ANNUAL REPORT 2016

Ringkjøbing Landbobank

Ringkjøbing
Landbobank

CONTENTS

DEAR SHAREHOLDER

2016 was a really good year for Ringkjøbing Landbobank. The profit of DKK 661 million before tax is the best in the bank's history, and results in a 21% return on equity. The bank's core earnings also exceeded expectations at DKK 617 million. These results were achieved on the basis of a very good increase in customer numbers, which led to a 3% increase in the bank's loans and an 8% increase in deposits.

We again saw a year with high levels of customer satisfaction and willingness to recommend the bank to others. 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 in 2016.

This was another year with modest growth and a record low interest rate level in Denmark. The very low rate of inflation ensured consumers a handsome real-earnings increase and employment was high. This combination resulted in an increase in consumer spending without an increase in the granting of credit. Exports, on the other hand, were hampered by international events such as Brexit and the US election.

We expect the rising trend in consumer spending to continue and exports to develop positively. Growth will thus increase in 2017. However, the long list of threats to the international economy and trade and the continuing substantial global imbalances could derail the positive development.

The general meeting is recommended to approve an increase in ordinary dividend to DKK 36 per share. A new buy-back programme for up to DKK 170 million is also proposed. 62% 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 32.3, 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 2016. Their expertise, stability, loyalty and fighting spirit are an unsurpassed combination.

We expect 2017 to be an interesting year, in which our main task will be to serve our current customers and continue to increase our market share with additional new customers. We expect core earnings in the range DKK 515 - 615 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 in the bank's history
- 12% improvement in profit before tax to DKK 661 million, equivalent to a 21% return on equity
- Core earnings increased to DKK 617 million, exceeding expectations
- High levels of customer satisfaction and willingness to recommend the bank
- The rate of costs was 32.3 - the lowest in Denmark
- Increase in loans of 3% and in deposits of 8%
- Proposed dividend raised from DKK 30 to DKK 36 per share. A new buy-back programme for up to DKK 170 million is also proposed, increasing the total pay-out ratio to 62%
- Expectations for core earnings of DKK 515 - 615 million in 2017, plus the result for the portfolio

MAIN AND KEY FIGURES

	2016	**2015**	**2014**	**2013**	**2012**
Main figures for the bank (million DKK)					
Total core income	983	954	907	844	823
Total expenses and depreciation	-318	-306	-298	-273	-265
Core earnings before impairments	**665**	**648**	**609**	**571**	**558**
Impairment charges for loans etc.	-48	-60	-87	-120	-157
Core earnings	**617**	**588**	**522**	**451**	**401**
Result for the portfolio etc.	+44	0	+65	+21	+47
Profit before tax	**661**	**588**	**587**	**472**	**448**
Net profit for the year	**539**	**459**	**446**	**358**	**328**
Equity	3,555	3,296	3,099	2,901	2,676
Deposits	18,314	16,987	15,450	14,114	12,867
Loans	17,482	17,017	14,924	13,849	12,424
Balance sheet total	24,258	22,317	21,238	19,583	17,682
Guarantees	2,460	2,234	2,218	1,902	1,667
Key figures for the bank (per cent)					
Return on equity before tax, beginning of year	20.9	19.8	21.1	18.1	18.5
Return on equity after tax, beginning of year	17.1	15.4	16.0	13.7	13.6
Rate of costs	32.3	32.1	32.8	32.4	32.2
Common equity tier 1 capital ratio	16.9	17.1	17.5	18.7	19.6
Tier 1 capital ratio	16.9	17.1	17.5	19.2	20.9
Total capital ratio	18.3	18.8	17.5	20.0	22.4
Individual solvency requirement	9.0	9.0	8.9	8.9	8.0
Key figures per DKK 5 share (DKK)					
Core earnings	138	129	112	94	83
Profit before tax	148	129	126	99	93
Net profit for the year	121	100	95	75	68
Book value	795	721	664	607	553
Price, end of year	1,463	1,500	1,152	1,099	770
Dividend	36	30	26	25	14

Ringkøbing
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MANAGEMENT'S REVIEW

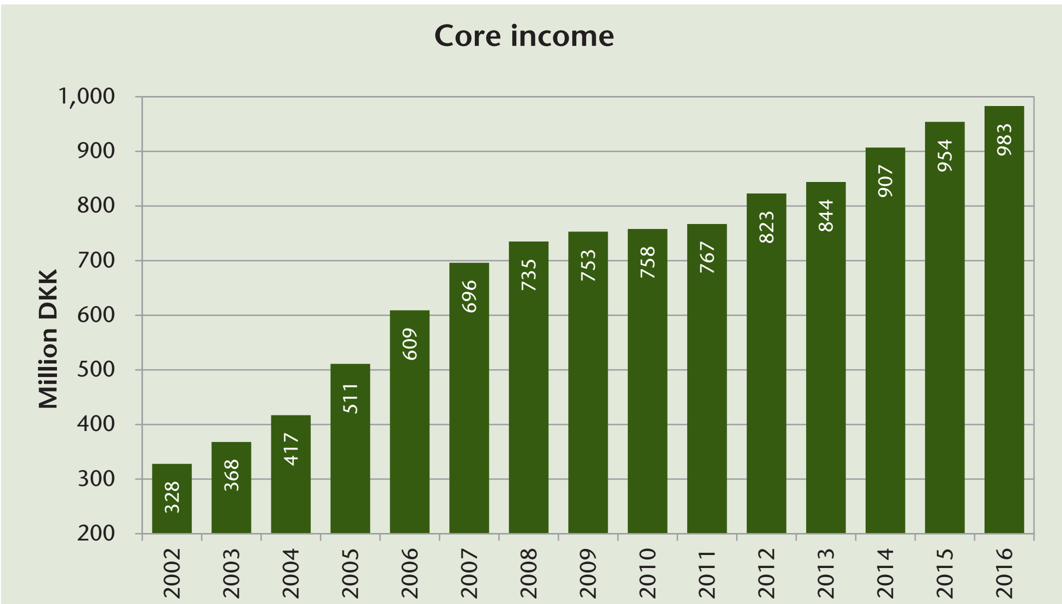
Financial review

Profit before tax increased by 12% to DKK 661 million, which equates to a 21% return on equity. Core earnings show an increase of 5% to DKK 617 million and are thus above the upwardly adjusted DKK 525 - 600 million range.

Both profit before tax and core earnings are the best in the bank's history and considered highly satisfactory.

Core income

Total core income increased by 3% from DKK 954 million in 2015 to DKK 983 million in 2016. The bank considers the increase highly satisfactory given the market conditions for the sector.



Net interest income was DKK 665 million in 2016 compared to DKK 638 million in 2015, an increase of 4%. In 2016, the bank earned extraordinary one-off interest income of approximately DKK 13 million from early repayment of longer-term loans. After adjusting for this, interest income in 2016 thus increased by 2% compared to 2015. The increase in net interest income should be compared to a 3% increase in lending, excluding reverse repo transactions. Net interest income is thus still influenced by competition in the sector, a changed mix of loans and the continuing low interest rate level.

Fee, commission and foreign exchange income amounted to net DKK 271 million in 2016 compared to net DKK 275 million in 2015, a fall of 1%. This development reflects opposite trends. Income decreased in 2016 due to lower income from the conversion of mortgage loans. The decrease can also be attributed to lower income from trading and the loss of subscription commissions concerning investment fund certificates. The fact that the bank started to receive an outsourcing fee for tasks performed in connection with the investment fund certificates is pulling in the opposite direction. There was also an increase in guarantee commission and other fee income, among others from insurance.

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

(Million DKK)	**2016**	**2015**
Securities trading	41	48
Asset management and custody accounts	97	106
Payment handling	20	17
Loan fees	6	13
Guarantee commission and mortgage credit commission	65	56
Other fees and commission	26	19
Foreign exchange income	16	16
Total	**271**	**275**

Earnings from sector shares increased by DKK 2 million to DKK 39 million in 2016. The earnings for the year derive primarily from return on the bank's ownership in DLR Kredit, BankInvest Holding and PRAS.

Costs and depreciation

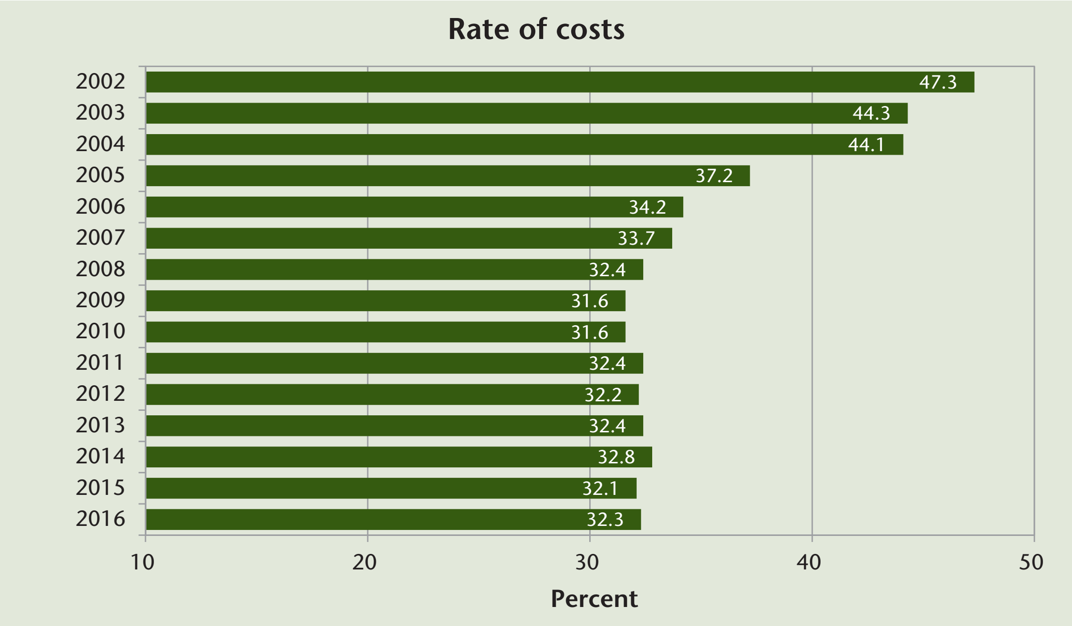
Total costs including depreciation and write-downs on tangible assets were DKK 318 million in 2016 compared to DKK 306 million last year, an increase of 4%.

Expenses for the Guarantee Fund and the Resolution Fund decreased by DKK 15 million to DKK 2 million in 2016 compared to DKK 17 million in 2015.

On the other hand, the bank had higher costs due to its growth strategy. The bank increased its staff during the year, spent more money on national marketing via advertisements and TV commercials, and head office was expanded by a big new lease, which was thoroughly renovated and fitted up as bank premises during the year. As the new lease was taken into use, the bank's own premises at Torvet in Ringkøbing were renovated. In 2016, the bank also invested in TV and video-conference equipment with a view to ensuring cohesion between the different branches and increasing efficiency.

Finally, the bank had higher IT expenses in 2016. The bank is a co-owner of the data centre, Bankdata, and uses it as its primary supplier and partner. The bank's proportionate share of the data centre's costs increased during the year. In addition, expenses in Bankdata's basic budget are increasing as a result of its ambitious IT strategy. Bankdata has also solved a record number of legislation and sector-related IT tasks in recent years, which will continue in the next few years. In addition the bank paid IT expenses for the digitalisation of processes and the implementation of MobilePay as part of its product range.

The rate of costs was unchanged relative to the 2015 level and was computed at 32.3 for 2016, which continues to be the lowest in Denmark.



Impairment charges for loans

Impairment charges for loans amounted to DKK 48 million compared with DKK 60 million in the previous year. The falling trend from previous years thus continues for impairment charges, which are equivalent to 0.2% of the total average of loans and guarantees, compared to 0.3% in 2015.

The average credit quality of the bank's loans portfolio in general improved marginally compared to 2015.

During 2016, individual impairment charges were reversed on a number of customers. The bank also terminated and wrote off a small quantity of agricultural exposures during the financial year. These two circumstances contributed to a reduction of the bank's total balance of individual impairment charges during the financial year, from DKK 665 million at the beginning of the year to DKK 589 million at the end of the year.

The bank expects poor financial results for livestock farmers for 2016, in particular for dairy farmers. Many livestock farmers must thus be expected to have negative earnings in 2016.

On this basis, the bank assessed that there was a need to increase collective impairment charges by DKK 68 million, from DKK 273 million at the beginning of the year to DKK 341 million at the end of the year. The increased collective impairment charges are thus mainly related to the livestock farmers in the bank's agricultural portfolio.

Given the current prices to producers and the outlook for livestock production in Denmark, the bank expects that the majority of pig and dairy producers again have prospects of profitable production in 2017.

The bank's total account for impairment charges and provisions was DKK 937 million at the end of the year, equivalent to 4.5% of total loans and guarantees.

Actual losses on loans for the year, less interest on the impaired part of loans and receivables previously written off, were on a par with the impairment charges recognised as expenses. Total impairment charges and provisions for the year thus decreased only marginally, by DKK 6 million.

The portfolio of loans with suspended calculation of interest amounts to DKK 60 million, equivalent to 0.3% of the bank's total loans and guarantees at the end of the year. The portfolio thus decreased compared with the end of 2015, when the amount was DKK 74 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 2017 to be lower than in 2016.

From the beginning of 2018, new impairment rules based on the IFRS 9 will enter into force. The implementation of these rules is not expected to materially influence the bank's situation.

Core earnings

(Million DKK)	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**	**2007**
Total core income	983	954	907	844	823	767	758	753	735	696
Total expenses etc.	-318	-306	-298	-273	-265	-248	-240	-238	-239	-234
Core earnings before impairment charges	665	648	609	571	558	519	518	515	496	462
Impairment charges for loans	-48	-60	-87	-120	-157	-129	-138	-159	-77	+11
Core earnings	**617**	**588**	**522**	**451**	**401**	**390**	**380**	**356**	**419**	**473**

Core earnings were DKK 617 million, compared with DKK 588 million last year, an increase of 5% 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 475 - 575 million range. This range was upwardly adjusted to DKK 525 - 600 million in connection with the presentation of the bank's interim report, and the core earnings realised are thus above the upwardly adjusted range.

Result for the portfolio and market risk

The result for the portfolio for 2016 was DKK 44 million, including funding costs for the portfolio. The falling interest rate level in 2016 positively affected the result for the portfolio.

Shares etc. at the end of the year amounted to DKK 531 million, DKK 22 million of which was in listed shares, DKK 147 million in investment fund certificates and DKK 362 million in sector shares etc. The bond portfolio amounted to DKK 3,443 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 profit of a 1 percentage point change in the interest level - was 1.8% 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 2016:

Value at Risk	**Risk in million DKK**	**Risk relative to equity end of year in %**
Highest risk of loss:	31.8	0.89%
Lowest risk of loss:	6.2	0.17%
Average risk of loss:	15.7	0.44%
End of year risk of loss:	11.1	0.31%

See note 40 on page 87.

Net profit for the year

The profit before tax was DKK 661 million. After tax of DKK 122 million the net profit for the year was DKK 539 million, compared with last year's DKK 459 million.

The profit before tax and the net profit for the year is equivalent to a return on equity at the beginning of the year of 21% and 17% respectively after payment of dividend.

Balance sheet

The bank's balance sheet at the end of the year stood at DKK 24,258 million compared with last year's DKK 22,384 million.

The bank's deposits increased by 8% from DKK 16,987 million at the end of 2015 to DKK 18,314 million at the end of 2016. The bank's loans, excluding reverse repo transactions, increased by 3% from DKK 17,017 million at the end of 2015 to DKK 17,482 million at the end of 2016.

The growth in the bank's loans was smaller than in the previous four years. The growth is broadly based and development was positive in all of the bank's segments, except in the bank's renewable energy niche. The bank experienced a major decrease in loans in this niche in 2016, because new loans were limited and there were extraordinary repayments of various major projects during the year. On the other hand, the bank's business department experienced substantial growth, and the bank's first-mortgage loans for private homes as well as residential and commercial rental properties developed positively.

The bank's portfolio of guarantees at the end of the year was DKK 2,460 million compared to DKK 2,234 million in 2015.

** 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 0.4 billion, balanced by DKK 5.8 billion primarily in short-term investments in the Danish central bank and in liquid securities.

During 2016, the bank raised longer-term funding to the equivalent value of a total of DKK 0.5 billion with an average term of approximately 3 years. In 2016 the bank also initiated a joint funding partnership with Totalkredit and, in both the third and fourth quarters of 2016, home loans were sold to Totalkredit for funding.

The bank's deposits at the end of the year exceeded the its loans by DKK 833 million. The loans portfolio is thus more than fully financed by the bank's deposits and equity. In addition, part of the loans portfolio for wind turbines in Germany is refinanced "back-to-back" with KfW Bankengruppe, which means that DKK 1,010 million can be disregarded in terms of liquidity.

The bank thus requires no financing for the coming year to meet the internal goal that it must always be able to manage for up to 12 months without access to the financial markets.

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 the 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 2016, the requirement for non-SIFI banks was cover of at least 70%. On 1 January 2017, the requirement increased by 10 percentage points to 80%, and on 1 January 2018 it will increase by an additional 20 percentage points, which means that as of this date, the LCR must be at least 100%. The requirement for SIFI banks has been cover of 100% since implementation of the LCR requirement.

Since its introduction on 1 October 2015, Ringkjøbing Landbobank has sought to follow the same rules that apply to SIFI banks, and the bank's internal LCR target is thus 100%.

On 31 December 2016 the bank's LCR was 185% and the bank thus met the target.

On 31 December 2016, the LCR requirement replaced the statutory Section 152 requirement, which was phased out on the same date. However, it must still be disclosed, and the figure at the end of the year was 140%.

Rating

Ringkjøbing Landbobank was rated for the first time by the international credit rating bureau Moody's Investors Service in May 2007.

The bank's ratings at the end of 2016 were as follows:

Baseline Credit Assessment (BCA)	Long-term Deposit Rating	Short-term Deposit Rating	Counterparty Risk Assessment	Outlook
A3	A1	P-1	Aa3 / P-1	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.

The supervisory diamond

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

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

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

		Key figures	
Benchmarks	**Limit values**	**2016**	**2015**
Stable funding (funding ratio)	< 1	0.7	0.8
Excess liquidity	> 50%	139.6%	99.7%
Total large exposures	< 125%	29.5%	63.4%
Growth in loans	< 20%	2.7%	14.0%
Real property exposure	< 25%	14.8%	14.1%

With effect from 1 January 2018, the benchmark for large exposures will change. In future it will be calculated on the basis of the sum of the bank's 20 largest exposures relative to its common equity tier 1 capital with a limit value of 175%. The FSA will also at some point implement a new benchmark to replace the current excess liquidity coverage benchmark, which is calculated on the basis of the minimum requirement in Section 152 of the Financial Business Act. The future benchmark and limit value are expected to be related to the LCR requirement. The bank expects to be able to comply with the new benchmarks without any problems.

Capital reduction, dividends and share buy-back programme

Under the share buy-back programme which was adopted by the annual general meeting in February 2016, 100,000 shares have been bought and reserved during the year. It is proposed to the general meeting that these 100,000 shares be finally cancelled in connection with a capital reduction, thus reducing the number of shares in the bank from 4,570,000 to 4,470,000.

The bank's board of directors will also propose to the general meeting that a dividend of DKK 36 per share, equivalent to DKK 165 million, be paid for the 2016 financial year. A dividend of DKK 30 per share was paid for the 2015 financial year.

A proposal will also be made to the general meeting that a new share 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 61% in 2015 to 62% in 2016 on the basis of the above proposals.

Capital structure

Equity at the beginning of 2016 was DKK 3,296 million. To this must be added the net 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 3,555 million, an increase of 8%.

The bank's total capital ratio was computed at 18.3% at the end of 2016, and the tier 1 capital ratio at 16.9%.

Capital ratios	**2016**	**2015**	**2014**	**2013**	**2012**
Common equity tier 1 capital ratio (%)	16.9	17.1	17.5	18.7	19.6
Tier 1 capital ratio (%)	16.9	17.1	17.5	19.2	20.9
Total capital ratio (%)	18.3	18.8	17.5	20.0	22.4
Individual solvency requirement (%)	9.0	9.0	8.9	8.9	8.0

The bank made a strategic investment in 2016 and bought additional shares in DLR Kredit for the equivalent of a total of DKK 85 million net. In January 2017, the bank acquired shares for an additional DKK 53 million. The bank believes that the acquisition is a good investment which will secure a satisfactory return for the bank. The acquisition also ensures that the bank can supply DLR Kredit loans without equity commitments.

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 model takes no account of the bank's earnings and cost base or its robust business concept.

Based on the model, the bank has calculated the individual solvency requirement at the end of 2016 at 9.0%. To this should be added a capital conservation buffer of 0.6%, and the total requirement for the bank's total capital is thus 9.6%. Compared with the actual total capital of DKK 3.4 billion, the capital buffer at the end of 2016 was thus DKK 1.6 billion, equivalent to 8.7 percentage points.

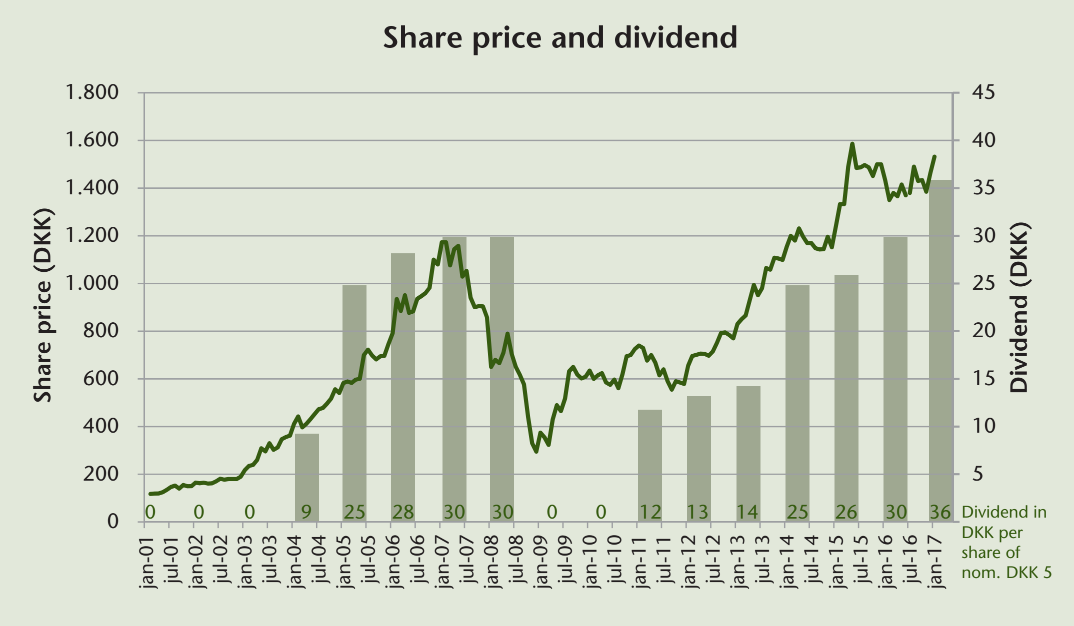
During 2017, the authorities will require all banks in Denmark to comply with a Minimum Requirement of Eligible Liabilities (MREL). The implementation of these rules is not expected to materially influence the bank's situation.

The bank's shares

The bank's share capital on 31 December 2016 was DKK 22.850 million in 4,570,000 nom. DKK 5 shares.

The bank's shares at the beginning of the year were listed on the Nasdaq Copenhagen at 1,500. During 2016, the share price fell to 1,463 at the end of the year but, including the dividend of DKK 30 paid in 2016, the share value at the end of the year is almost unchanged 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 18 times by the end of 2016.



High levels of customer satisfaction and willingness to give referrals

The bank has gained a large number of satisfied and loyal customers over many years. These good customer relationships have greatly contributed to the bank's growth in recent years, because existing customers have referred many new customers to the bank. The bank also spends significant resources on enhancing customer experience.

The bank places great weight on its good customer experience and the high levels of customer satisfaction and willingness to refer new customers to the bank. We are very humbled by and proud of the confirmation of these three parameters by two large-scale surveys of Danish banks (Voxmeter's Customer Experience Management 2016-survey with 52,000 interviews published in January 2017 and Wilke / FinansWatch Insight's 2016-survey published in October 2016). Both surveys placed the bank at the top on these parameters.

Good increase in customer numbers

In 2016, as in previous years, the bank implemented a large number of outreach initiatives to both current and new customers. In addition, the bank's new Private Banking branch in Vejle opened in January 2016.

As a result of these initiatives, combined with recommendations and referrals from the bank's existing customer portfolio, the bank saw a highly satisfactory net increase in new customers in both the branch network and within certain niche concepts during the year.

The outreach initiatives are scheduled to continue in 2017 at both regional and national levels.

Expected results and plans for 2017

The bank's core earnings in 2016 were DKK 617 million, which is above the upwardly adjusted DKK 525 - 600 million range for the year.

The bank's general goal continues to be a growth-oriented 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 also has well-established branches in Herning, Holstebro and Viborg, which are continuing to operate positively. The bank's goal for 2017 is to retain and develop this portion of the customer portfolio with sound and competitive products, focus on employee expertise, and work in providing skilled advice to customers on the financial products. An additional goal is an inflow of new customers to the bank's branches in Central and West Jutland, deriving from its long-term outreach marketing and market position in general.

The bank will also continue to focus on developing the activities in its niche concepts in the forthcoming year. Focus will thus be placed on serving the bank's existing customers and further developing the portfolio within renewable energy, wholesale lending, and medical practitioners / dentists etc.

The bank's Private Banking branches in Ringkøbing, Herning, Holte and Aarhus and the newly established branch in Vejle have all been successful in 2016. The bank continues to see major opportunities in this segment, and will continue to focus on it with regard to both existing and potential customers. The bank will thus deploy highly competent and dedicated staff to serve the segment, and expects to be able to continue developing this business area in the future.

Based on the prospects for 2017 and the activities and initiatives we want to carry out in 2017, the bank expects to be able to realise lending growth during 2017. Continuing pressure on the bank's interest margin is, however, also expected. The bank also expects a positive development in net fee income. Finally, an increase in the level of cost of approximately 3% relative to the total costs in 2016 is expected, and impairment charges in 2017 are expected to be lower than in 2016.

As a whole, core earnings in 2017 are expected to be in the range DKK 515 - 615 million. To this must be added the result from the bank's portfolio of securities.

Accounting policies and key figures

The accounting policies are changed in one minor area relative to those of the submitted and audited financial statements for 2015: the classification of collateral under CSA agreements. The accounting policies are otherwise unchanged since last financial year. See "Accounting policies" for a detailed description of the policy change.

Events after the end of the financial year

From the date of the balance sheet to today, no events have occurred which may affect the assessment of the bank's 2016 annual report.

Profit distribution

The bank's general meeting in February 2016 authorised the bank's management to implement a share buy-back programme for up to DKK 140 million on the basis of the 2015 profit, with a view to cancelling the shares bought back under the programme at a future general meeting.

Under the share buy-back programme, shares to the value of DKK 140.4 million, equivalent to 100,000 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 9 March 2016	20,000	1,403.53	28,071
Reserved on 1 June 2016	29,000	1,371.46	39,772
Reserved on 14 September 2016	23,000	1,429.02	32,867
Reserved on 7 December 2016	28,000	1,415.85	39,644
Total reserved on 7 December 2016	**100,000**		**140,354**

It is thus proposed to the general meeting to cancel the 100,000 shares, which will reduce the number of shares from 4,570,000 to 4,470,000 by a capital reduction.

The board of directors further proposes to the general meeting that a dividend of DKK 36 per share, equivalent to DKK 165 million, be paid for the 2016 financial year. A dividend of DKK 30 per share was paid for the 2015 financial year.

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 2016.

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.

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 2012 - 2015 financial years and the expected ratio for 2016.

Pay-out ratios

(Million DKK)	**2016**	**2015**	**2014**	**2013**	**2012**
Net profit for the year	539.5	458.7	445.9	357.7	328.0
Distributions					
Ordinary dividend	164.5	140.1	124.3	72.6	69.2
Extraordinary dividend	0.0	0.0	0.0	0.0	48.4
Buy-back programme	170.0	140.4	142.6	127.6	58.7
Total	**334.5**	**280.5**	**266.9**	**200.2**	**176.3**
Pay-out ratio in %	**62**	**61**	**60**	**56**	**54**

See page 64 for detailed comments on the pay-out ratios.

During 2016 the bank realised an increase in the total risk exposure amount of 5%, 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 2012 - 2016 were as follows:

Capital ratios	2016	2015	2014	2013	2012
Common equity tier 1 capital ratio (%)	16.9	17.1	17.5	18.7	19.6
Tier 1 capital ratio (%)	16.9	17.1	17.5	19.2	20.9
Total capital ratio (%)	18.3	18.8	17.5	20.0	22.4
Individual solvency requirement (%)	9.0	9.0	8.9	8.9	8.0

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 Financial Supervisory Authority.

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.

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 2016 was calculated at 9.0%, level with the end of 2015. To this should be added the capital conservation buffer of 0.6%. The total requirement for the bank's total capital is thus 9.6%. Compared with the actual total capital of DKK 3.4 billion, the capital buffer at the end of 2016 was thus DKK 1.6 billion, equivalent to 8.7 percentage points. As of 1 January 2017, the requirement for the capital conservation buffer increased by an additional 0.6%, which means that 1.3% of the final buffer of 2.5% has been phased in as of this date.

The computed adequate total capital is assessed on a regular basis, and regular reports are also made to the Danish Financial Supervisory Authority. The Authority most recently reviewed the bank's statement of its individual solvency requirement in autumn 2016 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 2016 on the bank's website at the address: www.landbobanken.dk/solvency.

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 judged 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 under 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.

Policy 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 comparison 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 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 loan portfolio significant 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, the bank's losses must be 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 more than five, and its objective is to achieve results with a credit gearing less than or equal to Denmark's major banks.

Historically, the bank 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 marginally relative to 2015. The bank gained many new customers throughout 2016. When establishing new customer relationships, the bank is highly attentive to the customers' creditworthiness and potential risks. A separate review of new customers in 2016 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. In 2016, the bank was successful in selling home loans to some of its creditworthy personal customers. This meant that loans to personal customers with high credit quality increased substantially and, overall, the result is a credit quality which is marginally better than in 2015 (see note 37 on page 83).

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%
30-year average (1987 - 2016)						**-0.52%**	**-0.04%**
10-year average (2007 - 2016)						**-0.40%**	**-0.20%**

**) 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 (1987 - 2016) was -0.04%, 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 -0.52%, 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 (2007 - 2016) was -0.20%; the average percentage loss before interest was -0.40%.

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.

The most important areas within the bank's niche section are a Private Banking concept covering asset management for affluent personal customers and financing of securities, 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 29.5% on two good quality exposures and fully hedged with adequate security.

Credit concentration

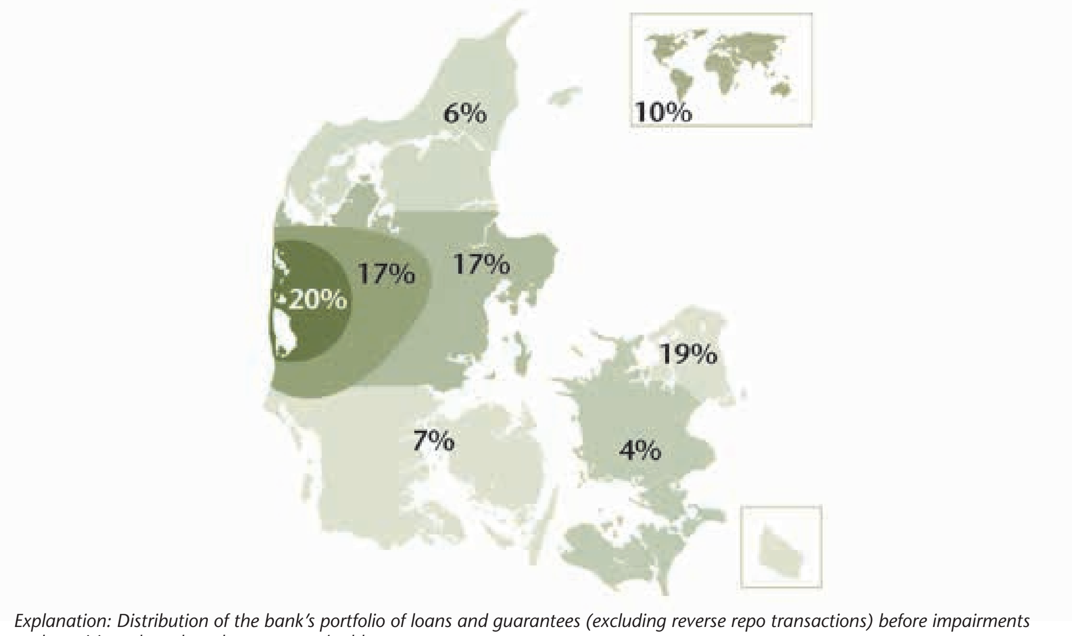
	2016	2015	2014	2013	2012
Total large exposures	29.5%	63.4%	47.8%	35.0%	27.2%

Explanation: The Danish Financial Supervisory Authority 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, 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 of credit 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, the risk in relation to non-cleared OTC derivatives in the sector will be further 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.

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 to credit institutions with good credit quality.

Receivables from central banks and credit institutions

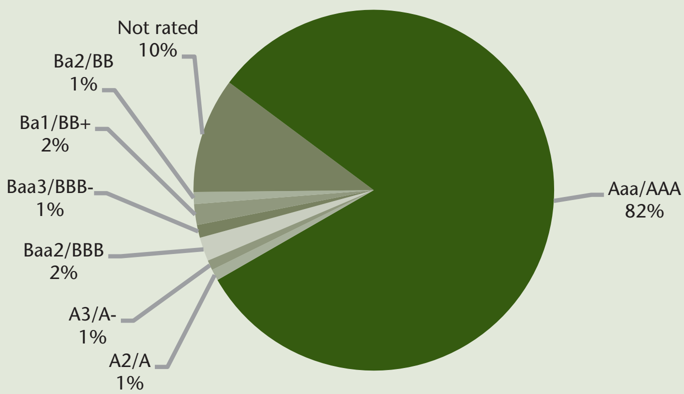
One of the major items of credit risk exposure to financial counterparties is receivables from central banks and credit institutions. The bank has assumed only a moderate risk on this item and, of the total receivables from central banks and credit institutions, 85% is thus due within three months.

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 concrete exposure limits for each type of market risk, and the risk assessment includes the objective of 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 it 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 positions, foreign exchange positions and listed share positions etc., and a total VaR is also calculated for all of the bank's market risks consisting of interest rate positions, foreign exchange positions 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 2016 was at an insignificant level.

Share price risk

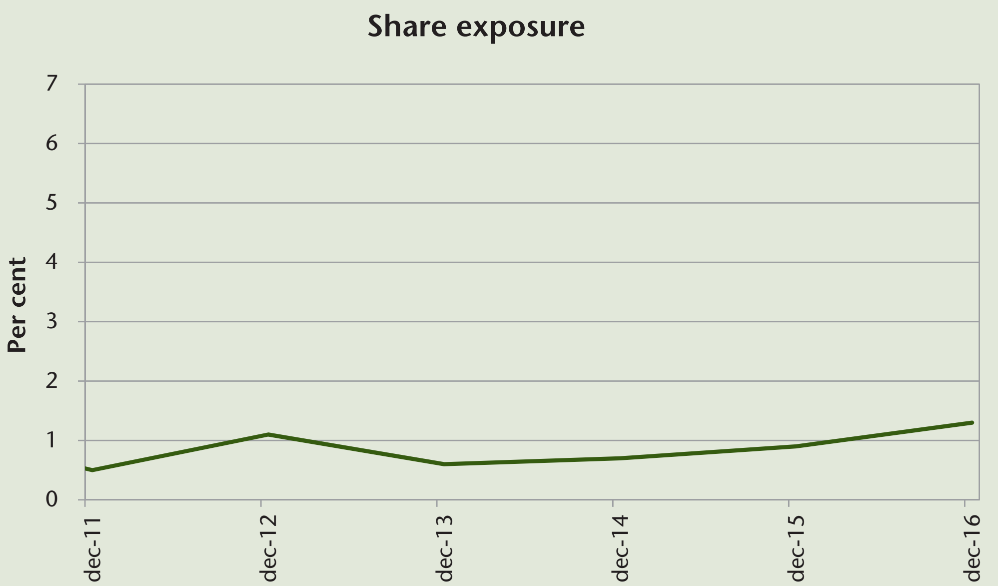
The bank is co-owner of various sector companies via equity interests in BankInvest Holding A/S, Bokis A/S, DLR Kredit A/S, Letpension Holding A/S, PRAS A/S, Sparinvest Holdings SE, Stonehenge Fondsmæglerselskab A/S, Swift, VP Securities A/S and others.

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 and a portfolio of investment fund certificates.

The holding of shares etc. amounted to DKK 531 million at the end of the year, with DKK 22 million in listed shares, DKK 147 million in investment fund certificates and DKK 362 million in sector shares etc. The holding of investment fund certificates is mainly in funds investing all or most of their capital in bonds.

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 shares 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 price 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 minimal 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 11.1 million at the end of 2016. 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	14.5	3.2	31.2	11.1
Foreign currency	1.0	2.1	2.7	0.1
Share	4.9	5.2	5.2	3.4
Diversification	-4.7	-4.3	-7.3	-3.5
Total VaR figure	**15.7**	**6.2**	**31.8**	**11.1**

** Determined by the total VaR figure.*
Reference is made to note 40 on page 87.

As indicated in the table, the bank's total VaR throughout 2016 varied from DKK 6.2 million to DKK 31.8 million. The average VaR figure was DKK 15.7 million, on a par with last year.

Reference is made to note 40 on page 87 for the VaR figures for the years 2012 - 2016.

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 10-day period. All of 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 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 10-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. An internal objective is thus that the bank must be able to manage for up to 12 months without access to the financial markets.

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 the 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 2016, the requirement for non-SIFI banks was cover of at least 70%. On 1 January 2017, the requirement increased by 10 percentage points to 80%, and on 1 January 2018 it will increase by an additional 20 percentage points, which means that as of this date, the LCR must be at least 100%. The requirement for SIFI banks has been cover of 100% since implementation of the LCR requirement.

Since its introduction on 1 October 2015, Ringkjøbing Landbobank has sought to follow the same rules that apply to SIFI banks, and the bank's internal LCR target is thus 100%.

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 taking out 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.

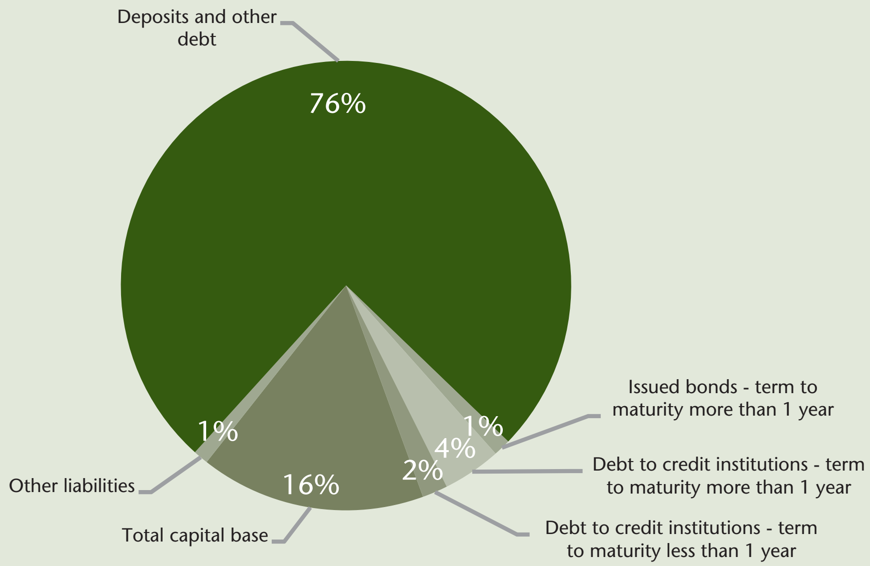
The composition of the bank's funding situation does not leave the bank dependent on individual business partners or partners in a single country.

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 2016.

As a whole, the bank entered into longer-term funding agreements with its partners during 2016 of total value equivalent to DKK 0.5 billion with an average term of approximately three years.

The bank 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 2016, the bank implemented the practical joint funding partnership with Totalkredit / Nykredit, and in both the third and fourth quarters of 2016, home loans were sold to Totalkredit / Nykredit for funding.

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	442,918
Total	**442,918**
Covered as follows:	
Cash in hand and demand deposits with the central bank of Denmark	284,139
Receivables with notice from central banks - certificates of deposit	1,572,198
Receivables from credit institutions - term to maturity less than 1 year	355,618
Listed bonds, shares and investment fund certificates at fair value	3,612,018
Total	**5,823,973**
Excess cover	**5,381,055**

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 2016 was DKK 5.4 billion, while the corresponding figures at the end of 2015 and 2014 were DKK 3.6 billion and DKK 3.7 billion respectively.

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 so-called 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 judged to be attributable 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 also 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 emergency 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 1/3 of the Danish financial sector, to be achieved via rational operation of the bank and a 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 the Danish Bankers Association (following a merger now FinanceDenmark), 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 for Corporate Governance, and as a member of the Danish Bankers Association, the bank is covered by "The Corporate Governance Code of the Danish Bankers Association".

The corporate governance recommendations

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 latest updated revision of the recommendations in May 2013 with a minor update in November 2014. The number of recommendations is 47, and in the latest 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 2016 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 Corporate Governance Code of the Danish Bankers Association

In 2013, the Danish Bankers Association adopted and published a new 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 Association's corporate governance code is that member companies must actively consider a number of managerial matters and achieve greater openness concerning the frameworks for management of the individual member companies.

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

The bank's management generally also supports the Association's corporate governance code, and the board of directors and the general management have thus elected to follow all 12 recommendations.

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
- other stakeholders

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

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. In 2016, the board of directors adopted an update of the code of conduct which comprised a minor rewording.

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 posing particular risk to the bank and its employees.

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

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

The board of directors, the 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.

Remuneration policy

In 2012 the bank's board of directors for the first time adopted a remuneration policy which includes guidelines for the remuneration paid to Ringkjøbing Landbobank's board of directors and general management. The policy was submitted to the 2013 annual general meeting for approval and the meeting approved the policy.

The board of directors and the remuneration committee reviewed the remuneration policy in 2016 and in January 2017 and found that updating was required, among other things due to the introduction of the Mortgage Credit Directive. The updated remuneration policy will be submitted to the bank's annual general meeting in February 2017 for approval.

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 decided that the remuneration paid to the board of directors and the general management 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.

Complete statement

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

Statement on diversity in the board of directors

The bank's nomination committee has adopted a policy on diversity on the board of directors.

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, were elected among the members of the shareholders' committee, while only one board member (the member with managerial experience from another financial undertaking) was not elected among the members of the shareholders' committee.

Statement on 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.

The board's nomination committee adopted a few adjustments in 2016 to the "Policy to increase the percentage of the under-represented gender at the bank's other management levels".

The bank's target figure for the proportion of board members of the under-represented gender elected by the shareholders' committee should be at least 17% - 33% from 2017 (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 management). The bank wants to be able to follow up on developments with respect to gender distribution in management 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 in the bank's management:

- 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 2016, the gender distribution in the bank's management was as follows:

- 21% women
- 79% 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 companies etc., the statutory complete statement on the under-represented gender is available on the bank's website at the address: www.landbobanken.dk/gender.

Statement on corporate social responsibility

Ringkjøbing Landbobank wants to be a 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 companies 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.

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 2016 was DKK 22.850 million in 4,570,000 nom. DKK 5 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, London, Great Britain, and ATP, 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.

The members of the bank's board of directors are elected by the members of the bank's shareholders' committee, 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 37,060,980 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 23 February 2021. The 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 37,060,980 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 23 February 2021. 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 24 February 2016 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 2016, 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 140 million, but with a maximum of 140,000 nom. DKK 5 shares, and set them aside for later cancellation. This authority was exercised in 2016 to the sum of DKK 140.354 million, the equivalent of 100,000 nom DKK 5 shares, which are recommended to be cancelled at the bank's annual general meeting in February 2017 (including 251 shares with an acquisition price of DKK 0.354 million, which the bank's board recommends be cancelled together with the shares which were bought back and reserved under the buy-back programme adopted in February 2016).

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

Ringkøbing
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 - 31 December 2016.

The annual report is prepared in accordance with the provisions of the Danish Financial Business Act and other Danish disclosure requirements for the financial statements of listed financial companies. 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 2016 and of the result of the bank's activities and cash flows for the financial year 1 January - 31 December 2016. 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 2017

General management:

John Bull Fisker
CEO

Jørn Nielsen
General Manager

Ringkøbing, 31 January 2017

Board of directors:

Jens Lykke Kjeldsen
Chairman

Martin Krogh Pedersen
Deputy Chairman

Gert Asmussen

Inge Sandgrav Bak

Jens Møller Nielsen

Jørgen Lund Pedersen

Bo Fuglsang Bennedsgaard
Employee board member

Dan Astrup Sørensen
Employee board member

Gitte E. S. 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 2016, and of the results of the bank operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Business Act.

The audit

I have audited the financial statements for Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2016, which comprise income statement and statement of comprehensive income, core earnings, balance sheet, statement of changes in equity, statement of capital, cash flow statement, accounting policies, accounting estimates and assessments, notes 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's review

The management is responsible for the management's review.

My opinion on the financial statements does not cover the management's 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's 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 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's 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 management's review.

Ringkøbing, 31 January 2017

Henrik Haugaard
Chief auditor

The 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 2016, and of the results of the bank operations and cash flows for the financial year 1 January - 31 December 2016 in accordance with the Danish Financial Business Act.

What we have audited

Ringkjøbing Landbobank A/S's financial statements for the financial year 1 January - 31 December 2016 comprise income statement and statement of comprehensive income, core earnings, balance sheet, statement of changes in equity, statement of capital, cash flow statement, accounting policies, accounting estimates and assessments, notes and five-year main and key figures ("the financial statements").

Basis of 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. 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.

The independent auditor's report - continued

Key audit matter	*How our audit addressed the key audit matter*
Impairment of loans Loans are measured at amortised cost less impairment charges. Impairment of loans constitutes the 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 the management to allow for changes in economic trends, including previous events. 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 the 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. Our audit focused on the following types of impairment: • The bank's procedures to ensure complete registration of loans with OEI included in the calculation of the impairment charges. • The most material assumptions and estimates applied by the management in the calculation of the impairment charges, including principles for assessment of collateral with respect to e.g. 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. This includes the 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 36 "Risks and risk management" and note 37 "Credit risk" to the financial statements which show factors that may affect the impairment of loans.	We reviewed and assessed the procedures prepared by the bank, including the involvement of the credit 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 the management for the measurement of collateral with respect to e.g. 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 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 the management's assessment of the effect of changed economic trends and previous events. We challenged the management's estimates based on our knowledge of the portfolio, the industry and the current economic trends.

The independent auditor's report - continued

Statement on management's review

The management is responsible for the management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the management's review and, in doing so, consider whether the 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 the management's review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, the 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 the management's review.

Management's responsibilities for the financial statements

The 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 the 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 in preparing the financial statements 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 judgment 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.

The 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 in preparing the financial statements 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 gives a true and fair view.

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 2017

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

H. C. Krogh
State Authorised Public Accountant

Ringkøbing

Landbobank

FINANCIAL STATEMENTS

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Note no.		2016 DKK 1,000	2015 DKK 1,000
1	Interest income	749,021	736,995
2	Interest expenses	69,743	91,165
	Net interest income	**679,278**	**645,830**
3	Dividends from shares etc.	18,995	13,010
4	Fee and commission income	297,328	301,076
4	Fee and commission expenses	42,417	41,687
	Net interest and fee income	**953,184**	**918,229**
5	Value adjustments	+63,784	+29,583
	Other operating income	7,560	4,964
6,7,8,9	Staff and administration costs	306,670	281,634
10	Amortisation, depreciation and write-downs on intangible and tangible assets	8,638	7,351
	Other operating expenses		
	Miscellaneous other operating expenses	26	68
	Costs Guarantee Fund and Resolution Fund	2,292	17,233
11	Impairment charges for loans and other receivables etc.	-48,378	-60,367
	Results from investments in associated companies	+2,842	+2,137
	Profit before tax	**661,366**	**588,260**
12	Tax	121,868	129,595
	Net profit for the year	**539,498**	**458,665**
	Other comprehensive income	0	0
	Total comprehensive income for the year	**539,498**	**458,665**

PROPOSED DISTRIBUTION OF PROFIT

	2016 DKK 1,000	2015 DKK 1,000
Net profit for the year	539,498	458,665
Total amount available for distribution	**539,498**	**458,665**
Appropriated for ordinary dividend	164,520	140,100
Appropriated for charitable purposes	500	500
Transfer to net revaluation reserve under the equity method	-2,159	+2,137
Transfer to retained earnings	376,637	315,928
Total distribution of the amount available	**539,498**	**458,665**

CORE EARNINGS

Note no.		2016 DKK 1,000	2015 DKK 1,000
	Net interest income	665,312	637,960
4	Net fee and commission income excl. trading income	214,415	211,541
	Income from sector shares etc.	38,611	36,413
4	Foreign exchange income	16,396	15,812
	Other operating income	7,560	4,964
	Total core income excl. trading income	**942,294**	**906,690**
4	Trading income	40,496	47,848
	Total core income	**982,790**	**954,538**
6	Staff and administration costs	306,670	281,634
10	Amortisation, depreciation and write-downs on intangible and tangible assets	8,638	7,351
	Other operating expenses	2,318	17,301
	Total expenses etc.	317,626	306,286
	Core earnings before impairment charges for loans	**665,164**	**648,252**
11	Impairment charges for loans and other receivables etc.	-48,378	-60,367
	Core earnings	**616,786**	**587,885**
	Result for the portfolio	+44,580	+375
	Profit before tax	**661,366**	**588,260**
12	Tax	121,868	129,595
	Net profit for the year	**539,498**	**458,665**

Note no.	Assets	31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
	Cash in hand and demand deposits with central banks	284,139	331,563
13	Receivables from credit institutions and central banks	2,077,096	717,602
	Receivables with notice from central banks	1,572,198	130,019
	Money market operations and bilateral loans - term to maturity less than 1 year	355,898	262,583
	Bilateral loans - term to maturity more than 1 year	149,000	325,000
14,15	Loans and other receivables at amortised cost	17,481,838	17,299,920
	Loans and other receivables at amortised cost	17,481,838	17,016,732
	Loans and other receivables at amortised cost	16,472,015	15,914,993
	Wind turbine loans with direct funding	1,009,823	1,101,739
	Collateralised repurchase agreements / reverse repo transactions	0	283,188
16	Bonds at fair value	3,443,359	3,114,721
17	Shares etc.	530,503	467,049
	Investments in associated companies	509	2,667
18	Land and buildings, total	56,177	64,287
	Investment properties	3,561	6,056
	Domicile properties	52,616	58,231
19	Other tangible assets	18,874	4,206
	Current tax assets	20,444	71,624
20	Deferred tax assets	8,153	0
	Temporary assets	5,200	5,200
21	Other assets	323,848	296,871
	Prepayments	7,997	7,970
	Total assets	**24,258,137**	**22,383,680**

Note no.	Liabilities and equity	31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
22	Debt to credit institutions and central banks	1,457,792	1,502,586
	Money market operations and bilateral credits - term to maturity less than 1 year	280,698	344,879
	Bilateral credits - term to maturity more than 1 year	167,271	55,968
	Bilateral credits from KfW Bankengruppe	1,009,823	1,101,739
23	Deposits and other debt	18,314,427	16,986,543
24	Issued bonds at amortised cost	297,370	0
25	Other liabilities	254,062	208,988
	Deferred income	2,449	1,130
	Total debt	**20,326,100**	**18,699,247**
20	Provisions for deferred tax	0	10,579
15	Provisions for losses on guarantees	6,287	5,478
	Total provisions for liabilities	**6,287**	**16,057**
	Tier 2 capital	371,095	372,278
26	**Total subordinated debt**	**371,095**	**372,278**
27	Share capital	22,850	23,350
	Net revaluation reserve under the equity method	158	2,317
	Retained earnings	3,366,627	3,129,831
	Proposed dividend etc.	165,020	140,600
	Total shareholders' equity	**3,554,655**	**3,296,098**
	Total liabilities and equity	**24,258,137**	**22,383,680**

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
2015					
Shareholders' equity at the end of the previous financial year	**23,900**	**178**	**2,949,750**	**124,780**	**3,098,608**
Reduction of share capital	-550		550		0
Dividend etc. paid				-124,780	-124,780
Dividend received on own shares			3,385		3,385
Shareholders' equity after distribution of dividend etc.	**23,350**	**178**	**2,953,685**	**0**	**2,977,213**
Purchase of own shares			-640,370		-640,370
Sale of own shares			500,590		500,590
Total comprehensive income for the year		2,139	315,926	140,600	458,665
Shareholders' equity on the balance sheet date	**23,350**	**2,317**	**3,129,831**	**140,600**	**3,296,098**
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**

STATEMENT OF CAPITAL

	31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
Credit risk	14,743,046	14,173,867
Market risk	1,749,099	1,539,489
Operational risk	1,827,053	1,750,809
Total risk exposure	**18,319,198**	**17,464,165**
Shareholders' equity	3,554,655	3,296,098
Proposed dividend etc.	-165,020	-140,600
Deduction for prudent valuation	-5,834	-3,910
Deduction for the sum of equity investments etc. above 10%	-233,381	-118,672
Deduction of trading limit for own shares	-55,000	-55,000
Actual utilisation of the trading limit for own shares	4,649	1,221
Common equity tier 1 capital	**3,100,069**	**2,979,137**
Tier 1 capital	**3,100,069**	**2,979,137**
Tier 2 capital	371,713	373,125
Deduction for the sum of equity investments etc. above 10%	-117,109	-76,769
Total capital	**3,354,673**	**3,275,493**
Common equity tier 1 capital ratio (%)	**16.9**	**17.1**
Tier 1 capital ratio (%)	**16.9**	**17.1**
Total capital ratio (%)	**18.3**	**18.8**
Total capital requirement	1,465,536	1,397,133

CASH FLOW STATEMENT

	2016 DKK 1,000	2015 DKK 1,000
Operating activities		
Net profit for the year	539,498	458,665
Amortisation, depreciation and write-downs on intangible and tangible assets	8,638	7,351
Impairment charges for loans and other receivables etc.	80,844	98,802
Other items not affecting cash flow	-20,423	-6,832
Adjusted operating profit	**608,557**	**557,986**
Changes in working capital		
Receivables from and debt to credit institutions etc., net	135,271	-776,153
Loans and other receivables at amortised cost	-262,762	-1,891,588
Securities, not liquid and pledged	96,406	-184,317
Deposits and other debt	1,327,884	1,536,270
Issued bonds at amortised cost	297,370	-236,238
Other assets and liabilities, net	71,378	17,772
Cash flows from operating activities	**2,274,104**	**-976,268**
Investment activities		
Tangible assets, purchase	-19,272	-3,979
Tangible assets, sale	2,925	0
Investments in associated companies, sale	5,000	0
Cash flows from investment activities	**-11,347**	**-3,979**
Financing activities		
Dividend etc. paid, net	-137,256	-121,395
Own shares etc.	-143,685	-139,780
Subordinated debt, issued	0	372,278
Subordinated debt, repaid etc.	-1,183	-365,667
Cash flows from financing activities	**-282,124**	**-254,564**
Movement in cash and cash equivalents for the year	**1,980,633**	**-1,234,811**
Cash and cash equivalents, beginning of year	3,603,408	4,838,219
Total cash and cash equivalents, end of year	**5,584,041**	**3,603,408**
Cash and cash equivalents, end-of-year breakdown:		
Cash in hand and demand deposits with central banks	284,139	331,563
Receivables from credit institutions and central banks	1,768,161	228,602
Securities, unpledged	3,531,741	3,043,243
Total cash and cash equivalents, end of year	**5,584,041**	**3,603,408**

The cash flow statement cannot be derived from this annual report, and has also been adapted to the special format etc. for banks.

Basis for preparing the annual report

General

The annual report is prepared in accordance with the provisions of the Danish Financial Business Act and other Danish disclosure requirements for the financial statements of listed financial companies.

The annual report is presented in DKK.

The bank has changed its accounting policy for the classification of collateral under CSA agreements, which is shown under the item "Other assets" from and including the 2016 financial year, while in 2015 it was offset under the item "Other liabilities". The comparative figures have been adjusted. The accounting policies are otherwise 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 Financial Supervisory Authority'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 in 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 commissions 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 securities 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.

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 made 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.

This collective assessment is made on groups of loans and receivables with uniform credit risk characteristics. 12 groups are used: one of public clients, one of private clients and 10 of business clients, the latter further grouped by sector.

The collective assessment is made on a segmentation model developed by Lokale Pengeinstitutter (The 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 made to impairments are adjusted in the income statement under the item "Impairment charges for loans and receivables etc.".

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.

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 useful lives, which are 1 - 5 years for operating equipment and 30 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

Actual tax assets and actual 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.

Other liabilities

Other liabilities include interest and commissions 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 exclusive of 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 5 share" on page 3 were calculated on the basis of 2016: 4,470,000 shares, 2015: 4,570,000 shares, 2014: 4,670,000 shares, 2013: 4,780,000 shares and 2012: 4,840,000 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 53.

Pay-out ratios

Detailed comments on the pay-out ratios on page 18.

The pay-out ratios in general:
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.

Extraordinary dividend 2012:
At the bank's annual general meeting in February 2014, a proposal was made and accepted for payment of extraordinary dividend relating to the 2012 financial year, and the extraordinary dividend is therefore included in the pay-out ratio calculated for that financial year.

2015 buy-back programme:
The buy-back programme adopted at the bank's annual general meeting in February 2016 was fully used at DKK 140 million (the equivalent of 99,749 shares). To this must be added 251 shares (the equivalent of DKK 0.4 million) from the bank's trading portfolio of own shares. The total distribution is thus DKK 140.4 million, and it is recommended that 100,000 shares be cancelled in connection with a capital reduction at the annual general meeting in February 2017.

Pay-out ratios for 2016:
The percentage for 2016 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.

Future accounting rules

At the time of publication of this annual report, a number of provisions are being changed in the Danish executive order on financial statements which is compatible with the IFRS. The reason is the new international reporting standard IFRS 9 Financial Instruments.

The general provisions of IFRS 9 will be incorporated in the Danish order on financial statements.

The updated Danish order is expected to enter into force for financial reporting periods starting on 1 January 2018.

IFRS 9, which is being incorporated in the Danish accounting rules, materially changes the current impairment rules.

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 12-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 expected remaining life (stage 2). If there is objective evidence of impairment (stage 3), the asset must also be impaired by the expected credit loss over the asset's expected remaining life, but based on an increased probability of loss.

Development work is in progress under the auspices of the bank's data centre, Bankdata, with participants from the attached banks and Lokale Pengeinstitutter (The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark), with a view to developing an impairment model compatible with IFRS 9.

It is not possible to provide a reasonable estimate now of the effect on the accounts of first application of the new IFRS 9 compatible impairment rules. However the implementation of these rules is not expected to materially influence the bank's situation.

Any negative impact of the new expected loss-based IFRS 9 impairment rules on the accounts will in principle apply similarly to total capital. 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 capital requirements package), under which any negative effect of the new IFRS 9 impairment rules will not have the full impact on total capital until after five years.

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 "Accounting policies" under "Loans and other receivables" 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 estimates are involved in valuing the security. A detailed description of security is provided in note 37 "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 "Accounting policies".

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 "Accounting policies" and note 18 "Land and buildings".

OVERVIEW OF NOTES

Note no.		2016 DKK 1,000	2015 DKK 1,000
1	**Interest income**		
	Receivables from credit institutions and central banks	13,428	15,990
	Loans and other receivables	724,694	700,503
	Loans - interest on the impaired part of loans	-32,466	-38,435
	Reverse loans	4	5,094
	Bonds	42,400	54,379
	Total derivative financial instruments	-1,605	-4,281
	Of which currency contracts	1,407	1,166
	Of which interest-rate contracts	-3,012	-5,447
	Other interest income	2,566	3,745
	Total interest income	**749,021**	**736,995**
2	**Interest expenses**		
	Credit institutions and central banks	22,949	24,354
	Deposits and other debt	40,572	54,268
	Repo deposits	0	66
	Issued bonds	31	3,679
	Subordinated debt	6,132	8,790
	Other interest expenses	59	8
	Total interest expenses	**69,743**	**91,165**
3	**Dividends from shares etc.**		
	Shares	18,995	13,010
	Total dividends from shares etc.	**18,995**	**13,010**
4	**Fees and commission**		
	Gross fee and commission income		
	Securities trading	51,754	58,631
	Asset management and custody accounts	104,141	111,887
	Payment handling	29,816	26,357
	Loan fees	8,951	15,879
	Guarantee commission and mortgage credit commission	64,450	56,362
	Other fees and commission	38,216	31,960
	Total gross fee and commission income	**297,328**	**301,076**
	Fee and commission expenses		
	Securities trading	11,258	10,783
	Asset management and custody accounts	6,971	6,391
	Payment handling	9,499	8,973
	Loan fees	2,645	2,637
	Other fees and commission	12,044	12,903
	Total fee and commission expenses	**42,417**	**41,687**
	Net fee and commission income		
	Securities trading	40,496	47,848
	Asset management and custody accounts	97,170	105,496
	Payment handling	20,317	17,384
	Loan fees	6,306	13,242
	Guarantee commission and mortgage credit commission	64,450	56,362
	Other fees and commission	26,172	19,057
	Total net fee and commission income	**254,911**	**259,389**
	Foreign exchange income	16,396	15,812
	Total net fee, commission and foreign exchange income	**271,307**	**275,201**

Note no.		2016 DKK 1,000	2015 DKK 1,000
5	**Value adjustments**		
	Other loans and receivables, fair value adjustment*	-58	9,249
	Bonds	33,900	-29,648
	Shares etc.	22,499	34,659
	Investment properties	-2,495	0
	Foreign exchange	16,396	15,812
	Total derivative financial instruments	-6,458	-489
	Of which currency contracts	-2,930	-1,230
	Of which interest-rate contracts	-4,169	-420
	Of which share contracts	641	1,161
	Total value adjustments	**63,784**	**29,583**
	* Cf. note 35.		
6	**Staff and administration costs**		
	Payments to general management, board of directors and shareholders' committee:		
	General management*:		
	John Bull Fisker	4,743	4,367
	Salary**	4,176	4,100
	Pension	567	267
	Jørn Nielsen (joined on 1 September 2015)	2,275	741
	Salary***	2,275	741
	Pension	0	0
	Total payments	7,018	5,108
	Board of directors*:		
	Jens Lykke Kjeldsen, chairman	334	328
	Martin Krogh Pedersen, deputy chairman	222	218
	Gert Asmussen	166	163
	Inge Sandgrav Bak	166	163
	Gravers Kjærgaard (retired on 25 February 2015)	0	27
	Jens Møller Nielsen (joined on 22 April 2015)	166	109
	Jørgen Lund Pedersen	166	163
	Bo Fuglsang Bennedsgaard	166	163
	Dan Astrup Sørensen (joined on 1 March 2015)	166	136
	Gitte E. S. Vigsø	166	163
	Total payments	1,718	1,633
	Shareholders' committee*:		
	Total payments	451	415
	Total	9,187	7,156
	Staff costs:		
	Salaries	131,890	130,169
	Pensions	14,072	13,872
	Social security expenses	2,198	2,301
	Costs depending on number of staff	20,538	18,525
	Total	168,698	164,867
	Other administration costs	128,785	109,611
	Total staff and administration costs	**306,670**	**281,634**

* *The general management, board of directors and shareholders' committee do not receive variable remuneration.*

** *The member of general management has a company car and the taxable amounts were: 2016: tDKK 125 / 2015: tDKK 124. The amounts are not included in the salary amounts stated.*

*** *The member of general management has a company car and the taxable amounts were: 2016: tDKK 91 / 2015: tDKK 63. The amounts are not included in the salary amounts stated.*

Note no.		2016 DKK 1,000	2015 DKK 1,000
7	**Number of full-time employees**		
	Average number of employees during the financial year converted into full-time employees	**271**	**269**
8	**Salaries paid to other major risk-takers and employees in control functions**		
	Fixed salary	11,259	11,763
	Variable salary	250	225
	Pension	1,201	1,248
	Total	**12,710**	**13,236**
	Number of full-time employees end of year	14	14
9	**Fee to the auditor elected by the general meeting**		
	Statutory audit	629	625
	Other assurance engagements	60	60
	Advice on tax	0	0
	Other services	100	114
	Total fee to the auditor elected by the general meeting	**789**	**799**
	The bank has also an internal auditor.		
10	**Amortisation, depreciation and write-downs on intangible and tangible assets**		
	Tangible assets		
	Domicile properties, depreciation	530	613
	Domicile properties, write-downs	3,585	1,500
	Other tangible assets, depreciation	4,523	5,238
	Total amortisation, depreciation and write-downs on intangible and tangible assets	**8,638**	**7,351**
11	**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	-5,822	11,552
	Actual realised net losses	86,666	87,250
	Interest on the impaired part of loans	-32,466	-38,435
	Total impairment charges for loans and other receivables etc.	**48,378**	**60,367**
12	**Tax**		
	Tax calculated on income for the year	140,413	133,489
	Adjustment of deferred tax	-18,732	-2,973
	Adjustment of deferred tax due to change in tax rate	0	-924
	Adjustment of tax calculated for previous years	187	3
	Total tax	**121,868**	**129,595**
	Effective tax rate (%):		
	Tax rate currently paid by the bank	22.0	23.5
	Permanent deviations	-3.6	-1.3
	Adjustment of deferred tax due to change in tax rate	0.0	-0.2
	Adjustment of tax calculated for previous years	0.0	0.0
	Total effective tax rate	**18.4**	**22.0**

Note no.		31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
13	**Receivables from credit institutions and central banks**		
	Demand	185,618	98,583
	Up to and including 3 months	1,572,198	230,019
	More than 3 months and up to and including 1 year	170,000	64,000
	More than 1 year and up to and including 5 years	99,280	320,000
	More than 5 years	50,000	5,000
	Total receivables from credit institutions and central banks	**2,077,096**	**717,602**
	Distributed as follows:		
	Receivables from central banks	1,572,198	130,019
	Receivables from credit institutions	504,898	587,583
		2,077,096	**717,602**
14	**Loans and other receivables at amortised cost***		
	Demand	1,712,434	2,055,385
	Up to and including 3 months	688,316	1,054,786
	More than 3 months and up to and including 1 year	2,317,908	2,273,914
	More than 1 year and up to and including 5 years	6,244,242	5,849,053
	More than 5 years	6,518,938	6,066,782
	Total loans and other receivables at amortised cost	**17,481,838**	**17,299,920**
	Of which collateralised repurchase agreements / reverse repo transactions	0	283,188
	** Cf. note 35.*		
15	**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	664,550	701,131
	Impairment charges / value adjustments during the year	114,618	149,057
	Reversal of impairment charges made in previous financial years	-106,360	-121,034
	Recognised as a loss, covered by impairment charges	-83,424	-64,604
	Cumulative individual impairment charges for loans and other receivables on the balance sheet date	**589,384**	**664,550**
	Collective impairment charges		
	Cumulative collective impairment charges for loans and other receivables at the end of the previous financial year	272,922	226,272
	Impairment charges / value adjustments during the year	68,535	46,650
	Cumulative collective impairment charges for loans and other receivables on the balance sheet date	**341,457**	**272,922**
	Total cumulative impairment charges for loans and other receivables on the balance sheet date	**930,841**	**937,472**
	Provisions for losses on guarantees		
	Cumulative individual provisions for losses on guarantees at the end of the previous financial year	5,478	3,995
	Provisions / value adjustments during the year	5,048	5,152
	Reversal of provisions made in previous financial years	-4,085	-3,586
	Recognised as a loss, covered by provisions	-154	-83
	Cumulative individual provisions for losses on guarantees on the balance sheet date	**6,287**	**5,478**
	Total cumulative impairment charges for loans and other receivables and provisions for losses on guarantees on the balance sheet date	**937,128**	**942,950**

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

Note no.		31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
16	**Bonds at fair value***		
	Listed on the stock exchange**	3,443,359	3,114,721
	Total bonds at fair value	**3,443,359**	**3,114,721**
	* *The bank has no held-to-maturity bonds.*		
	** *See page 26 of the management review, where the rating classes are stated.*		
17	**Shares etc.**		
	Listed on Nasdaq Copenhagen	21,382	11,492
	Investment fund certificates	147,277	196,590
	Unlisted shares at fair value	1,428	1,450
	Sector shares at fair value	360,416	257,517
	Total shares etc.	**530,503**	**467,049**
18	**Land and buildings**		
	Investment properties		
	Fair value at the end of the previous financial year	6,056	6,056
	Additions during the year, including improvements	0	0
	Disposals during the year	0	0
	Value adjustments to fair value for the year	-2,495	0
	Reversal of previous years' write-downs during 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**	**6,056**
	Domicile properties		
	Revalued amount at the end of the previous financial year	58,231	60,345
	Additions during the year, including improvements	0	0
	Disposals during the year	-4,768	0
	Depreciation for the year	-530	-614
	Write-downs after revaluation for the year	-3,585	-1,500
	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	3,268	0
	Total revalued amount on the balance sheet date	**52,616**	**58,231**
	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.*		
19	**Other tangible assets**		
	Cost		
	Cost at the end of the previous financial year without depreciation and write-downs	34,718	33,515
	Additions during the year, including improvements	19,271	3,979
	Disposals during the year	-1,654	-2,776
	Total cost on the balance sheet date	**52,335**	**34,718**
	Depreciation and write-downs		
	Depreciation and write-downs at the end of the previous financial year	30,512	28,849
	Depreciation for the year	4,523	4,371
	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	-1,574	-2,708
	Total depreciation and write-downs on the balance sheet date	**33,461**	**30,512**
	Total other tangible assets on the balance sheet date	**18,874**	**4,206**

Note no.		31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
20	**Deferred tax assets / Provisions for deferred tax**		
	The calculated provisions for deferred tax relates to the following balance sheet items:		
	Loans and other receivables	8,260	5,864
	Tangible assets	-186	455
	Temporary assets	224	224
	Other balance sheet items	-145	-17,122
	Total deferred tax assets / provisions for deferred tax	**8,153**	**-10,579**
21	**Other assets**		
	Interest and commission receivable	54,124	55,181
	Positive market value of derivative financial instruments	185,143	133,559
	Collateral under CSA agreements	38,784	66,251
	Miscellaneous debtors and other assets	28,744	24,827
	Other deposits	17,053	17,053
	Total other assets	**323,848**	**296,871**
22	**Debt to credit institutions and central banks**		
	Demand	280,698	268,254
	Up to and including 3 months	60,254	55,023
	More than 3 months and up to and including 1 year	101,966	171,936
	More than 1 year and up to and including 5 years	659,525	593,775
	More than 5 years	355,349	413,598
	Total debt to credit institutions and central banks	**1,457,792**	**1,502,586**
	Distributed as follows:		
	Debt to credit institutions	1,457,792	1,502,586
		1,457,792	**1,502,586**
23	**Deposits and other debt**		
	Demand*	11,952,063	11,182,881
	Deposits and other debt with notice:		
	Up to and including 3 months	2,204,934	1,891,994
	More than 3 months and up to and including 1 year	1,297,037	667,677
	More than 1 year and up to and including 5 years	1,192,377	966,866
	More than 5 years	1,668,016	2,277,125
	Total deposits and other debt	**18,314,427**	**16,986,543**
	Of which deposits covered by the Guarantee Fund	42.7%	41.7%
	Distributed as follows:		
	Demand	11,750,246	10,912,726
	With notice	357,633	327,306
	Time deposits	3,136,479	2,352,697
	Long-term deposit agreements	1,769,783	2,192,532
	Special types of deposits*	1,300,286	1,201,282
		18,314,427	**16,986,543**
	** 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 deposit".*		
24	**Issued bonds at amortised cost**		
	More than 1 year and up to and including 5 years	297,370	0
	Total issued bonds at amortised cost	**297,370**	**0**
	Distributed as follows:		
	Issues in euros		
	Nom. EUR 40 million*	297,370	0
		297,370	**0**

Note no.		31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
25	**Other liabilities**		
	Interest and commission payable	4,389	6,430
	Negative market value of derivative financial instruments	175,715	121,328
	Miscellaneous creditors and other liabilities	75,958	81,230
	Total other liabilities	**254,062**	**208,988**

26 Subordinated debt

Type	Interest rate (%)	Foreign ex-change	Mil-lion	Due date	Possible early repayment date	31 Dec. 2016	31 Dec. 2015
Tier 2 capital							
Bond loan*	Floating	EUR	50	20 May 2025	20 May 2020	371,713	373,125
Total tier 2 capital						**371,713**	**373,125**
Adjustment to amortised cost						-618	-847
Total subordinated debt						**371,095**	**372,278**
Distributed as follows:							
Subordinated debt included in total capital						371,713	373,125
Subordinated debt not included in total capital						0	0
Adjustment to amortised cost						-618	-847
						371,095	**372,278**

** 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 - 2016: tDKK 6,132 / 2015: tDKK 4,365.

Note no.		31 Dec. 2016	31 Dec. 2015
27	**Share capital**		
	Number of DKK 5 shares:		
	Beginning of year	4,670,000	4,780,000
	Cancellation during the year	-100,000	-110,000
	End of year	**4,570,000**	**4,670,000**
	Reserved for subsequent cancellation	100,000	100,000
	Total share capital	**22,850**	**23,350**

The whole share capital has been admitted for listing on Nasdaq Copenhagen.

Note no.		31 Dec. 2016	31 Dec. 2015
28	**Own shares**		
	Own shares included in the balance sheet at	0	0
	The market value is	150,949	151,226
	Number of own shares:		
	Beginning of year	100,817	113,525
	Purchase during the year	342,282	347,731
	Sale during the year	-239,921	-250,439
	Cancellation during the year	-100,000	-110,000
	End of year	103,178	100,817
	Reserved for subsequent cancellation	100,000	100,000
	Nominal value of holding of own shares, end of year	516	504

Note no.		31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
28	**Own shares - continued**		
	Own shares' proportion of share capital, end of year (%):		
	Beginning of year	2.2	2.4
	Purchase during the year	7.5	7.5
	Sale during the year	-5.2	-5.4
	Cancellation during the year	-2.2	-2.3
	End of year	2.3	2.2
	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.		
29	**Contingent liabilities etc.**		
	Contingent liabilities		
	Financial guarantees	1,219,287	1,112,688
	Guarantees against losses on mortgage credit loans	119,288	80,981
	Guarantees against losses, Totalkredit	109,019	116,104
	Registration and refinancing guarantees	642,705	641,756
	Sector guarantees	39,453	45,321
	Other contingent liabilities	329,757	237,531
	Total contingent liabilities	**2,459,509**	**2,234,381**
	Other contractual obligations		
	Irrevocable credit commitments	516,724	0
	Total other contractual obligations	**516,724**	**0**
30	**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	**1,009,823**	**1,101,739**
	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	**380,459**	**231,505**
	Collateral under CSA agreements	**38,784**	**66,251**

31 **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.

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.

Note no.

32 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.

33 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 2016 and 2015 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 6.

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. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
The amount of loans issued to and mortgages, sureties or guarantees issued for the members of the bank's:		
General management	350	350
Interest rate	(MasterCard)	(MasterCard)
Board of directors, including elected by the employees	8,839	10,249
Interest rate	0.75% - 12.0%	0.75% - 12.0%
New exposures during the year have been granted for a net	4,200	2,810
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	160	1,805

	31 Dec. 2016 Number	31 Dec. 2015 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	7,070	7,070
Martin Krogh Pedersen	6,501	6,501
Gert Asmussen	6,154	4,528
Inge Sandgrav Bak	2,448	2,521
Jens Møller Nielsen (joined on 22 April 2015)	138	138
Jørgen Lund Pedersen	210	200
Bo Fuglsang Bennedsgaard	532	532
Dan Astrup Sørensen (joined on 1 March 2015)	5	1
Gitte E. S. Vigsø	23	23
General management:		
John Bull Fisker	14,994	14,994
Jørn Nielsen (joined on 1 September 2015)	2,249	2,264

** Stated in accordance with the rules on insiders.*

Note no.

34 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 commissions 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. 2016		31 Dec. 2015
	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	284,139	284,139	331,563	331,563
Receivables from credit institutions and central banks	2,077,096	2,077,096	717,602	717,602
Loans and other receivables at amortised cost	17,510,202	17,565,800	17,329,606	17,366,133
Bonds at fair value*	3,443,359	3,443,349	3,114,721	3,114,721
Shares etc.	530,503	530,503	469,716	469,716
Derivative financial instruments	185,143	185,143	133,559	133,559
Total financial assets	**24,030,442**	**24,086,030**	**22,096,767**	**22,133,294**
Financial liabilities				
Debt to credit institutions and central banks*	1,457,792	1,457,792	1,502,586	1,502,586
Deposits and other debt*	18,317,848	18,328,345	16,991,639	17,003,076
Issued bonds at amortised cost*	297,401	297,401	0	0
Derivative financial instruments	107,464	107,464	121,328	121,328
Subordinated debt*	371,749	371,749	373,057	373,057
Total financial liabilities	**20,552,254**	**20,562,751**	**18,988,610**	**19,000,047**

** 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. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
35	**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	86,674	218,846
	Hedging is thus:		
	Interest swaps - total synthetic principal	71,000	182,000
	Currency swaps - total synthetic principal	15,674	36,846
	Total market value	-141	-3,616

** Fair value hedging only.*

36 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 21 - 32 of the management review for a description of financial risks and policies and objectives for their management:

- Credit risk - page 22
- Interest rate risk - page 27
- Foreign exchange risk - page 27
- Share price risk - page 28
- Liquidity risk - page 30

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. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
37	**Credit risk**		
	Maximum credit exposure classified by balance sheet and off-balance sheet items		
	Loans and other receivables at amortised cost	17,481,838	17,299,920
	Guarantees (contingent liabilities)	2,459,509	2,228,903
	Unutilised credit facilities*	7,224,510	6,100,991
	Other exposures, including derivative financial instruments	824,492	404,455
	Total maximum credit exposure	**27,990,349**	**26,034,269**

** The bank has made unutilised credit facilities available to a total of DKK 7.2 billion. The amount of committed credit facilities is limited and the bank will be able to terminate the non-committed credit facilities with immediate effect.*

Note no.

37 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.*

Note no.

37 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
2015							
Public authorities	**33,429**	**12,976**	**1,640**	**179**	**11,300**	**0**	**13,119**
Business customers:							
Agriculture, forestry and fishing	2,614,403	1,969,487	463,844	297,646	138,758	553,324	**1,453,572**
Industry and raw materials extraction	834,174	505,223	83,549	187,830	15,283	40,487	**327,149**
Energy supply	5,037,869	4,175,046	112,157	0	49,366	2,934,401	**3,095,924**
Building and construction	530,745	358,043	103,339	45,038	20,148	5,865	**174,390**
Trade	1,089,733	707,035	180,548	48,620	55,088	19,583	**303,839**
Transport, hotels and restaurants	385,118	342,699	40,550	50,997	59,347	156,272	**307,166**
Information and communication	79,743	42,269	11,923	5,124	11,000	2,927	**30,974**
Finance and insurance	3,979,826	2,932,431	79,563	1,246	2,128,096	205,812	**2,414,717**
Real property	3,137,172	2,686,575	1,405,638	1,650	120,828	145,697	**1,673,813**
Other business customers	1,797,293	1,191,704	302,540	58,230	248,404	43,812	**652,986**
Total business customers	**19,486,076**	**14,910,512**	**2,783,651**	**696,381**	**2,846,318**	**4,108,180**	**10,434,530**
Private individuals	**6,514,764**	**4,605,333**	**1,842,484**	**188,221**	**390,687**	**70,469**	**2,491,861**
Total	**26,034,269**	**19,528,823**	**4,627,775**	**884,781**	**3,248,305**	**4,178,649**	**12,939,510**

** 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 calculations.
- Movables are in principle valued at book value less a deduction.
- Agricultural properties are valued on the same principles as used by the Financial Supervisory Authority, 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.

37 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. 2016 Per cent	31 Dec. 2015 Per cent
Loans, guarantees and unutilised credit facilities in per cent, end of year, by sector*		
Public authorities	**0.2**	**0.1**
Business customers:		
Agriculture, hunting and forestry		
Cattle farming etc.	1.2	1.5
Pig farming etc.	1.5	1.5
Other agriculture, hunting and forestry	4.1	4.1
Fishing	2.3	2.0
Mink production	0.9	1.0
Industry and raw materials extraction	3.4	3.2
Energy supply	1.8	3.1
Wind turbines - Denmark	3.0	5.3
Wind turbines - abroad	8.4	10.5
Building and construction	2.3	2.3
Trade	4.0	4.3
Transport, hotels and restaurants	1.3	1.5
Information and communication	0.4	0.3
Finance and insurance	15.1	15.7
Real property		
First-priority without prior creditors**	10.9	8.2
Other real estate financing**	4.3	3.6
Other business customers	7.5	6.8
Total business customers	**72.4**	**74.9**
Private individuals	**27.4**	**25.0**
Total	**100.0**	**100.0**

Note no.		31 Dec. 2016 Per cent	31 Dec. 2015 Per cent
37	**Credit risk - continued**		
	Loans and guarantees in per cent, end of year, by sector and industry*		
	Public authorities	**0.2**	**0.1**
	Business customers:		
	Agriculture, hunting and forestry		
	Cattle farming etc.	1.2	1.5
	Pig farming etc.	1.6	1.5
	Other agriculture, hunting and forestry	3.9	3.9
	Fishing	2.5	2.2
	Mink production	1.0	1.0
	Industry and raw materials extraction	2.5	2.6
	Energy supply	2.1	3.5
	Wind turbines - Denmark	3.7	6.0
	Wind turbines - abroad	10.0	11.9
	Building and construction	2.2	1.8
	Trade	3.4	3.6
	Transport, hotels and restaurants	1.5	1.8
	Information and communication	0.3	0.2
	Finance and insurance	14.3	15.0
	Real property		
	First-priority without prior creditors**	10.7	9.5
	Other real estate financing**	4.3	4.2
	Other business customers	6.7	6.1
	Total business customers	**71.9**	**76.3**
	Private individuals	**27.9**	**23.6**
	Total	**100.0**	**100.0**

* The distribution by sector and industry is made on the basis of Statistics Denmark's sector codes etc.
** The comparative figures for 2015 are partly calculated on the basis of an approximate computation principle compared with 2016.

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 27.9% of Ringkjøbing Landbobank's total loans and guarantees showing considerable growth in 2016. The growth is attributable partly to a substantial increase in the home loans which the bank offers to creditworthy home owners. The bank experienced improved credit quality in 2015 and 2016. 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 1.6% of the total volume of loans and guarantees, cattle farms accounting for 1.2%, and others for 3.9%. The terms of trade for agriculture have been poor in recent years, but the expectations for 2017 are somewhat better, although with considerable variation between different lines of production. Expected grain prices are low, making it difficult to obtain satisfactory returns on current land prices. Earnings within agriculture are still generally weak, and although the bank's agricultural customers are less indebted than the sector in general, the bank has allocated considerable impairment charges to this sector. These impairment charges increased throughout 2016, reflecting the fact that the situation in agriculture means increased uncertainty in the computation of impairment needs.

Note no.

37 Credit risk - continued

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.

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 13.7%. The exposure to wind turbines primarily concerns wind turbines erected in Germany, but many turbines were also erected in Denmark from 2010 - 2014, and the bank's loans for these increased appreciably. However, the level of activity within installation of new wind turbines in Denmark in 2015 and 2016 was low, because low prices to producers for power generated by wind turbines reduced the profitability and willingness to invest. 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 low prices to the producers for power generated by wind turbines in Denmark weaken the profitability of the Danish wind turbines, but the bank's conservative fixing of lending limits means that the projects are highly resilient to low prices. The bank's realised losses in this sector have been 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 15.0% 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 the debt prior to expiration of the lease.

Financing and insurance comprise a total of 14.3% 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.

37 Credit risk - continued

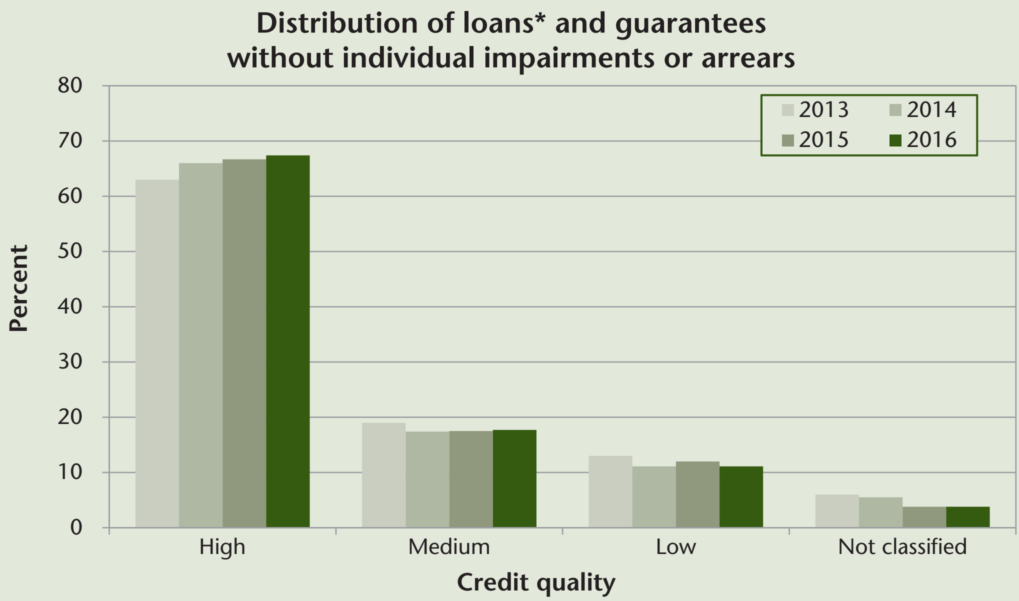
Credit quality of loans and guarantees which are neither in arrears nor impaired
The bank has credit rated a substantial number of customers internally. Statistical models are used for the rating of personal and small business customers (based on the probability of default), while an expert model is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

The figure below indicates that the credit quality was high for 67% of loans and guarantees at the end of 2016, which is marginally higher than at the end of 2015. The group with medium quality increased from 17% to 18%, whereas the group with low credit quality decreased from 12% to 11%. The group of non-classified exposures was 4%, the same level as 2015. 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 2016, 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 2016 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, 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, and in combination, the result is a credit quality which is marginally better than in 2015. The bank thus further enhanced the credit quality which was experienced from 2013 to 2014.



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

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

** Excluding reverse repo transactions.*

Note no.

37 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
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**
2015						
Public authorities	**0**	**0**	**0**	**0**	**0**	**0**
Business customers:						
Agriculture, forestry and fishing	25,138	7,523	**32,661**	122,723	23,133	**145,856**
Industry and raw materials extraction	2,170	68	**2,238**	13,192	688	**13,880**
Energy supply	2,299	757	**3,056**	65,842	12,495	**78,337**
Building and construction	29,169	555	**29,724**	53,220	10,240	**63,460**
Trade	6,474	450	**6,924**	60,628	2,120	**62,748**
Transport, hotels and restaurants	779	946	**1,725**	4,074	946	**5,020**
Information and communication	175	38	**213**	725	153	**878**
Finance and insurance	7,344	12	**7,356**	139,009	262	**139,271**
Real property	8,186	95	**8,281**	40,631	1,395	**42,026**
Other business customers	10,228	2,146	**12,374**	45,444	5,966	**51,410**
Total business customers	**91,962**	**12,590**	**104,552**	**545,488**	**57,398**	**602,886**
Private individuals	**31,174**	**12,237**	**43,411**	**145,550**	**28,146**	**173,696**
Total	**123,136**	**24,827**	**147,963**	**691,038**	**85,544**	**776,582**

Note no.

37 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**
	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 impairment charges	**266,456**	**174,558**	**80,637**	**67,733**	**589,384**	
2015						
Public authorities	**0**	**0**	**0**	**0**	**0**	**0**
Business customers:						
Agriculture, forestry and fishing	183,656	96,117	105,333	62,373	**447,479**	**332,628**
Industry and raw materials extraction	7,996	2,025	5	0	**10,026**	**7,983**
Energy supply	1,941	5,125	3,679	0	**10,745**	**8,435**
Building and construction	6,576	4,021	1,374	3,602	**15,573**	**6,542**
Trade	8,702	7,248	2,096	2,740	**20,786**	**12,900**
Transport, hotels and restaurants	7,835	2,669	5,579	916	**16,999**	**14,129**
Information and communication	579	163	574	2,730	**4,046**	**2,675**
Finance and insurance	0	0	0	949	**949**	**931**
Real property	60,754	33,619	1,592	50,848	**146,813**	**60,315**
Other business customers	21,965	17,325	7,920	12,079	**59,289**	**38,049**
Total business customers	**300,004**	**168,312**	**128,152**	**136,237**	**732,705**	**484,587**
Private individuals	**151,106**	**89,923**	**34,763**	**30,125**	**305,917**	**179,963**
Total credit exposure	**451,110**	**258,235**	**162,915**	**166,362**	**1,038,622**	**664,550**
Individual impairment charges	**290,815**	**161,116**	**120,736**	**91,883**	**664,550**	

Note no.

37 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 341 million as of the end of December 2016.

Note		31 Dec. 2016 DKK 1,000	31 Dec. 2015 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	1,085,657	1,238,474
	Impairment charges	-557,037	-612,462
	Balance for loans and other receivables after impairment	**528,620**	**626,012**
	Collectively impaired loans		
	Balance for loans and other receivables before impairment	16,343,443	16,239,543
	Impairment charges	-341,457	-272,922
	Balance for loans and other receivables after impairment	**16,001,986**	**15,966,621**
	Suspended calculation of interest		
	Loans and other receivables with suspended calculation of interest on the balance sheet date	**59,904**	**74,220**
	Credit risk on derivative financial instruments		
	Positive market value (by counterpart risk) after netting		
	Counterparty risk weight 20%	46,993	38,372
	Counterparty risk weight 50%	19,909	8,695
	Counterparty risk weight 75%	35,172	35,227
	Counterparty risk weight 100%	156,585	101,560
	Counterparty risk weight 150%	1,129	0
	Total risk weight	**259,788**	**183,854**
38	**Foreign exchange risk**		
	Total assets in foreign currency	3,830,833	4,532,752
	Total liabilities in foreign currency	3,961,843	3,916,791
	Foreign exchange indicator 1	17,034	23,440
	Foreign exchange indicator 1 in per cent of tier 1 capital (%)	**0.6**	**0.8**
	Foreign exchange indicator 2	71	101
	Foreign exchange indicator 2 in per cent of tier 1 capital (%)	**0.0**	**0.0**
39	**Interest rate risk**		
	Total interest rate risk	**55,669**	**64,203**
	Interest rate risk (%)	**1.8**	**2.2**
	Interest rate risk by foreign currency:		
	DKK	75,970	51,802
	NOK	100	58
	EUR	-20,818	12,103
	CHF	-205	-266
	USD	40	-238
	GBP	195	0
	SEK	406	694
	Other currencies	-19	50
	Total	**55,669**	**64,203**

Note no.

40 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.

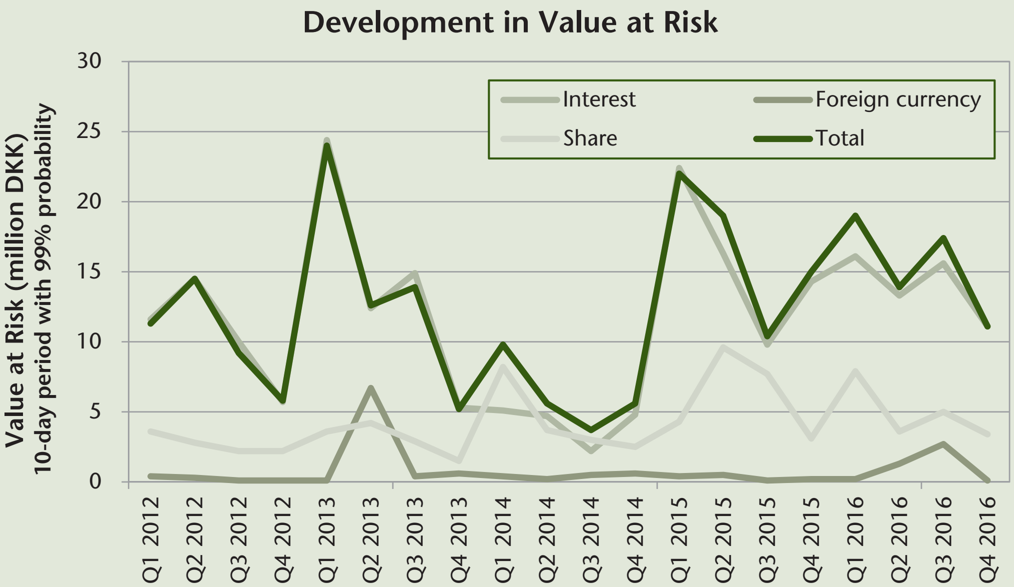
Reference is made to pages 26 - 27 and 29 of this annual report for further description of the model etc.

Risk type	Average VaR figure	Minimum VaR figure*	Maximum VaR figure*	End of year VaR figure
(DKK million)				
Interest	14.5	3.2	31.2	11.1
Foreign exchange	1.0	2.1	2.7	0.1
Share price	4.9	5.2	5.2	3.4
Diversification	-4.7	-4.3	-7.3	-3.5
Total VaR figure	**15.7**	**6.2**	**31.8**	**11.1**

** Determined by the total VaR figure.*

Sensitivity analysis of sector shares (DKK 1,000)

Sector shares cf. note 17	360,416
Impact on the profit of a 10% price change	36,042



Note no.

41 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	9,322	66		
Spot, sale	106,584	-65		
Forward transactions / futures, purchase	1,570,381	6,118	100,053	-4,314
Forward transactions / futures, sale	1,185,406	8,311	101,151	5,862
Swaps			17,128	
Options, acquired	52,836	397		
Options, issued	52,836	-703		
Interest-rate contracts				
Spot, purchase	369,918	976		
Spot, sale	74,016	-234		
Forward transactions / futures, purchase	24	484	11	254
Forward transactions / futures, sale	248	109	16	-274
Swaps	140,655	13	663,734	135
Options, acquired			1,992	16
Options, issued			1,992	-16
Share contracts				
Spot, purchase	28,754	289		
Spot, sale	26,753	-277		
Forward transactions / futures, purchase	21	219		
Forward transactions / futures, sale	21	-217		
Options, acquired	289	1,441	225	642
Options, issued	289	-1,441	225	-642

	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	17,700	-2,135		
Forward transactions / futures, sale	17,700	2,198		
Swaps	16,391	81	113,345	-3,537
Interest-rate contracts				
Swaps	1,291,580	-1,800	1,590,466	-528
Options, acquired	77,617	1,002	120,270	8,831
Options, issued	77,617	-1,002	120,270	-8,831
Share contracts				
Options, acquired	14	12		
Options, issued	14	-12		

Note
no.

41 Derivative financial instruments - continued

DKK 1,000	Total nominal value		Total net market value	
	2016	2015	2016	2015
Currency contracts				
Spot, purchase	9,322	46,863	66	2,177
Spot, sale	106,584	45,372	-65	-222
Forward transactions / futures, purchase	1,688,134	927,038	-331	4,973
Forward transactions / futures, sale	1,304,257	1,642,347	16,371	18,310
Swaps	146,864	54,040	-3,456	-1,311
Options, acquired	52,836	52,320	397	492
Options, issued	52,836	52,320	-703	-501
Interest-rate contracts				
Spot, purchase	369,918	118,511	976	44
Spot, sale	74,016	107,508	-234	220
Forward transactions / futures, purchase	35	22,232	738	59
Forward transactions / futures, sale	264	73,131	-165	-26
Swaps	3,686,435	2,818,376	-2,180	-12,081
Options, acquired	199,879	247,063	9,849	11,764
Options, issued	199,879	247,063	-9,849	-11,764
Share contracts				
Spot, purchase	28,754	20,232	289	156
Spot, sale	26,753	22,018	-277	-97
Forward transactions / futures, purchase	21	8	219	-69
Forward transactions / futures, sale	21	6	-217	107
Options, acquired	528	384	2,095	33
Options, issued	528	384	-2,095	-33
Total net market value			**11,428**	**12,231**

Note no.

41 Derivative financial instruments - continued

DKK 1,000	Market value				Average market value			
	Positive		Negative		Positive		Negative	
	2016	2015	2016	2015	2016	2015	2016	2015
Currency contracts								
Spot, purchase	66	2,177			268	601	7	109
Spot, sale			65	222	36	865	25	87
Forward transactions / futures, purchase	13,295	19,498	13,626	14,525	14,192	29,916	16,186	14,046
Forward transactions / futures, sale	22,802	28,918	6,431	10,608	21,002	28,838	6,293	20,809
Swaps	1,071	785	4,527	2,096	776	583	3,806	1,787
Options, acquired	397	492			112	470		
Options, issued			703	501			189	479
Interest-rate contracts								
Spot, purchase	989	75	13	31	293	2,581	50	542
Spot, sale	10	279	244	59	39	425	102	191
Forward transactions / futures, purchase	738	87		28	670	569	10	1,050
Forward transactions / futures, sale	782	120	947	146	254	1,185	1,168	380
Swaps	131,237	68,426	133,417	80,507	150,122	58,005	154,339	66,907
Options, acquired	9,849	11,764			11,207	12,950		
Options, issued			9,849	11,764			11,207	12,950
Share contracts								
Spot, purchase	656	439	367	283	2,059	981	511	793
Spot, sale	376	321	653	418	575	766	2,013	875
Forward transactions / futures, purchase	499	38	280	107	174	9,553	100	100
Forward transactions / futures, sale	281	107	498		101	102	171	9,600
Options, acquired	2,095	33			704	207		
Options, issued			2,095	33			704	207
Other derivative contracts								
Credit Default Swaps						243		
Total net market value	**185,143**	**133,559**	**173,715**	**121,328**	**202,584**	**148,840**	**196,881**	**130,912**

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

FIVE-YEAR MAIN FIGURES

Summary (DKK 1,000)	**2016**	**2015**	**2014**	**2013**	**2012**
Income statement					
Interest income	749,021	736,995	787,924	776,268	834,021
Interest expenses	69,743	91,165	139,253	146,037	200,764
Net interest income	**679,278**	**645,830**	**648,671**	**630,231**	**633,257**
Dividends from shares etc.	18,995	13,010	7,897	12,610	1,463
Fee and commission income	297,328	301,076	261,082	229,813	210,516
Fee and commission expenses	42,417	41,687	31,701	31,123	24,029
Net interest and fee income	**953,184**	**918,229**	**885,949**	**841,531**	**821,207**
Value adjustments	+63,784	+29,583	+82,293	+23,074	+46,957
Other operating income	7,560	4,964	4,001	2,730	3,303
Staff and administration costs	306,670	281,634	270,532	254,909	252,796
Depreciation and write-downs on tangible assets	8,638	7,351	12,192	4,270	3,233
Other operating expenses	26	68	268	28	133
Costs Guarantee Fund and Resolution Fund	2,292	17,233	15,041	16,091	10,281
Impairment charges for loans and receivables etc.	-48,378	-60,367	-87,186	-120,175	-156,844
Results of investments in associated companies	+2,842	+2,137	-11	-3	+5
Profit before tax	**661,366**	**588,260**	**587,013**	**471,859**	**448,185**
Tax	121,868	129,595	141,152	114,199	120,188
Net profit for the year	**539,498**	**458,665**	**445,861**	**357,660**	**327,997**

Summary (DKK 1,000)	**End of 2016**	**End of 2015**	**End of 2014**	**End of 2013**	**End of 2012**
Balance sheet					
Assets					
Cash in hand and deposits with credit institutions and central banks	2,361,235	1,049,165	371,363	479,977	856,488
Loans and other receivables at amortised cost	17,481,838	17,299,920	15,507,134	13,849,285	12,424,139
Securities	3,974,371	3,584,437	4,943,072	4,878,969	4,013,342
Tangible assets	75,051	68,493	71,067	78,256	79,811
Other assets	365,642	315,414	345,272	296,334	307,766
Total assets	**24,258,137**	**22,317,429**	**21,237,908**	**19,582,821**	**17,681,546**
Liabilities and equity					
Debt to credit institutions and central banks					
Remaining term less than 1 year	442,918	495,213	813,124	750,834	414,472
Remaining term more than 1 year	1,014,874	1,007,373	1,098,091	1,004,050	783,599
Deposits and other debt	18,314,427	16,986,543	15,450,273	14,113,816	12,866,748
Issued bonds	297,370	0	236,238	249,814	340,809
Other liabilities	256,511	143,867	157,436	174,723	191,035
Provisions for liabilities	6,287	16,057	18,471	17,444	26,109
Subordinated debt	371,095	372,278	365,667	371,040	382,634
Share capital	22,850	23,350	23,900	24,200	24,700
Reserves	3,531,805	3,272,748	3,074,708	2,876,900	2,651,440
Total shareholders' equity	3,554,655	3,296,098	3,098,608	2,901,100	2,676,140
Total liabilities and equity	**24,258,137**	**22,317,429**	**21,237,908**	**19,582,821**	**17,681,546**
Contingent liabilities etc.					
Contingent liabilities	2,459,509	2,234,381	2,217,810	1,901,934	1,667,100
Irrevocable credit commitments	516,724	0	0	0	0
Total contingent liabilities etc.	**2,976,233**	**2,234,381**	**2,217,810**	**1,901,934**	**1,667,100**

FIVE-YEAR KEY FIGURES

		2016	2015	2014	2013	2012
Capital ratios:						
Total capital ratio	%	18.3	18.8	17.5	20.0	22.4
Tier 1 capital ratio	%	16.9	17.1	17.5	19.2	20.9
Earnings:						
Return on equity before tax	%	19.3	18.4	19.6	16.9	17.4
Return on equity after tax	%	15.8	14.3	14.9	12.8	12.7
Income / cost ratio	DKK	2.81	2.60	2.52	2.19	2.06
Return on assets	%	2.2	2.1	2.1	1.8	1.9
Market risk:						
Interest rate risk	%	1.8	2.2	1.2	0.6	0.6
Foreign exchange position	%	0.6	0.8	0.4	1.6	0.6
Foreign exchange risk	%	0.0	0.0	0.0	0.0	0.0
Liquidity risk:						
Liquidity Coverage Ratio (LCR)	%	185	106	-	-	-
Excess cover relative to statutory liquidity requirement	%	139.6	99.7	140.7	166.2	185.5
Loans and impairments thereon relative to deposits	%	100.5	107.4	106.4	104.1	102.4
Credit risk:						
Loans relative to shareholders' equity		4.9	5.2	5.0	4.8	4.6
Growth in loans for the year	%	2.7	14.0	12.0	11.5	-2.5
Total large exposures	%	29.5	63.4	47.8	35.0	27.2
Cumulative impairment ratio	%	4.5	4.6	5.0	5.1	5.1
Impairment ratio for the year	%	0.23	0.29	0.47	0.72	1.06
Proportion of receivables at reduced interest	%	0.3	0.4	0.3	0.5	0.8
Share return:						
Earnings per share*/***	DKK	2,335.5	1,941.4	1,853.9	1,462.8	1,314.6
Book value per share*/**	DKK	15,916	14,428	13,280	12,145	11,049
Dividend per share*	DKK	720	600	520	500	280
Market price relative to earnings per share*/***		12.5	15.5	12.4	15.0	11.7
Market price relative to book value per share*/**		1.84	2.08	1.73	1.81	1.39

* *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 / ratios from the Danish Financial Supervisory Authority etc.

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.

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* 94.

Ringkøbing
Landbobank

OTHER INFORMATION

Shareholders' committee

Name	Position	Home town	Born
Jacob Møller, chairman of the shareholders' committee	CEO	Ringkøbing	02 August 1969
Kristian Skannerup, deputy chairman of the shareholders' committee	manufacturer	Tim	14 June 1959
Hejne Fomsgaard Andersen	manufacturer	Ringkøbing	30 August 1954
Gert Asmussen*	printer	Tarm	14 April 1950
Inge Sandgrav Bak*	administrative manager	Ringkøbing	31 July 1960
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	07 September 1965
Claus Kaj Junge	manager	Filskov	25 May 1968
Jens Lykke Kjeldsen*	timber merchant	Ringkøbing	02 September 1950
Carl Erik Kristensen	manager	Hvide Sande	28 January 1978
Niels Erik Burgdorf Madsen	manager	Ølgod	25 October 1959
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
Martin Krogh Pedersen*	CEO	Ringkøbing	07 June 1967
Ole Christian Pedersen	manager	Vostrup	15 February 1950
Poul Kjær Poulsgaard	farmer	Madum	21 February 1974
Lone Rejkjær Söllmann	finance manager	Tarm	26 January 1968
Allan Brunsvig Sørensen	lawyer	Ringkøbing	26 June 1982
Egon Sørensen	insurer	Spjald	16 June 1965
Jørgen Kolle Sørensen	car dealer	Hvide Sande	17 September 1970

** 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: 2020

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
- Ejendomsselskabet Ringkøbing ApS
- 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

Gert Asmussen, printer, Tarm

Born on 14 April 1950
Member of the board of directors since 25 September 2002
End of current term of office: 2018

Other managerial activities - member of the management of:
- Gert Asmussen Holding A/S
- Gullanders Bogtrykkeri A/S
- Tarm Bogtryk A/S
- Tarm Ugeblad ApS
- TB Anlæg ApS

BOARD OF DIRECTORS

Inge Sandgrav Bak, administrative manager, Ringkøbing

Born on 31 July 1960
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:
International A/S
Rindum ApS

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
SvineRådgivning I/S
Vestjysk Landboforening
VL Revision, registreret revisionsaktieselskab

Jørgen Lund Pedersen, manager, Skanderborg

Born on 7 October 1949
Independent
Member of the board of directors since 27 February 2013
End of current term of office: 2017

Other managerial activities - member of the management of:
Løvbjerg Fonden
Tove og Carsten Løvbjergs Almene Fond

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

Dan Astrup Sørensen, 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

Gitte Elisa Sigersmunda Høgholm 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 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. 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 in the bank, including assessing the need for changes to the bank's remuneration policy, and, if deemed necessary, drafting and recommending policy changes for approval by the board of directors prior to adoption by the general meeting. In its preparatory work, and with reference to the adopted remuneration policy, the committee must protect the bank's long-term interests, including ensuring that remuneration of the bank's employees is in accordance with statutory provisions on the protection of customers and investors and other legislation.
- 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.
- Tasks in connection with the bank's compliance with the remuneration policy under the Mortgage Credit Directive etc.
- Submitting annual proposals for remuneration of the members of the bank's board of directors and shareholders' committee for approval by the shareholders' committee, and ensuring that the remuneration is in accordance with the bank's remuneration policy.
- Other remuneration-related tasks, including supporting the board of directors in its task of identifying significant risk takers.

Nomination committee

The following are members of the nomination committee:

- Jens Lykke Kjeldsen, chairman of the committee
- Martin Krogh Pedersen*
- Gert Asmussen
- Inge Sandgrav Bak*
- Jens Møller Nielsen*
- Jørgen Lund Pedersen*
- Bo Fuglsang Bennedsgaard
- Dan Astrup Sørensen
- Gitte E. S. 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 the 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 target 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 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 executive order on audit committees in companies and groups subject to the supervision of the Danish Financial Supervisory Authority.

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:

- Monitoring the financial reporting process.
- Monitoring whether the bank's internal control system, risk management systems and internal audit are effective.
- Monitoring the statutory auditing of the financial statements etc.
- Monitoring and verifying the auditor's independence, pursuant to Section 24 of the Danish act on approved auditors and audit firms, in particular the delivery of additional services to the bank.
- Making a recommendation on election of an auditor to the board of directors.

Risk committee

The following are members of the risk committee:

- Jens Lykke Kjeldsen, chairman of the committee
- Martin Krogh Pedersen*
- Gert Asmussen
- Inge Sandgrav Bak*
- Jens Møller Nielsen*
- Jørgen Lund Pedersen*
- Bo Fuglsang Bennedsgaard
- Dan Astrup Sørensen
- Gitte E. S. 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, market risks, budgets, accounting and auditing, insurance risks and general managerial experience and within sections of the credit risk area. Martin Krogh Pedersen is the chairman of the bank's audit committee and has competencies within accounting or auditing.
- Gert Asmussen has special competencies, knowledge and experience within the areas of the business model, budgets, accounting and auditing and general managerial experience and within sections of the credit risk and market risk areas.
- Inge Sandgrav Bak has special competencies, knowledge and experience within the areas of the business model, budgets, accounting and auditing, general managerial experience, and within sections of the 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, operational risks, budgets, accounting and auditing, insurance risks, risk management and general managerial experience.
- Jørgen Lund Pedersen has special competencies, knowledge and experience within the areas of the business model, credit risks, market risks, liquidity risks, operational risks, capital structure, risk management, general managerial experience, managerial experience from other financial undertakings and legal insight.
- Bo Fuglsang Bennedsgaard has special competencies, knowledge and experience within the area operational risks and within a section of the credit risk area.
- Dan Astrup Sørensen 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.
- Gitte E. S. 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 33 on page 75 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
Member of the general management since 1999

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 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
Member of the general management since 2015

No other managerial activities

Holdings of Ringkjøbing Landbobank shares by the general management

Reference is made to note 33 on page 75 for information on holdings of Ringkjøbing Landbobank shares by members of the general management.

COMPANY INFORMATION

Ringkjøbing Landbobank Aktieselskab

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Denmark

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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 22,850,000, divided into 4,570,000 nom. DKK 5 shares.

Ownership

On 31 December 2016, Ringkjøbing Landbobank had registered shares of DKK 22,328,765, equivalent to 97.72% of the total share capital.

The number of registered shareholders on 31 December 2016 totalled 17,217.

Major shareholders

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

- Parvus Asset Management Europe Limited, London, Great Britain owned 10.16% of the bank's share capital on 31 December 2016.
- ATP, Hillerød, Denmark owned 5.01% of the bank's share capital on 31 December 2016.

Both shareholders have 2 votes each.

STOCK EXCHANGE REPORTS

Stock exchange reports 2016

Summary of Ringkjøbing Landbobank's reports to Nasdaq Copenhagen and others in 2016:

27 January 2016	Announcement of the annual accounts for 2015
27 January 2016	Annual report 2015
27 January 2016	Notice convening annual general meeting
25 February 2016	Minutes of the annual general meeting on 24 February 2016
02 March 2016	Articles of association
20 April 2016	Quarterly report 1st quarter 2016
26 April 2016	Implementation of capital reduction
26 April 2016	Articles of association
28 April 2016	Major shareholder announcement
29 April 2016	Share capital and voting rights
03 August 2016	Interim report 2016
24 August 2016	Decision by the Danish Supreme Court
26 October 2016	Quarterly report 1st-3rd quarters 2016
27 October 2016	Financial calendar 2017
07 December 2016	Share buy-back programme

Reports regarding insiders' transactions 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 2017

The financial calendar for the upcoming publications is as follows:

22 February 2017	Annual general meeting
26 April 2017	Quarterly report 1st quarter 2017
02 August 2017	Interim report 2017
25 October 2017	Quarterly report 1st-3rd quarters 2017

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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