Swaps	88,075	2,615	262,850	3,518
Options, acquired	10,198	79	9,396	81
Options, issued	10,198	-79	9,396	-81
Share contracts				
Spot, purchase	16,185	-25		
Spot, sale	16,799	82		
Forward transactions / futures, purchase	6	-104		
Forward transactions / futures, sale	6	104		
Options, acquired	502	315	391	352
Options, issued	502	-315	391	-352

	More than 1 year and up to and including 5 years		More than 5 years	
	Nominal value	Net market value	Nominal value	Net market value
Currency contracts				
Forward transactions / futures, purchase	164,031	-541		
Forward transactions / futures, sale	15,132	747		
Swaps	199,869	-4,639	22,957	1,203
Interest-rate contracts				
Forward transactions / futures, sale	285	3		
Swaps	1,316,947	-1,597	1,405,680	5,094
Options, acquired	58,092	313	127,252	6,088
Options, issued	58,092	-313	127,252	-6,088
Share contracts				
Options, acquired	288	693		
Options, issued	288	-693		

Note
no.

47 Derivative financial instruments - continued

DKK 1,000	Total nominal value		Total net market value	
	2017	**2016**	**2017**	**2016**
Currency contracts				
Spot, purchase	13,829	9,322	4	66
Spot, sale	26,736	106,584	-37	-65
Forward transactions / futures, purchase	1,598,493	1,688,134	2,827	-331
Forward transactions / futures, sale	657,254	1,304,257	15,622	16,371
Swaps	222,826	146,864	-3,436	-3,456
Options, acquired	12,683	52,836	105	397
Options, issued	12,683	52,836	-98	-703
Interest-rate contracts				
Spot, purchase	136,373	369,918	-247	976
Spot, sale	33,151	74,016	17	-234
Forward transactions / futures, purchase	29,057	35	167	738
Forward transactions / futures, sale	116,638	264	-164	-165
Swaps	3,073,552	3,686,435	9,630	-2,180
Options, acquired	204,938	199,879	6,561	9,849
Options, issued	204,938	199,879	-6,561	-9,849
Share contracts				
Spot, purchase	16,185	28,754	-25	289
Spot, sale	16,799	26,753	82	-277
Forward transactions / futures, purchase	6	21	-104	219
Forward transactions / futures, sale	6	21	104	-217
Options, acquired	1,181	528	1,360	2,095
Options, issued	1,181	528	-1,360	-2,095
Total net market value			**24,447**	**11,428**

Note
no.

47 Derivative financial instruments - continued

DKK 1,000	Market value				Average market value			
	Positive		Negative		Positive		Negative	
	2017	2016	2017	2016	2017	2016	2017	2016
Currency contracts								
Spot, purchase	10	66	6		56	268	335	7
Spot, sale	26		63	65	81	36	114	25
Forward transactions / futures, purchase	10,348	13,295	7,521	13,626	10,578	14,192	10,361	16,186
Forward transactions / futures, sale	17,247	22,802	1,625	6,431	16,820	21,002	1,969	6,293
Swaps	1,805	1,071	5,241	4,527	1,413	776	3,943	3,806
Options, acquired	105	397			206	112		
Options, issued			98	703			283	189
Interest-rate contracts								
Spot, purchase	27	989	274	13	153	293	183	50
Spot, sale	35	10	18	244	80	39	302	102
Forward transactions / futures, purchase	167	738			276	670	1,089	10
Forward transactions / futures, sale	154	782	318	947	1,209	254	573	1,168
Swaps	90,032	131,237	80,402	133,417	114,133	150,122	108,594	154,339
Options, acquired	6,561	9,849			8,098	11,207		
Options, issued			6,561	9,849			8,098	11,207
Share contracts								
Spot, purchase	467	656	492	367	1,954	2,059	674	511
Spot, sale	538	376	456	653	735	575	1,922	2,013
Forward transactions / futures, purchase		499	104	280	68	174	595	100
Forward transactions / futures, sale	104	281		498	597	101	68	171
Options, acquired	1,360	2,095			1,041	704		
Options, issued			1,360	2,095			1,041	704
Total market value	**128,986**	**185,143**	**104,539**	**173,715**	**157,498**	**202,584**	**140,144**	**196,881**

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

FIVE-YEAR MAIN FIGURES

Summary (DKK 1,000)	**2017**	**2016**	**2015**	**2014**	**2013**
Income statement					
Interest income	694,136	749,021	736,995	787,924	776,268
Interest expenses	53,094	69,743	91,165	139,253	146,037
Net interest income	**641,042**	**679,278**	**645,830**	**648,671**	**630,231**
Dividends from shares etc.	10,258	18,995	13,010	7,897	12,610
Fee and commission income	322,717	297,328	301,076	261,082	229,813
Fee and commission expenses	42,486	42,417	41,687	31,701	31,123
Net interest and fee income	**931,531**	**953,184**	**918,229**	**885,949**	**841,531**
Value adjustments	+143,225	+63,784	+29,583	+82,293	+23,074
Other operating income	4,979	7,560	4,964	4,001	2,730
Staff and administration costs	327,024	306,670	281,634	270,532	254,909
Depreciation and write-downs on tangible assets	4,249	8,638	7,351	12,192	4,270
Other operating expenses	326	26	68	268	28
Costs Guarantee Fund and Resolution Fund	2,848	2,292	17,233	15,041	16,091
Impairment charges for loans and receivables etc.	-10,320	-48,378	-60,367	-87,186	-120,175
Results of investments in associated companies	-20	+2,842	+2,137	-11	-3
Profit before tax	**734,948**	**661,366**	**588,260**	**587,013**	**471,859**
Tax	146,308	121,868	129,595	141,152	114,199
Net profit for the year	**588,640**	**539,498**	**458,665**	**445,861**	**357,660**

Summary (DKK 1,000) **Balance sheet**	**End of 2017**	**End of 2016**	**End of 2015**	**End of 2014**	**End of 2013**
Assets					
Cash in hand and deposits with credit institutions and central banks	1,519,788	2,361,235	1,049,165	371,363	479,977
Loans and other receivables at amortised cost	19,350,866	17,481,838	17,299,920	15,507,134	13,849,285
Securities	4,574,388	3,974,371	3,584,437	4,943,072	4,878,969
Tangible assets	74,458	75,051	68,493	71,067	78,256
Other assets	276,983	365,642	315,414	345,272	296,334
Total assets	**25,796,483**	**24,258,137**	**22,317,429**	**21,237,908**	**19,582,821**
Liabilities and equity					
Debt to credit institutions and central banks					
Remaining term less than 1 year	607,482	442,918	495,213	813,124	750,834
Remaining term more than 1 year	991,934	1,014,874	1,007,373	1,098,091	1,004,050
Deposits and other debt	19,110,127	18,314,427	16,986,543	15,450,273	14,113,816
Issued bonds	673,436	297,370	0	236,238	249,814
Other liabilities	214,570	256,511	143,867	157,436	174,723
Provisions for liabilities	10,263	6,287	16,057	18,471	17,444
Subordinated debt	371,753	371,095	372,278	365,667	371,040
Share capital	22,350	22,850	23,350	23,900	24,200
Reserves	3,794,568	3,531,805	3,272,748	3,074,708	2,876,900
Total shareholders' equity	3,816,918	3,554,655	3,296,098	3,098,608	2,901,100
Total liabilities and equity	**25,976,483**	**24,258,137**	**22,317,429**	**21,237,908**	**19,582,821**
Contingent liabilities etc.					
Contingent liabilities	3,183,874	2,459,509	2,234,381	2,217,810	1,901,934
Irrevocable credit commitments	392,000	516,724	0	0	0
Total contingent liabilities etc.	**3,575,874**	**2,976,233**	**2,234,381**	**2,217,810**	**1,901,934**

FIVE-YEAR KEY FIGURES

		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
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 for the year	%	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 for the year	%	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

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

** *Calculated on the basis of 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 of the year and at the end of the year.*

Definitions of the official key figures etc. from the Danish FSA

Total capital ratio
Total capital in per cent of total risk exposure.

Tier 1 capital ratio
Tier 1 capital in per cent of total risk exposure.

Return on equity before tax
Profit before tax in per cent of average shareholders' equity. The average shareholders' equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year.

Return on equity after tax
Net profit for the year in per cent of average shareholders' equity. The average shareholders' equity is calculated as a simple average of the shareholders' equity at the beginning of the year and at the end of the year.

Income / cost ratio
Income for the year divided by expenses for the year including impairment charges for loans and other receivables etc.

Return on assets
Net profit for the year in per cent of total assets.

Interest rate risk
Interest rate risk in per cent of tier 1 capital.

Foreign exchange position
Foreign exchange indicator 1 in per cent of tier 1 capital.

Foreign exchange risk
Foreign exchange indicator 2 in per cent of tier 1 capital.

Liquidity Coverage Ratio (LCR)
Holding of liquid assets in per cent of net outflows over 30 days.

Excess cover relative to statutory liquidity requirement
Cash in hand, demand deposits with the central bank of Denmark, fully secured and liquid receivables due on demand from credit institutions and insurance companies, unencumbered certificates of deposit issued by the central bank of Denmark, secured readily negotiable listed unencumbered securities and other secured readily negotiable unencumbered securities. The total of all elements is measured in per cent relative to 10% of the reduced debt and guarantee liabilities.

Loans and impairments thereon relative to deposits
Loans plus impairments thereon in per cent of deposits.

Loans relative to shareholders' equity
Loans / shareholders' equity.

Growth in loans for the year
Growth in loans from the beginning of the year to the end of the year, in per cent (excluding reverse repo transactions).

Total large exposures
The total sum of large exposures in per cent of total capital.

Cumulative impairment ratio
Impairment charges for loans and provisions for losses on guarantees in per cent of loans plus impairment charges for loans plus guarantees plus provisions for losses on guarantees.

Impairment ratio for the year
Impairment charges for the year in per cent of loans plus impairment charges for loans plus guarantees plus provisions for losses on guarantees.

Proportion of receivables at reduced interest
Proportion of receivables at reduced interest before impairment charges in per cent of loans plus impairment charges for loans plus guarantees plus provisions for losses on guarantees.

Earnings per share*/***
Net profit for the year / average number of shares.

Book value per share*/**
Shareholders' equity / share capital excluding own shares.

Dividend per share*
Proposed dividend / share capital.

Market price relative to earnings per share*/***
Market price / earnings per share.

Market price relative to book value per share*/**
Market price / book value per share.

*/**/***: See page 100.

Ringkøbing
Landbobank

OTHER INFORMATION

Shareholders' committee

Name	Position	Home town	Born
Kristian Skannerup chairman of the shareholders' committee	manufacturer	Tim	14 June 1959
Allan Sørensen deputy chairman of the shareholders' committee	lawyer	Ringkøbing	26 June 1982
Anette Ørbæk Andersen	manager	Skjern	4 March 1963
Hejne Fomsgaard Andersen	manufacturer	Ringkøbing	30 August 1954
Claus Dalgaard	deputy manager	Ringkøbing	28 April 1962
Ole Kirkegård Erlandsen	butcher	Snejbjerg	19 December 1962
Niels Ole Hansen	business consultant	Ringkøbing	01 September 1951
Tonny Hansen	college principal	Ringkøbing	27 May 1958
Leif Haubjerg	farmer	No	18 December 1959
Poul Johnsen Høj	fishing boat skipper	Hvide Sande	10 November 1964
Erik Jensen	manager	Skjern	7 September 1965
Claus Kaj Junge	manager	Filskov	25 May 1968
Jens Lykke Kjeldsen*	timber merchant	Ringkøbing	2 September 1950
Carl Erik Kristensen	manager	Hvide Sande	28 January 1978
Niels Erik Burgdorf Madsen	manager	Ølgod	25 October 1959
Jacob Møller*	CEO	Ringkøbing	2 August 1969
Lars Møller	municipal chief executive	Holstebro	30 November 1957
Bjarne Bjørnkjær Nielsen	manager	Skjern	11 March 1973
Jens Møller Nielsen*	manager	Ringkøbing	25 August 1956
Bente Skjørbæk Olesen	shop owner	Vemb	16 February 1971
Martin Krogh Pedersen*	CEO	Ringkøbing	7 June 1967
Poul Kjær Poulsgaard	farmer	Madum	21 February 1974
Karsten Sandal	manager	Ølstrup	25 June 1969
Lone Rejkjær Söllmann*	finance manager	Tarm	26 January 1968
Egon Sørensen	insurer	Søndervig	16 June 1965
Jørgen Kolle Sørensen	car dealer	Hvide Sande	17 September 1970
Lise Kvist Thomsen	senior business analyst	Virum	24 May 1984

** Member of the board of directors*

Board of directors

Jens Lykke Kjeldsen, timber merchant, Ringkøbing
Chairman of the board of directors

Born on 2 September 1950
Member of the board of directors since 28 March 1995
End of current term of office: 2018

Other managerial activities - member of the management of:
- A/S Henry Kjeldsen
- A/S Miljøpark Vest
- Aktieselskabet af 1. august 1989
- Asta og Henry Kjeldsens Familiefond
- Henry Kjeldsen, Ringkøbing Tømmerhandel A/S
- Høgildgaard Plantage A/S
- Pensionstilskudsfonden for medarbejdere i Ringkjøbing Landbobank
- VT Hallen A/S

Martin Krogh Pedersen, CEO, Ringkøbing
Deputy chairman of the board of directors

Born on 7 June 1967
Independent
Member of the board of directors since 27 April 2011
End of current term of office: 2019

Other managerial activities - member of the management of:
- A/S Maskinfabrikken PCP
- KP Group ApS
- KP Group Holding ApS
- K. P. Components Inc.
- K. P. Holding A/S
- K. P. Komponenter A/S
- MHKP Holding ApS
- MHKPO ApS
- MHKPS ApS
- PF Group A/S
- Trestads Precisions Mekanik Aktiebolag

Jon Steingrim Johnsen, Group COO, Humlebæk

Born on 17 April 1968
Independent
Member of the board of directors since 22 February 2017
End of current term of office: 2021

Other managerial activities - member of the management of:
- Forsikringsakademiet A/S
- Letpension A/S
- PFA Holding A/S
- PFA Kapitalforening
- PFA Pension Forsikringsaktieselskab
- PFA Soraarneq Forsikringsaktieselskab

Jacob Møller, CEO, Ringkøbing

Born on 2 August 1969
Independent
Member of the board of directors since 26 April 2017
End of current term of office: 2019

Other managerial activities - member of the management of:
- Dansk Energi
- Iron Pump A/S
- Iron Pump Ejendomme A/S
- Iron Pump Holding A/S
- RAH Elhandel A/S
- RAH Fiberbredbånd A/S
- RAH Holding A/S
- RAH Net A/S
- RAH Service A/S
- RAH Vind ApS
- Scanenergi A/S
- Scanenergi Elsalg A/S
- Scanenergi Holding A/S
- Scanenergi Solutions A/S
- Teknikgruppen A/S
- Vestjyske Net 60 KV A/S
- Vestjyske Net Service A/S

Jens Møller Nielsen, general manager, Ringkøbing

Born on 25 August 1956
Independent
Member of the board of directors since 22 April 2015
End of current term of office: 2019

Other managerial activities - member of the management of:
- Byggeri & Teknik I/S
- Vestjysk Landboforening
- VL Revision, registreret revisionsaktieselskab

Lone Rejkjær Söllmann, finance manager, Tarm

Born on 26 January 1968
Independent
Member of the board of directors since 26 April 2017
End of current term of office: 2018

Other managerial activities - member of the management of:
- Tama ApS

Dan Junker Astrup, business customer manager, Videbæk
Elected by the employees

Born on 20 January 1989
Member of the board of directors since 1 March 2015
End of current term of office: 2019

No other managerial activities

Bo Fuglsang Bennedsgaard, IT consultant, Holstebro
Elected by the employees

Born on 23 January 1972
Member of the board of directors since 1 March 2007
End of current term of office: 2019

Other managerial activities - member of the management of:
Pensionstilskudsfonden for medarbejdere i Ringkjøbing Landbobank

Gitte E. S. H. Vigsø, MA (Laws) / administrative employee, Holstebro
Elected by the employees

Born on 24 April 1976
Member of the board of directors since 1 March 2011
End of current term of office: 2019

Other managerial activities - member of the management of:
Finansforbundet

Board committees

The board of directors has appointed a remuneration committee, a nomination committee, an audit committee and a risk committee.

Information on the individual board committees is provided below:

Remuneration committee

The following are members of the remuneration committee:

- Jens Lykke Kjeldsen, chairman of the committee
- Martin Krogh Pedersen*
- Gitte E. S. H. Vigsø

The bank's board of directors has agreed a brief for the remuneration committee which includes provisions on scope and objective, members and how it is constituted, tasks, meetings, authority and resources, reporting and minutes of meetings, publication, evaluation and self-assessment, as well as changes to its brief.

The remuneration committee is, as a minimum, responsible for the following tasks:

- Negotiation with the general management on remuneration of the general management.
- Undertaking the preparatory work for the board of directors' decisions on remuneration, including the remuneration policy and any other associated decisions that may affect the bank's risk management, and, in that connection, undertake any tasks and obligations following from the legislation, including:
- Advising the board of directors on the development of the remuneration policy, assisting the board with monitoring compliance with it, assessing whether the remuneration policy is updated and, if necessary, proposing changes to the policy including
  - Drafting and recommending guidelines for the board of directors' monitoring of compliance with the remuneration policy etc. for approval by the board of directors, including ensuring that compliance with the policy is monitored.
  - Monitoring remuneration of the management of the part of the organisation in charge of monitoring the limits of risk-taking, and the management of the part of the organisation otherwise in charge of monitoring and auditing, including the management of the compliance function and the chief internal auditor.
- Ensuring that the information on the bank's remuneration policy and practice presented to the general meeting is adequate.
- Assessing whether the bank's procedures and systems are adequate and allow for the bank's risks associated with the management of capital and liquidity in relation to the remuneration structure.
- Ensuring that the remuneration policy and practice are in accordance with and promote sound and effective risk management and that they comply with the bank's business strategy, objectives, values and long-term interests.
- Ensuring that independent control functions and other relevant functions are included to the extent that they are necessary for the performance of such tasks and, if necessary, seeking external advice.
- In its preparatory work, and with reference to the adopted remuneration policy, the committee must protect the bank's long-term interests, including those of shareholders, other investors and the public.
- Other remuneration-related tasks, including supporting the board of directors in its task of identifying major risk takers.
- Tasks in connection with the bank's compliance with the remuneration policy under the special requirements for housing.

In addition, the Recommendations on Corporate Governance require the remuneration committee to undertake at least the following preparatory tasks:

- Prior to approval by the shareholders' committee, the remuneration committee must submit proposals for remuneration of members of the bank's board of directors and shareholders' committee to the board and the shareholders' committee, ensure that the remuneration is in accordance with the bank's remuneration policy and recommend a remuneration policy applying to the bank in general.

Nomination committee

The following are members of the nomination committee:

- Jens Lykke Kjeldsen, chairman of the committee
- Martin Krogh Pedersen*
- Jon Steingrim Johnsen*
- Jacob Møller*
- Jens Møller Nielsen*
- Lone Rejkjær Söllmann*
- Dan Junker Astrup
- Bo Fuglsang Bennedsgaard
- Gitte E. S. H. Vigsø

The bank's board of directors has agreed a brief for the nomination committee which includes provisions on scope and objective, members and how the committee is constituted, tasks, meetings, authority and resources, reporting and minutes of meeting, publication, evaluation and self-assessment, as well as changes to the brief.

The nomination committee is, as a minimum, responsible for the following tasks:

- Preparing proposals and recommendations for the election and re-election of members to the bank's shareholders' committee and board of directors and appointment of the bank's general management, including describing the qualifications required of the board of directors and the bank's general management etc. The process for recruitment of candidates for the board of directors is carried out on the basis of discussions in the committee.
- Regularly and at least once a year assessing the board of directors' size, structure, composition and results in relation to its tasks and reporting and making recommendations for possible changes thereof to the full board of directors.
- Regularly and at least once a year assessing whether the full board of directors has the required combination of knowledge, professional skills, diversity and experience, and whether individual members meet the requirements of Section 64 of the Danish Financial Business Act, and reporting and making recommendations for possible changes thereof to the full board of directors, including a possible action plan for the future composition and proposals for specific changes. An individual member of the management (board of directors) must also regularly assess that he or she has allocated sufficient time to his or her duties cf. Section 64a of the Danish Financial Business Act. The nomination committee must assess at least once a year whether it agrees with the individual's assessment.
- Regularly and at least once a year evaluating the bank's general management, making recommendations to the board of directors and ensuring that the board of directors discusses succession plans when judged to be necessary.
- Regularly reviewing the board of directors' policy for selection and appointment of members to the general management if such a policy has been prepared, and making recommendations to the board of directors (currently there is no such policy).
- Setting a target percentage of the under-represented gender on the board of directors and preparing a policy on how to reach this figure.
- Preparing a policy for diversity on the board of directors.

Audit committee

The following are members of the audit committee:

- Martin Krogh Pedersen*, chairman of the committee
- Jens Lykke Kjeldsen
- Jens Møller Nielsen*

Martin Krogh Pedersen is the specially qualified member of the audit committee. Given the bank's size and complexity and Mr Pedersen's education, professional experience and experience on the bank's board of directors and board committees, including the audit committee, the bank's board of directors judges that Mr Pedersen is independent and that he possesses the qualifications required pursuant to the Danish Act on Approved Auditors and Audit Firms.

The bank's board of directors has agreed a brief for the audit committee which includes provisions on how the committee is constituted and its objective, members, meetings, authority etc., tasks, reporting and self-assessment.

The audit committee is, as a minimum, responsible for the following tasks:

- Informing the board of directors of the result of the statutory audit, including the financial reporting process.
- Monitoring the financial reporting process and making recommendations or proposals for the purpose of ensuring integrity.
- Monitoring whether the bank's internal control system, internal audit and risk management systems are effective with respect to the financial reporting of the bank without violating its independence.
- Monitoring the statutory auditing of the financial statements etc.
- Monitoring and verifying the auditor's independence, pursuant to Sections 24-24c of the Act on Approved Auditors and Audit Firms and to Article 6 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding audit of public-interest entities, and approving the auditor's provision of services other than audit, pursuant to Article 5 of the Regulation.
- Being in charge of the procedure for selecting and recommending an auditor for election, pursuant to Article 16 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding audit of public-interest entities.

Risk committee

The following are members of the risk committee:

- Jens Lykke Kjeldsen, chairman of the committee
- Martin Krogh Pedersen*
- Jon Steingrim Johnsen*
- Jacob Møller*
- Jens Møller Nielsen*
- Lone Rejkjær Söllmann*
- Dan Junker Astrup
- Bo Fuglsang Bennedsgaard
- Gitte E. S. H. Vigsø

The bank's board of directors has agreed a brief for the risk committee which includes provisions on scope and objective, members and how the committee is constituted, tasks, meetings, authority and resources, reporting and minutes of meetings, publication, evaluation and self-assessment, as well as changes to the brief.

The risk committee is, as a minimum, responsible for the following tasks:

- Advising the board of directors on the bank's general existing and future risk profile and risk strategy.
- Assisting the board of directors with ensuring that the board's risk strategy is implemented correctly in the organisation.
- Assessing whether the financial products and services traded by the bank are in accordance with the bank's business model and risk profile, including whether the earnings on such products and services reflect the associated risks, and preparing proposals for remedies if the products or services and the associated earnings are not in accordance with the bank's business model and risk profile.
- Assessing whether the incentive components of the bank's remuneration structure take account of the bank's risks, capital, liquidity and the probability and time of payment of remuneration (under the bank's remuneration policy, no forms of incentive components are used for the bank's board of directors and general management).
- Conducting a review of the quarterly credit reports.

Regarding the committees in general, in cases where a committee consists of the bank's full board of directors or where the full board of directors participates in a committee meeting, both the committee and the board of directors' proceedings may take place simultaneously.

** Independent.*

Board of directors - competencies

The members of the bank's board of directors together possess all the competencies required for the overall management of the bank on the basis of the business model for the bank's operations.

The members of the bank's full board of directors thus possess competencies concerning:

- The business model and relevant related matters
- Credit risks and relevant related matters
- Market risks and relevant related matters
- Liquidity risks and relevant related matters
- Operational risks and relevant related matters including IT
- Budgets, accounting and auditing
- Capital structure consisting of capital adequacy and solvency requirement
- Insurance risks
- Risk management including interdisciplinary risk management
- General managerial experience
- Managerial experience from other financial undertakings
- Legal insight, including in relation to financial legislation

We advise as follows concerning the individual board members' special competencies within specific areas:

- Jens Lykke Kjeldsen has special competencies, knowledge and experience within the areas of the business model, credit risks, liquidity risks, operational risks, insurance risks, risk management and general managerial experience and within sections of the market risk area.
- Martin Krogh Pedersen has special competencies, knowledge and experience within the areas of the business model, credit risks, market risks, liquidity risks, budgets, accounting and auditing, capital structure, insurance risks and general managerial experience. As the chairman of the bank's audit committee, Martin Krogh Pedersen has competencies within accounting or auditing.
- Jon Steingrim Johnsen has special competencies, knowledge and experience within the areas of the business model, market risks, liquidity risks, operational risks, budgets, accounting and auditing, capital structure, insurance risks, risk management, managerial experience from other financial undertakings, general managerial experience and legal insight and within sections of the credit risk area.
- Jacob Møller has special competencies, knowledge and experience within the areas of insurance risks, general managerial experience and legal insight and within sections of the business model, credit risk and market risk areas.
- Jens Møller Nielsen has special competencies, knowledge and experience within the areas of the business model, credit risks, market risks, liquidity risks, operational risks, budgets, accounting and auditing, insurance risks, risk management, general managerial experience and legal insight.
- Lone Rejkjær Söllmann has special competencies, knowledge and experience within sections of the business model and credit risk areas.
- Dan Junker Astrup has special competencies, knowledge and experience within the areas of the business model, credit risks, budgets, accounting and auditing and within sections of the market risk area.
- Bo Fuglsang Bennedsgaard has special competencies, knowledge and experience within the area operational risks and within sections of the business model and credit risk areas.
- Gitte E. S. H. Vigsø has special competencies, knowledge and experience within the area of legal insight and within sections of the business model and credit risk areas.

Holdings of Ringkjøbing Landbobank shares by members of the board of directors

Reference is made to note 39 on page 81 for information on holdings of Ringkjøbing Landbobank shares by members of the board of directors.

General management

John Bull Fisker, CEO

Born on 3 December 1964
Employed by the bank on 1 May 1995
Member of the general management since 1 May 1999
CEO since 1 May 2012

On the board of directors of the following companies etc.:
Chairman of Letpension A/S, Copenhagen
Deputy chairman of Bankdata, Fredericia
Deputy chairman of BI Holding A/S, Copenhagen
Deputy chairman of BI Asset Management Fondsmæglerselskab A/S, Copenhagen
Board member of Totalkredit A/S, Copenhagen
Board member of PRAS A/S, Copenhagen
Board member of AUHE Midtvests Støttefond, Herning
Board member of Pensionstilskudsfonden for medarbejdere i Ringkjøbing Landbobank, Ringkøbing

Member of the customer board of:
PFA Pension A/S, Copenhagen

Jørn Nielsen, General Manager

Born on 9 November 1972
Employed by the bank on 1 August 1991
Member of the general management since 1 September 2015

No other managerial activities

Holdings of Ringkjøbing Landbobank shares by the general management

Reference is made to note 39 on page 81 for information on holdings of Ringkjøbing Landbobank shares by members of the general management.

Ringkjøbing Landbobank Aktieselskab

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Website: www.landbobanken.com

CVR No: 37536814
Sort code: 7670
SWIFT / BIC: RINGDK22
LEI code: 2138002M5U5K4OUMVV62

Share capital

Ringkjøbing Landbobank's share capital is DKK 22,350,000, divided into 22,350,000 nom. DKK 1 shares.

Ownership

On 31 December 2017, Ringkjøbing Landbobank had registered shares of DKK 21,252,276, equivalent to 95.09% of the total share capital.

The number of registered shareholders on 31 December 2017 totalled 17,472.

Major shareholders

Two shareholders have advised their holding of at least 5% of Ringkjøbing Landbobank's share capital:

- Parvus Asset Management Europe Limited, of London, Great Britain owned 9.38% of the bank's share capital on 31 December 2017.
- ATP, Hillerød, of Denmark owned 5.06% of the bank's share capital on 31 December 2017.

Both shareholders have two votes each.

STOCK EXCHANGE REPORTS

Stock exchange reports 2017

Summary of Ringkjøbing Landbobank's announcements to Nasdaq Copenhagen and others in 2017:

31 January 2017	Announcement of the annual accounts for 2016
31 January 2017	Annual report 2016
31 January 2017	Notice convening annual general meeting
31 January 2017	The board of directors of Ringkjøbing Landbobank A/S
23 February 2017	Minutes of the annual general meeting on 22 February 2017
08 March 2017	Articles of association
26 April 2017	Quarterly report 1st quarter 2017
26 April 2017	The board of directors of Ringkjøbing Landbobank A/S
03 May 2017	Implementation of capital reduction
03 May 2017	Articles of association
17 May 2017	Share split
31 May 2017	Voting rights and share capital
02 August 2017	Interim report 2017
19 September 2017	Large shareholder announcement
25 October 2017	Quarterly report 1st-3rd quarters 2017
25 October 2017	Financial calendar for 2018
09 November 2017	Decision from the Danish High Court
29 November 2017	Share buy-back programme

Reports regarding transactions by persons who have a duty of disclosure in Ringkjøbing Landbobank shares are not indicated in the summary above.

All the reports from the bank to Nasdaq Copenhagen and others can be seen on the bank´s website: www.landbobanken.com.

FINANCIAL CALENDAR

Financial calendar 2018

The financial calendar for the upcoming publications is as follows:

28 February 2018	Annual general meeting
25 April 2018	Quarterly report 1st quarter 2018
01 August 2018	Interim report 2018
24 October 2018	Quarterly report 1st-3rd quarters 2018

THE BANK'S BRANCHES ETC.

Head office:

Ringkøbing

Branches:

Herning
Holstebro
Hvide Sande
Tarm
Viborg
Vildbjerg

Private Banking branches:

Herning
Holte
Ringkøbing
Vejle
Aarhus

John Bull Fisker
CEO

Jørn Nielsen
General manager

Sten Erlandsen
Head of treasury

Ole Bjerregaard Pedersen
Financial manager

Lars Hindø
Executive assistant / Head of Investor Relations
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Ringkjøbing Landbobank

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