

Annual Report 2005

119th Accounting Year



ANNUAL REPORT 2005



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Ringkjøbing Landbobank A/S

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Share capital

Ringkjøbing Landbobank's share capital is DKK 26,4 million in 1,320,000 shares of DKK 20.

Ownership

Ringkjøbing Landbobank is owned by approximately 15,000 shareholders. We report as required by Section 28a of the Danish Companies Act that ATP, Hillerød, has advised that they own more than 5% of the bank's share capital.

Ordinary general meeting

The bank's ordinary general meeting for 2005 will be held in ROFI Centret in Ringkøbing on Wednesday 22 February 2006.

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Dear shareholder

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

Many new customers also found their way to the bank in 2005, and optimism and enterprise among our customers were also particularly high. The result was a growth in the bank's balance sheet of over 40% together with a 37% increase in banking activities.

We have experienced a year in which practically everything we started on was a success. Our results were boosted by the favourable economic conditions, which have meant that all of the bank's products are in demand, while losses on the bank's loan portfolio were extremely small.

The pre-tax result was DKK 361 million - the best in the bank's history.

This result equates to a 29% return on the bank's equity. We are very happy with this result, but it also reminds us of the need for humility.

The result was also helped by our competent employees, who once again did a fantastic job during the year. Their skills combined with their fighting spirit are a part of the »secret«.

Ringkjøbing Landbobank remains geared to growth in the years ahead. We have just agreed to take up DKK 300 million in supplementary capital to enter into the bank's capital base and provide a foundation for further expansion.

We have positive expectations for developments in 2006, and we expect a result for actual banking operations of between 325 and 340 million kroner against the 326 million achieved in 2005. To this must also be added the result for the bank's trading portfolio of securities.

Finally, we would like to thank our customers and shareholders for their high level of support for the bank.

Bent Naur Kristensen

John Bull Fisker

Disclaimer:

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

Five year summary

Key figures (million DKK)	2005	2004	2003	2002	2001
Net income from interest and fees	510	426	373	348	296
Value adjustments excl. shares in Totalkredit A/S	56	48	52	35	11
Value adjustments of shares in Totalkredit A/S	0	17	66	0	0
Total costs and depreciation	190	184	163	155	133
Write-downs on loans etc.	18	20	35	23	23
Profit before tax	361	288	301	209	155
Profit after tax	265	214	230	147	107
Actual banking operations	326	237	195	179	148
Shareholders' equity	1,515	1,372	1,152	1,034	794
Deposits	6,292	5,144	4,391	3,714	2,907
Loans	10,023	7,209	5,207	4,567	3,543
Balance sheet total	13,361	9,461	7,532	6,002	4,833
Guarantees	5,142	3,938	2,896	2,705	2,238
Key figures for the bank (per cent)					
Pre-tax return on equity, start of period	29.2	25.2	29.1	23.1	21.2
Return on equity after tax, start of period	21.3	18.7	22.3	16.2	14.6
Rate of costs	36.6	42.5	42.3	43.5	43.7
Core capital ratio (Tier1)	11.6	12.2	15.1	14.6	15.2
Solvency ratio (Tier 2)	11.6	11.9	14.4	14.9	14.8
Key figures per share (DKK)					
Actual banking operations	247	180	144	127	114
Profit before tax	274	218	222	148	119
Profit after tax	201	162	170	104	82
Net asset value incl. proposed dividend etc.	1,148	1,040	908	744	635
Price, end of period	3,000	2,175	1,448	760	601
Dividend	110	100	35	0	0

Annual report - highlights

- 25% improvement in pre-tax result to DKK 361 million
- the best in the bank's history
- 37% improvement in banking operations to DKK 326 million
- better than upwardly revised expectations
- Rate of costs improved by 14% to 36.6% - the best in Denmark
- Strong increase in business - loans up by 39% and deposits up by 22%
- Dividend DKK 110 per DKK 20 share
- Buy-out programme/capital reduction
- provided that the shares can be acquired at maximum price 2,800
- Capital base (Tier 2) will be increased by DKK 300 million for future growth
- Expectations for actual banking operations in 2006: DKK 325-340 million

Large number of new customers and continued increase in business create 37% improvement in result of actual banking operations - the best result in the bank's history

The bank's business is growing very satisfactorily and is driven by a continuing substantial increase in both customer numbers and activities in the bank. The bank's loans increased by 39%, while deposits increased by 22%. This has resulted in a 37% improvement in the result of actual banking operations to DKK 326 million.

This improvement in actual banking operations is significantly better than expected at the beginning of the year, and it is supplemented by the positive value adjustments to the bank's own securities portfolio, together achieving a pre-tax result of DKK 361 million - equivalent to a 29% return on equity at the beginning of the year, which the bank's management considers highly satisfactory.

Net income from interest and fees

The profit on net income from interest and fees was DKK 510 million against DKK 426 million in 2004, an increase of 20%.

The increasing business, particularly the highly positive growth in the number of customers, was responsible for the increase in earnings on net income from interest, as the interest margin was somewhat lower in 2005 relative to 2004, which was attributable partly to strong competition and partly to an altered product mix.

Commissions earned on guarantees for foreign loans are included as a separate item designated »Interest-like commission income«. The income in question was DKK 23 million against DKK 19 million in 2004.

Fees and commissions amounted to net DKK 126 million in 2005 against DKK 84 million in 2004. The strongly positive growth is attributable primarily to the bank's concentration on securities trading and asset management which, with the establishment of the bank's Private Banking department two and a half years ago, is now having a substantial effect and is continuing its healthy development.

Net fees and commissions were derived as follows:

	2005	2004
Stock exchange business and asset management	68 million	39 million
Commission on guarantees	26 million	17 million
Transaction of payments	14 million	11 million
Fees on loans	10 million	6 million
Other fees and commissions	8 million	11 million
Total	126 million	84 million

Value adjustments

Value adjustments of securities and exchange rate adjustments etc. showed a gain of DKK 56 million against last year's DKK 65 million. The gains were DKK 31 million on shares, a gain of DKK 4 million on interest-bearing debts, and a positive exchange rate adjustment of DKK 6 million. A positive value adjustment of DKK 15 million was also made to sector shares.

In 2004 the bank had a positive value adjustment of DKK 17.1 million from the sale of Totalkredit shares. No value adjustment was made to Totalkredit shares in 2005. A profit of DKK 16 million is expected in 2006 if Nykredit buys the remaining Totalkredit shares.

The bank's holding of shares etc. at the end of the year amounted to DKK 213 million, DKK 55 million of which was in listed shares while DKK 158 million was in fixed asset shares etc. The increase in fixed asset shares is attributable primarily to a higher equity interest in DLR Kredit A/S. The holding of bonds was DKK 716 million with a corrected interest risk of 1.6% of the equity.

Costs

Total costs including depreciation on tangible assets amounted to DKK 190 million against last year's DKK 184 million, an increase of 3%.

The costs in 2004 were affected by one-off costs associated with the merger with Sdr. Lem Andelskasse, rebuilding etc. of the bank's properties in Ringkøbing, and extensions to the bank's Herning branch. From and including 2005, there is also a change in the accounting estimate for the life of operating equipment - corrected for these items, the underlying increase in costs was 8%.

The rate of costs improved by 14% in 2005 to 36.6, making the bank the country's most efficient bank as measured by this key figure for the fifteenth year in a row. The rate of costs was computed without including the positive value adjustment of sector shares.

The average number of full-time employees in 2005 was 251 against 241 in 2004.

Write-downs on loans and debts etc.

Write-downs on loans amounted to DKK 18 million, equivalent to 0.12% of the bank's loans, write-downs and guarantees - a fall from 0.17% in 2004. The level of losses and write-downs is judged to remain highly satisfactory, particularly given that actually realized net losses also amounted to a low 0.15% of total loans, write-downs and guarantees.

The quality of the bank's portfolio of loans and guarantees is good. The bank's total account for write-downs and provisions stood at DKK 357 million at the end of the year after reverse entry of DKK 43 million in write-downs on 1 January 2005 in connection with the introduction of the new accounting rules. The cumulative write-down percentage is 2.3% of total loans, write-downs and guarantees. The portfolio of loans at the end of the year with zeroed interest amounted to DKK 36 million.

The bank has grown substantially in recent years, and most of the growth has been in niche concepts in the bank's distance customer division. The bank has thus achieved both greater diversification in its loans portfolio with respect to location and sector, and a lower average risk on its total loans portfolio: the risk portfolio in the distance customer division is markedly lower than in the rest of the bank. Only 3.5% of the total account for write-downs and provisions relates to this area, where realized losses during the year were also insignificant.

Actual banking operations	2005	2004	2003	2002	2001	2000	1999	1998	1997
Total income	534	441	393	357	304	270	226	217	190
Total costs	-190	-184	-163	-155	-133	-109	-99	-97	-87
Write-downs	-18	-20	-35	-23	-23	-28	-27	-30	-35
Result of actual banking operations	326	237	195	179	148	133	100	90	68

The result of actual banking operations is the figure obtained after correction of the pre-tax result for value adjustments of securities and financial instruments, which amounted to DKK 35 million in 2005. Please see page 17 of the Annual Report for further details of the result of actual banking operations.

The highly satisfactory increase in actual banking operations from 2004 to 2005 was 37%, which is of course an expression of the underlying growth in the bank's area of business and the intake of new customers.

Result after tax

The result after tax was DKK 265 million after payment of tax of DKK 97 million. The result is equivalent to a 21% return on equity at the beginning of the year after proposed dividend. The effective tax rate is computed at 26.8%.

The balance sheet

The bank's balance sheet stood at DKK 13,361 million at the end of the year against last year's DKK 9,461 million, an increase of 41%. Deposits increased by 22% and amount to DKK 6,292 million. Loans increased by 39% to DKK 10,023 million. The guarantee portfolio at the end of the year amounted to DKK 5,142 million against last year's DKK 3,938 million.

The growth in the bank's loans was broadly based in 2005. There was growth throughout the branch network, and the general optimism and improvement in the Danish economy were felt in a major growth in loans and a solid demand for the flexible housing loans and financing of holiday cottages. Within the niche concepts, developments in the financing of wind turbines and loans to Private Banking clients in particular have been highly satisfactory, but the intake of affluent customers from throughout the country, especially from Zealand, has also been highly positive, and the bank has succeeded to a high degree in creating comprehensive relations with our new customers.

The total portfolio of loans and foreign loans at the end of 2005 can be broadly classified thus:

- 46% of all loans from niche concepts and the distance customer division
- 12% of all loans from the new branches in Herning, Holstebro and Viborg
- 42% of all loans from the bank's old branches in West Jutland.

Liquidity

Long-term confirmed drawing rights with foreign banks to the equivalent of DKK 700 million have been entered into to cover the bank's excess of loans. These drawing rights are not used in ordinary operations.

A proportion of the bank's loans with credit institutions etc. are long-term irredeemable loans with foreign banks. In the fourth quarter of 2005, the bank increased its total of irrevocable five-year loans etc. by a total of approx. DKK 600 million.

The bank's capital in 2005 and new subordinate capital in the first quarter of 2006

The bank's equity at the end of 2004 amounted to DKK 1,237 million. Following the introduction of new accounting rules, the shareholders' equity were corrected upwards at the beginning of the year by DKK 136 million, making the amended figure at the beginning of the year DKK 1,372 million. The profit for the year for allocation is DKK 265 million, and after payment of dividend for 2004 and trading in own shares etc. the equity as of 31 December 2005 are DKK 1,515 million.

A dividend of DKK 110 per share is recommended to the general meeting, equivalent to a total dividend payment of DKK 145.2 million. The dividend has also been set at an unusually high level for the year because the programme to buy up own shares was not activated in 2005, as the bank has not acquired any own shares under the limit price of 2,050.

The capital adequacy ratio (Tier 2) was computed at 11.6 and the core capital ratio (Tier 1) was also computed at 11.6. These key figures were both computed after deduction of the proposed dividend.

In March 2005 the bank admitted hybrid core capital with a total of DKK 200 million with indefinite maturity.

It has been the bank's goal for several years to reduce both Tier 1 and Tier 2 key figures via profitable growth and extension of a diversified loan portfolio with a lower average credit risk in the bank's total loan portfolio. The bank's goal for the annual accounts is to work towards a Tier 1 core capital percentage of approx. 8 and a Tier 2 solvency ratio of approx. 11. This strategy has succeeded very satisfactorily, and the bank's Tier 2 key figure is now approaching the goal, while at the Tier 1 level there is still considerable room for growth.

As the bank still has positive expectations for future growth possibilities, Ringkjøbing Landbobank has just taken up an eight-year loan of DKK 300 million as subordinate capital with the possibility of early redemption after five years. The capital certificates were sold to institutional and professional investors over a short period, and their listing on Copenhagen Stock Exchange will be sought. The issue will strengthen the bank's Tier 2 solvency ratio by about 2.2% to 13.8 calculated on the balance sheet at the beginning of 2006.

The bank's shares were listed on the Copenhagen Stock Exchange at 2,175 at the beginning of the year. The price rose during 2005 to 3,000 at the end of the year, which gave a return of 43% including dividend. In 2006 the price has risen to 3,195 (30 January 2006), and the market value on Copenhagen Stock Exchange is DKK 4.2 billion.

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

Extended buy-up programme

A recommendation will also be made to the bank's general meeting that the buy-up programme established in 2005 be renewed to 31 December 2006 so that the board of directors can implement a capital reduction of up to 60,000 shares. The programme will, however, be limited by the fact that the shares for the buy-up programme must be bought at market prices and max. 2,800 per share, and the programme will only be implemented in full or in part to the extent to which the board judges it commercially advantageous.

Accounting policies

As of 1 January 2005, the bank transferred with the rest of the financial sector in Denmark to new accounting rules adapted to the IAS and IFRS international accounting standards. The bank's opening balance sheet has been adapted to the new rules and Danish Financial Supervisory Authority guidelines. For a full summary reference is otherwise made to the accounting policies in the bank's Annual Report.



Expectations and plans

The result achieved for 2005 is significantly better than expected at the beginning of the year. This is attributable partly to much better banking operations than the budgeted result of DKK 240-250 million against the realised DKK 326 million, and partly to a positive value adjustment of securities.

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

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

The bank's distance banking department and niche concepts are the fastest growing section of the bank - a development which is also expected to continue in 2006. The concepts within financing of wind turbines, general practitioners, securities, dissavings loans, holiday cottage loans, foreign holiday residences and Private Banking are thus expected to continue to develop positively in the coming year.

Against this background - and despite strong competition - net interest and fees are expected to continue to increase in 2006. Costs including depreciation of tangible assets are expected to increase by approx. 13% in 2006. The need for write-downs and provisions on the bank's loans and guarantee portfolio in 2006 is expected to remain at the 2005 level.

In general, the bank expects that the result for actual banking operations in 2006 will be in the range DKK 325-340 million against DKK 326 million in 2005. To this must be added the result for the bank's trading portfolio of securities and a gain of DKK 16 million if the bank's shares in Totalcredit are sold.

Rella Holding advised after the end of the financial year that the company is seeking listing on Copenhagen Stock Exchange. This may trigger a share price gain of approx. DKK 50 million on the bank's holding of shares in Rella Holding if the plans are realized.

The bank expects to subscribe for shares in 2006 in the newly established life assurance and pension company LetPension, which will be jointly owned by Lokale Pengeinstitutter and Regional Bankerne, whose future product range will be exclusively the provision of advice in the area of life assurance and pensions, including company pensions. The purchase is not expected to affect the bank's result in 2006.

Financial calendar

The financial calendar for the coming year is as follows:

22 February 2006	General meeting
26 April 2006	Quarterly report - 1st quarter 2006
9 August 2006	Half-yearly report for the first six months of 2006
25 October 2006	Quarterly report - 3rd quarter 2006

Corporate Governance

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

Goals

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

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

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

The Nørby Committee's report

In 2001, the so-called »Nørby Committee« issued a report and a large number of recommendations to listed companies. The board of directors and management of Ringkjøbing Landbobank considered the committee's recommendations in 2002 and subsequently, and take a positive view of the committee's work.

The bank has now implemented most of the Committee's recommendations. The bank has, however, chosen other solutions in selected areas where this was judged to be in the bank's best long-term interests. The Committee's seven main areas are discussed below with selected comments.

The Nørby committee issued a further report in 2005 containing new recommendations on corporate governance. The bank's management will consider the committee's new recommendations in 2006.

The role of shareholders and interaction with management

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

New limitations on voting rights will not be introduced into the bank's articles of association. The board of directors finds no reason to amend the original rules concerning voting, which date from the bank's foundation, as long as the bank's performance is above the average within the Danish financial sector.

The role and significance of the bank's partners

Ringkjøbing Landbobank is an integral part of West Jutland, the bank's old core area, in which the bank has a very high market share. The bank's goal is to retain and develop this part of its customer portfolio with sound and competitive products. New branches have been established in the last few years outside the old core area. The bank's goal is to expand strongly and become a solid local bank in these communities.

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

The bank's employees are well-educated and motivated. It is a critical prerequisite for the bank's continued success and growth. Ringkjøbing Landbobank is a good place to work, where the atmosphere is informal and unpretentious. Rationalisation, reorganisation of tasks and in-service development of our employees' professional expertise are ongoing processes. It is therefore a vital factor for the bank's employees that they want to participate in the exciting developments which are currently in progress.

Openness and transparency

Ringkjøbing Landbobank formulated an Investor Relations policy in autumn 2002 and has significantly extended its website. The level of information which is provided complies with the recommendations of the Copenhagen Stock Exchange, and quarterly, half-yearly and Annual Reports are also issued in English.

Ringkjøbing Landbobank's shares are included in the Copenhagen Stock Exchange's MidCap+ Index.

The tasks and responsibilities of the board of directors

The board's tasks and its delegation to management and ongoing reporting are described in the procedures and miscellaneous instructions under Section 70 of the Danish Financial Business Act.

Composition of the board of directors

The board's composition and method of working follow the main principles in the recommendations. It was not, however, considered appropriate to introduce a maximum term for members of the board.

The age limit under the articles of association for membership of the board of directors and the shareholders' committee is 67.

Managerial remuneration

The bank's staff were offered employee shares in 2000-2004. An agreement on an employee bond scheme was entered into with the bank's staff in 2005. An agreement on an incentive scheme was entered into with the bank's managerial staff, and an incentive and loyalty scheme was entered into with the bank's management. These schemes are described in the bank's Annual Report.

Risk management

Effective risk management systems have been established in all significant areas of the bank. These systems are regularly evaluated both internally and by the bank's internal and external auditors and the Danish Financial Supervisory Authority.

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

The loan gearing factor relative to subordinate capital is approx. 7, and the bank's goal is that its results will be realized with a lesser or the same credit gearing as that of the country's major banks.

Risk factors

The bank's general principle is to carefully monitor the risks which occur in connection with the bank's operations, and to keep these risks within the framework laid down by the board of directors.

The main areas of risk in connection with the bank's operations are the credit risk on the bank's loans and advances, and the market risk within the fields of securities, foreign currencies and liquidity.

Credit risk is defined as the risk of losses because a debtor fails to meet all or part of his or her obligation to repay loans and credits when they are due.

Market risk is defined as the risk of a change in the market value of a financial claim as a consequence of changes in interest rates, prices of securities and foreign exchange rates.

Credit risks

Ringkjøbing Landbobank aims to ensure that the bank's credit exposure is spread over a number of customers and industries in order to avoid a situation in which individual credit facilities may constitute a risk to the bank's existence. The bank is also ensured a certain geographic spread on its loans and advances thanks to its various areas of business.

Historically viewed, the bank has always had a sound credit policy, and the bank's central credit department will also focus on the efficient management of the bank's loan portfolio in the future.

Market risks

The bank's basic policy with respect to market risk is that the bank will not accept a risk which may influence the bank's freedom to act.

The bank has laid down a concrete framework for each type of market risk, and risk management thus includes ensuring a reasonable and balanced relationship between risk and yield.

The bank uses derivative financial instruments to hedge and manage market risks if the bank wishes to minimise or reduce the extent to which it is exposed to such risks.

Management report - 5 year key figures



Summary DKK 1,000	2005	2004	2003	2002	2001
Profit and loss account					
Interest receivable	523,647	436,762	383,609	392,806	359,892
Interest payable	166,080	118,719	101,121	116,417	129,512
Net income from interest	357,567	318,043	282,488	276,389	230,380
Interest-like commission income	23,308	18,940	12,150	10,716	10,871
Dividend on capital shares etc.	3,979	5,357	6,156	5,015	11,644
Income from fees and commissions	159,995	107,212	89,531	70,381	56,530
Fees and commissions paid	34,451	23,692	17,414	14,960	13,437
Net income from interest and fees	510,398	425,869	372,911	347,541	295,988
Value adjustments	+56,237	+64,606	+118,213	+35,072	+10,528
Other operating income	2,650	2,079	7,592	5,726	4,973
Staff and administration costs	187,426	177,580	158,714	151,482	122,347
Amortization, depreciation and write-downs on intangible and tangible assets	2,421	6,728	4,075	3,988	10,416
Other operating costs	48	0	0	0	0
Write-downs on loans and debts etc.	18,053	19,904	34,741	23,470	23,239
Result of capital shares	144	-1	0	0	0
Profit before tax	361,481	288,341	301,186	209,399	155,487
Tax	96,885	74,103	71,062	62,028	48,333
Profit for the financial year	264,596	214,238	230,124	147,371	107,154
Balance sheet					
Cash in hand and claims on credit institutions and central banks	2,226,283	1,288,988	1,097,450	436,286	561,736
Loans and other debtors at amortized cost price	10,023,406	7,209,111	5,206,516	4,567,167	3,543,202
Bonds and shares etc.	929,444	827,456	705,524	874,816	619,506
Tangible assets	62,015	56,023	52,269	54,118	37,843
Other assets	119,456	79,346	470,707	69,367	70,920
Total assets	13,360,604	9,460,924	7,532,466	6,001,754	4,833,207
Debt to credit institutions and central banks	5,077,055	2,635,780	1,677,220	1,063,906	973,946
Deposits and other debts	6,291,696	5,144,209	4,390,606	3,713,777	2,907,117
Other liabilities	256,358	290,230	298,250	177,203	129,630
Provisions for liabilities	19,821	18,417	13,927	12,619	5,117
Subordinated debt	200,952	0	0	0	0
Share capital	26,400	26,400	26,400	27,789	25,000
Reserves	1,488,322	1,345,888	1,126,063	1,006,460	792,397
Total liabilities and equity	13,360,604	9,460,924	7,532,466	6,001,754	4,833,207
Off-balance sheet items					
Guarantees etc.	5,141,858	3,938,152	2,895,758	2,705,095	2,238,371
Other contingent liabilities	53,140	52,760	2,639	52,663	52,024
Total off-balance sheet items	5,194,998	3,990,912	2,898,397	2,757,758	2,290,395

Management report - 5 year key figures



		2005	2004	2003	2002	2001
Solvency ratio	%	11.6	11.9	14.4	14.9	14.8
Core capital ratio	%	11.6	12.2	15.1	14.6	15.2
Pre-tax return on equity	%	25.0	22.5	27.5	21.6	20.4
Return on equity after tax	%	18.3	16.7	21.0	15.2	14.0
Income/cost ratio	DKK	2.74	2.41	2.53	2.17	2.00
Interest risk	%	1.7	1.6	1.9	3.4	3.2
Foreign exchange position	%	1.7	2.1	0.3	0.3	1.1
Foreign exchange risk	%	-	-	-	-	-
Loans and write-downs thereon relative to deposits	%	164.9	147.1	127.6	133.3	133.3
Loans relative to shareholders' equity		6.6	5.3	4.5	4.4	4.5
Excess cover relative to statutory liquidity requirements	%	88.5	83.4	137.0	126.7	152.3
Growth in loans for the year	%	39.0	38.5	14.0	28.9	14.8
Total large exposures	%	73.3	95.5	90.9	55.3	65.1
Cumulative write-down percentage	%	2.3	3.1	4.6	5.0	5.4
Write-down percentage for the year	%	0.1	0.2	0.4	0.3	0.4
Proportion of debts at reduced interest	%	0.2	0.2	0.3	0.3	0.2
Profit for the year after tax per share*	DKK	1,002.3	811.5	849.3	520.9	412.1
Book value per share*	DKK	5,738	5,198	4,365	3,722	3,174
Dividend per share*	DKK	550	500	175	0	0
Price/profit for the year per share*		15.0	13.4	8.5	7.3	7.3
Price/book value per share*		2.61	2.09	1.66	1.02	0.95

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

General

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

The accounting policy was changed relative to the last financial year: cf. the following section »Changed accounting policies etc.«

Changed accounting policies etc.

Following the implementation of the new Danish accounting rules adapted to the IAS and IFRS international accounting standards and the proclamation of a new Executive Order on the Presentations of Accounts by the Danish Financial Supervisory Authority in connection therewith, the bank's accounting policies was changed with effect from 1 January 2005.

The most significant changes are discussed in more detail in this section, and the final adjusted accounting policies are then given.

With respect to loans and other debts, the new accounting regulation requires that establishment fees etc. which are integrated into the loan's effective interest rate be allocated over the life of the loan. In future, the item »Loans and other debtors« will be booked at amortized cost price, which will include establishment fees etc. The effect of this change is a write-down of the bank's equity by DKK 25.3 million on 1 January 2005.

The accounting regulation also requires that in future, there must be an objective indication of impairment before a provision for loss on the loan may be allocated - under the new rules, designated write-downs on loans and debts etc. This has led to a total reverse entry of DKK 47.2 million in write-downs on 1 January 2005, which has increased the equity.

In future, provisions on guarantees will be booked under the item »Provisions for liabilities«. These amounted to DKK 4.2 million on 1 January 2005.

In future, land and buildings will be allocated between the items »Investment properties« and »Domicile properties«. Investment properties will be booked at current value computed on the basis of a return-based model, while domicile properties will be booked at reassessed value computed as the current value of the date of reassessment, on the basis of a return-based model less cumulative depreciation. It should be noted that a further change in the bank's estimates of scrap values of the bank's domicile properties also occurred on 1 January 2005. With respect to other tangible fixed assets (operating equipment etc.), there was also a change on 1 January 2005 in the estimates of the life of operating equipment etc., such that they will be depreciated in future over an expected life of 3-5 years.

Own shares etc. are no longer included in the balance sheet. This has resulted in a DKK 13.2 million write-down on the equity on 1 January 2005. Under the new accounting policies, purchases, sales and dividends on own shares are booked directly to the equity.

Value adjustments concerning interest swaps were previously entered to cover the interest risk on individual fixed-interest loans not included in the balance sheet, but listed only in the notes. This procedure was followed to ensure the same treatment as for the loan, which was also not subject to value adjustment for the risk on the fixed interest rate. Under the new policy, value adjustments to such covering transactions are entered into the accounts, but the covered portion of the financial instrument is also adjusted with respect to covering the interest risk. The change means that both assets and debts are increased by DKK 7.2 million as of 1 January 2005.

Finally, in contrast to previous practice, internal rent is no longer calculated on own properties (previously entered as income under the item »Other operating income« and as an expense under »Staff and administration costs«).

The effect of these adjustments with respect to tax is DKK -1.3 million on 1 January 2005. The combined effect of all adjustments on 1 January 2005 was a revaluation of the equity by a total of DKK 3.4 million.

It should also be noted that in future, the proposed allocation of profit will not be deducted from the equity until after adoption by the general meeting. The proposed dividend etc. on 31 December 2004 amounted to DKK 132.3 million which, apart from the above combined effect of DKK 3.4 million, likewise increased the equity at the beginning of 2005.

The comparative figures for 2004 were adjusted to the changed accounting policies except for the totalling of loans and other debts at amortized cost price, write-downs on loans and other debts and hedge accounting, where the bank has only applied the new accounting rules with effect from 1 January 2005, but such that the balance sheet figures on 31 December 2004 on pages 18 and 19 of the Annual Report were adjusted to the changed accounting policies. The bank's opening balance sheet of 1 January 2005 is thus identical to the balance sheet figures of 31 December 2004. The comparative figures for the 2003 and previous financial years on pages 3, 10 and 11 in the Annual Report have not been adjusted for the amended accounting policy. In both cases the bank has used the transitional provisions in the Danish Financial Supervisory Authority's Executive Order on the Presentation of Accounts. The bank has also used the transitional provision for share-based remuneration.

Foreign currency

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

Financial instruments - general

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

Loans and other debtors

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

If an objective indication of impairment is found for loans and other debts, a write-down is made to cover the bank's loss.

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

Bonds and shares

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

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

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

Capital shares in associated companies

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

Land and buildings

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

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

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

Other tangible fixed assets

Other tangible fixed assets including operating equipment are included in the balance sheet at cost price less cumulative depreciation and write-downs for any loss due to impairment. Depreciations are calculated on the basis of the assets' expected lives, which are 3-5 years, on the on the basis of depreciation computed as cost price less scrap value. Depreciations and losses due to impairment are included in the profit and loss account.

Derivative financial instruments

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

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

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

Guarantees

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

Interest income

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

As in previous years, interest income from loans which have been either fully or partly written down is given under the item »Interest income«.

Income from fees and commissions

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

Tax

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

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

Incentive schemes

The bank has established several incentive schemes with its employees, managerial staff and management.

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

The costs of the share option incentive schemes are reflected in the profit and loss account via the interest costs of securing the scheme to the extent to which the bank's option liability was secured on the basis of the bank's holding of own shares.

Key figures

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

Profit and loss account

Note no.		2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies
1	Interest receivable	523,647	436,762
2	Interest payable	166,080	118,719
	Net income from interest	357,567	318,043
	Interest-like commission income	23,308	18,940
3	Dividend on capital shares etc.	3,979	5,357
4	Income from fees and commissions	159,995	107,221
4	Fees and commissions paid	34,451	23,692
	Net income from interest and fees	510,398	425,869
5	Value adjustments	56,237	64,606
	Other operating income	2,650	2,079
6,7,8	Staff and administration costs	187,426	177,580
18,19	Amortization, depreciation and write-downs on intangible and tangible assets	2,421	6,728
	Other operating costs	48	0
14	Write-downs on loans and debts etc.	18,053	19,904
	Result of capital shares	144	-1
	Profit before tax	361,481	288,341
9	Tax	96,885	74,103
	Profit for the financial year	264,596	214,238

Proposed distribution of profit

	Profit for the financial year	264,596	214,238
	Total amount available for distribution	264,596	214,238
	Dividends	145,200	132,000
	Other purposes	300	300
	Transferred to reserve for net revaluation under the intrinsic value method	144	-1
	Appropriation to own funds	118,952	81,939
	Total distribution of the amount available	264,596	214,238

Actual banking operations

	2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies
Net income from interest	357,567	318,043
Interest-like commission income	23,308	18,940
Dividend on capital shares etc.	3,979	5,357
Net income from fees and commissions	125,544	83,529
Value adjustments of fixed-assets shares*	14,572	7,660
Foreign exchange income	6,019	5,960
Other operating income	2,650	2,079
Total net income	533,639	441,568
Staff and administration costs	187,426	177,580
Amortization, depreciation and write-downs on intangible and tangible assets	2,421	6,728
Other operating costs	48	0
Total net costs	189,895	184,308
Write-downs on loans and debts etc.	18,053	19,904
Result of actual banking operations	325,691	237,356

* Excl. Totalkredit.

Balance sheet

Note no.		2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies
	Liabilities and equity		
	Debt		
21	Debt to credit institutions and central banks	5,077,055	2,635,780
22	Deposits and other debts	6,291,696	5,144,209
	Actual tax liabilities	0	7,242
	Other liabilities	255,209	280,515
	Periodic-defined items	1,149	2,473
	Total debt	11,625,109	8,070,219
	Provisions for liabilities		
23	Provisions for pensions and similar liabilities	13,967	14,267
	Provisions for deferred tax	0	0
	Provisions for losses on guarantees	4,150	4,150
	Other provisions	1,704	0
	Total provisions for liabilities	19,821	18,417
	Subordinated debt		
24	Subordinated debt	200,952	0
	Total subordinated debt	200,952	0
	Shareholders' equity		
25	Share capital	26,400	26,400
	Provisions for revaluation	149	149
	Reserve for net revaluation under the intrinsic value method	204	60
	Profit carried forward	1,487,969	1,345,679
	Total shareholders' equity	1,514,722	1,372,288
	Of which proposed dividend etc.	145,500	132,300
	Total liabilities and equity	13,360,604	9,460,924
27	Contingent liabilities		

Statement of shareholders' equity

	Share capital	Provisions for revaluation	Reserve for net revaluation under the intrinsic value method	Profit carried forward	Total shareholders' equity
Shareholders' equity end 2004 before corrections	26,400	0	0	1,210,201	1,236,601
Total corrections as a result of changed accounting policy		149	60	135,478	135,687
Corrected shareholders' equity end 2004	26,400	149	60	1,345,679	1,372,288
Dividend etc. paid				-132,300	-132,300
Shareholders' equity after allocation of dividend etc.	26,400	149	60	1,213,379	1,239,988
Dividend received on own shares				3,099	3,099
Purchase and sale of own shares				11,326	11,326
Tax calculated on transactions with own shares				-7,292	-7,292
Adjustment of deferred tax concerning own shares				2,880	2,880
Other shareholders' equity items				125	125
Profit for the financial year			144	264,452	264,596
Shareholders' equity on balance sheet date	26,400	149	204	1,487,969	1,514,722
Of which proposed dividend etc.					145,500

Solvency ratio

	2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies
The bank's solvency ratio calculated pursuant to Executive order on Solvency Ratio Rules for Credit Institutions and Specialized Credit Institutions issued by the Danish Financial Supervisory Authority.		
Total shareholders' equity	1,514,722	1,372,288
Proposed dividend etc.	-145,500	-132,300
Other deductions from the Tier 1 capital	-30,978	-13,527
Hybrid Tier 1 capital, included at	200,000	0
Core capital after deductions	1,538,244	1,226,461
Addition to/deduction from the capital base	+149	-31,850
Capital base after deductions	1,538,393	1,194,611
Weighted non-trading book assets	12,659,024	9,484,277
Weighted items with market risks etc.	638,497	560,932
Total weighted items	13,297,521	10,045,209
Core capital ratio excl. hybrid core capital (%)	10.1	12.2
Core capital ratio (Tier 1) (%)	11.6	12.2
Solvency ratio pursuant to Section 124(1) of the Danish Financial Business Act (Tier 2) (%)	11.6	11.9
Capital requirements under Section 124(1) of the Danish Financial Business Act	37,303	37,175

Notes to the Annual Report

Note no.		2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies
1	Interest receivable		
	Claims on credit institutions and deposits with central banks	37,150	20,670
	Loans and other debtors	467,878	384,402
	Bonds	22,759	23,353
	Total derivatives financial instruments	-4,721	-8,183
	of which		
	Currency contracts	4,862	139
	Interest-rate contracts	-9,583	-8,322
	Other	581	16,520
	Total interest receivable	523,647	436,762
2	Interest payable		
	Credit institutions and central banks	60,237	37,762
	Deposits and other debts	97,190	78,470
	Subordinated debt	8,153	0
	Other	500	2,487
	Total interest payable	166,080	118,719
3	Dividend on shares etc.		
	Shares	3,979	5,357
	Total dividend on shares etc.	3,979	5,357
4	Net income from fees and commissions		
	Securities trading and custody accounts	67,596	38,568
	Payment handling	13,916	10,933
	Loan fees	9,949	5,878
	Guarantee commissions	25,997	17,499
	Other fees and commissions	8,086	10,651
	Total net income from fees and commissions	125,544	83,529
5	Value adjustments		
	Loans and other debtors at current value	-1,613	5,834
	Bonds	-167	8,099
	Shares etc.	43,352	35,435
	Shares in Totalkredit A/S	0	17,145
	Foreign exchange income	6,019	5,960
	Total derivatives financial instruments	10,984	-7,867
	of which		
	Currency contracts	0	12
	Interest-rate contracts	8,462	-9,623
	Share contracts	2,522	1,744
	Other liabilities	-2,338	0
	Total value adjustments	56,237	64,606
6	Staff and administration costs		
	Salaries and payments to board of managers, board of directors and shareholders' committee		
	Board of managers	4,252	3,922
	Board of directors	726	769
	Shareholders' committee	210	212
	Total	5,188	4,903
	Staff costs		
	Salaries	87,045	80,862
	Pensions	8,207	7,726
	Social security expenses	8,886	8,877
	Total	104,138	97,465
	Other administration costs	78,100	75,212
	Total staff and administration costs	187,426	177,580

Notes to the Annual Report

Note no.		2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies
7	Number of employees		
	Average number of employees during the financial year converted into full-time employees	250.9	240.6
8	Audit fee		
	Total fee to the firms of accountants, elected by the General Meeting, that perform the statutory audit	811	680
	Of this concerning other contributions than audit	164	55
	The bank also has an internal auditor.		
9	Tax		
	Tax calculated on the years profit	109,561	71,221
	Adjustment of deferred tax	-14,571	2,717
	Adjustment of tax calculated for previous years	0	-2,204
	Tax on write-downs account	1,895	2,369
	Total tax	96,885	74,103
	Effective tax rate (%):		
	The current tax rate of the bank	28.0	30.0
	Non-liable income and non-deductible costs etc.	-1.7	-4.3
	Adjustment of tax calculated for previous years	0.0	-0.8
	Tax on write-downs account	0.5	0.8
	Total effective tax rate	26.8	25.7
10	Incentive schemes		
	An employee share scheme was introduced in 2000 as a reward of the staff's commitment to the bank. In the 2000-2004 accounting years, the bank's staff were thus offered shares for which the remaining vesting periods are currently 2, 1, 2, 3 and 4 years. The bank's staff had acquired a total of 23,552 shares as of the end of 2005.		
	An agreement was entered into in the 2005 financial year on an employee bond scheme with the object of rewarding employees' efforts on behalf of the bank. The bank's maximum liability under the agreement is booked as an expense of tDKK 1,704 in the 2005 financial year and is given under the item »Other provisions«.		
	An agreement on a share incentive scheme was made with the bank's management team in 2000 with the object of strengthening the ties between management team and the bank. This agreement will run until 2008. The bank's costs for this programme were all paid in previous accounting years.		
	An agreement on an incentive and loyalty scheme involving the issuing of share options was made with the bank's management in 2000 with the object of strengthening the ties between the management and the bank, as the options are conditional upon the individual member of the management's continued employment in the bank. The program rewards long-term price increases on the bank's shares and the issued options may be utilised in the period December 2006 to 2008. The strike price of the options is fixed as the price at the time of establishment in December 2000 adjusted by any later dividends. An interest expense of tDKK 166 relating to the programme has been recorded in the accounts, and the programme can otherwise be hedged on the basis of 30,000 own shares. The issued options have no fair value if a member of the management resigns his position, as the option will then lapse.		
11	Board of managers and board of directors		
	The amount of loans, mortgage, sureties or guarantees and appurtenant collaterals issued to members of the bank's: Interest rates 2005		
	Board of managers 4,6%	105	50
	Board of directors, incl. elected by the staff 2,3%-15,0%	21,933	16,027
	All commitments are performed under market terms, including both interest and guarantee commission rates.		
	Security pledged from members of the bank's:		
	Board of managers	0	0
	Board of directors	8,602	9,398

Notes to the Annual Report

Note no.	2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies
12	Claims on credit institutions and deposits with central banks	
	39,026	11,595
	1,729,356	1,086,698
	74,605	0
	264,921	129,177
	64,788	0
	2,172,696	1,227,470
	Distributed as follows:	
	1,154,356	581,698
	1,018,340	645,772
	2,172,696	1,227,470
13	Loans and other debtors at amortized cost price	
	3,699,673	2,261,407
	791,916	548,600
	1,579,391	1,348,191
	2,124,133	1,796,620
	1,828,293	1,254,293
	10,023,406	7,209,111
14	Write-downs on loans and other debts	
	Individual write-downs	
	347,705	394,850
	110,245	123,450
	-98,060	-99,620
	-19,140	-18,480
	0	4,655
	0	0
	0	-57,150
	340,750	347,705
	Group write-downs	
	10,000	0
	2,100	0
	0	0
	0	10,000
	12,100	10,000
	No write-downs were made on debts with credit institutions and other debts, but provisions were made for losses on guarantees - cf. »Provisions for losses on guarantees« in the balance sheet.	
	Loans and other debts with an objective indication of impairment included in the balance sheet at a book value greater than zero	
	877,471	-
	-309,800	-
	567,671	-

Notes to the Annual Report

Note no.	2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies
15	Suspended calculation of interest	
	Total claims with suspended calculation of interest at year-end	35,796
		18,875
16	Bonds at current value	
	Quoted on the stock exchange	716,250
	Total bonds at current value	716,250
		618,021
17	Shares etc.	
	Quoted on the Copenhagen Stock Exchange	55,132
	Quoted on other stock exchanges	274
	Other shares	142,486
	Other holdings	14,747
	Total shares etc.	212,639
		85,702
		4,851
		104,699
		13,772
		209,024
18	Land and buildings	
	Investment properties	
	Current value at the end of the previous financial year	10,814
	Acquisitions during the year, including improvements	0
	Disposals during the year	-453
	Value adjustments to current value for the year	0
	Other changes	0
	Current value on balance sheet date	10,361
		11,681
		0
		-673
		0
		-194
		10,814
	Domicile properties	
	Reassessed value at the end of the previous financial year	45,208
	Acquisitions during the year, including improvements	4,580
	Disposals during the year	-641
	Depreciations	-192
	Changes in value included directly on the equity during the year	0
	Changes in value included directly in the profit and loss account during the year	0
	Other changes	0
	Total reassessed value on balance sheet date	48,955
		40,736
		5,819
		0
		-1,347
		0
		0
		0
		45,208
	No external experts were involved in the valuation of investment and domicile properties.	
19	Other tangible assets	
	Cost price	
	Cost price at the end of the previous financial year without depreciations and write-downs	21,032
	Acquisitions during the year, including improvements	3,724
	Disposals during the year	-1,056
	Transfers to other items during the year	0
	Total cost price on balance sheet date	23,700
		19,854
		4,181
		-3,003
		0
	Write-downs and depreciations	
	Write-downs and depreciations at the end of the previous financial year	21,031
	Write-downs for the year	0
	Depreciations for the year	1,026
	Write-downs and depreciations on sold and discarded assets	0
	Reverse entry of previous years' write-downs during the year and reverse entry of total depreciations and write-downs on assets which were sold or taken out of operation during the year	-1,056
	Total depreciations and write-downs on balance sheet date	21,001
		19,853
		0
		4,181
		0
		-3,003
		21,031
	Total, other tangible assets on balance sheet date	2,699
		1

Notes to the Annual Report

Note no.		2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies				
20	Deferred tax assets						
	The calculated deferred tax asset relates to the following balance sheet items:						
	Loans and other debts	5,280	-8,692				
	Tangible assets	2,365	3,274				
	Securities and financial instruments	20,687	15,085				
	Provisions for liabilities	4,388	5,525				
	Other assets/liabilities	-1,891	-1,814				
	Total deferred tax assets	30,829	13,378				
	Deferred tax is calculated at (percent)	28.0	30.0				
21	Debt to credit institutions and central banks						
	Debt payable on demand	321,860	302,521				
	Up to 3 months	4,083,750	2,072,925				
	Over 3 months and up to 1 year	0	0				
	Over 1 year and up to 5 years	671,445	260,334				
	Over 5 years	0	0				
	Total debt to credit institutions and central banks	5,077,055	2,635,780				
	Distributed as follows:						
	Debt to central banks	0	29,950				
	Debt to credit institutions	5,077,055	2,605,830				
		5,077,055	2,635,780				
	The bank has at the end of year 2005 undrawn long-term committed lines for DKK 700 mio.						
22	Deposits and other debts						
	On demand*	3,886,585	3,242,554				
	Deposits at notice:						
	Up to 3 months	821,822	779,168				
	Over 3 months and up to 1 year	139,544	127,993				
	Over 1 year and up to 5 years	910,339	520,436				
	Over 5 years	533,406	474,058				
	Total deposits and other debts	6,291,696	5,144,209				
	Distributed as follows:						
	On demand	3,841,243	3,194,272				
	At notice	74,256	82,358				
	Time deposits	1,772,328	1,334,688				
	Special types of deposits	603,869	532,891				
		6,291,696	5,144,209				
	* Special types of deposits are entered under the item »On demand« pending payment, while in the specification of the different types of deposit, the sum is instead included under »Special types of deposits«.						
23	Provisions for pensions and similar liabilities						
	The provisions concern a conditional pension commitment to a current member of the board of management and a pension commitment to former members of the board of management from a merged bank.						
24	Subordinated debt						
			Cost in				
			the financial				
			year				
			on raising				
	Type	Expiration date	Principal	Currency	Interest rate %	Interest in the financial year	the financial year on raising
	Hybrid core capital	Indefinite	DKK 200 million	DKK	4,795	8,153	1,615
	tDKK 200,000 of the subordinated debt is included in the computation of the capital base.						
	The interest rate will change on 2 March 2015 to a quarterly variable coupon rate equivalent to the CIBOR rate published by the Danish National Bank for a term of three months plus 2.16% p.a.						

Notes to the Annual Report

Note no.	2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies
25		
Share capital		
Number of shares at DKK 20 each	1,320,000	1,320,000
Share capital	26,400	26,400
26		
Own capital shares		
Own capital shares included at	0	0
The market value is	84,063	68,643
Number of own shares:		
Beginning of year	31,560	31,640
Net purchases and sales of own shares during the year	-3,539	-80
End of year	28,021	31,560
Nominal value of holding of own shares, end of year	560	631
Own shares' proportion of share capital, end of year (%)	2.1	2.4
Total purchase price for shares acquired during the year	287,445	320,819
Total sales price for shares sold during the year	298,771	322,370
Net sales of own shares during the year were made on the basis of the bank's ordinary trading in shares.		
27		
Contingent liabilities		
Guarantees etc.		
Finance guarantees	997,571	735,262
Guarantees for foreign loans	1,865,478	1,250,779
Guarantees against losses on mortgage credit loans	1,102,521	1,102,332
Registration and conversion guarantees	150,670	126,497
Other guarantees	1,025,618	723,282
Total guarantees	5,141,858	3,938,152
Other contingent liabilities		
Irrevocable credit commitments	50,000	50,000
Other liabilities	3,140	2,760
Total other contingent liabilities	53,140	52,760
As security for clearing etc., the bank has mortgaged bonds from its total bond holding to the Danish National Bank to a total market price of	96,376	82,651
28		
Credit risks		
Loans and guarantees distributed on sectors and lines of business (in % end year)		
Public authorities	1.6	0.1
Business		
Agriculture, hunting and forestry	11.9	13.8
Fishing industry	0.6	0.8
Manufacturing business, primary business, electricity-, gas-, water- and heating plants	6.5	6.8
Building and construction	1.6	2.3
Wholesale and retail trade, catering- and hotel trade	6.8	7.1
Carrying trade, storage- and communication service	0.9	1.3
Credit- and financial intermediation and insurance business	12.7	4.6
Real-estate administration, real-estate agent, service business	4.8	9.3
Other business	8.8	8.3
Total business	54.6	54.3
Private persons	43.8	45.6
Total	100.0	100.0

Notes to the Annual Report

Note no.		2005 DKK 1,000	2004 DKK 1,000 Adjusted to changed accounting policies
29	Credit risk on derivative financial instruments		
	Positive market value (by counterpart risk) after netting		
	Counterpart riskweight 0%	0	0
	Counterpart riskweight 20%	11,915	5,833
	Counterpart riskweight 100%	4,961	7,508
30	Market risks		
	Foreign-exchange risk		
	Assets in foreign currency	1,912,504	731,452
	Liabilities in foreign currency	3,890,573	2,054,520
	Foreign-exchange indicator 1	26,247	25,148
	Foreign-exchange indicator 1 in % of core capital after deductions (%)	1.7	2.1
	Interest-rate risks		
	Total interest-rate risk on liabilities, etc.	26,388	19,675
	Interest-rate risk by the foreign currencies of the bank with the largest interest-rate risk		
	Currency:		
	DKK	23,388	19,479
	EUR	2,256	-173
	USD	921	407
	CHF	-176	-39
	NOK	0	-1
	SEK	0	1
	Other currencies	-1	1
31	Hedging		
	The following are hedged:		
	Fixed interest debts in credit institution, fixed interest loans and hybrid core capital		
	Risk cover:		
	Interest risk		
	Book values:		
	Debts owed by credit institution	28,331	-
	Loans	127,200	133,800
	Hybrid core capital	200,952	-
	Cover is thus:		
	Interest swaps - synthetic principal	297,200	133,800
	Market value	-3,219	-7,170

Notes to the Annual Report

Derivative financial instruments

(1,000 DKK)

	Market value				Average market value			
	Positive		Negative		Positive		Negative	
	2005	2004	2005	2004	2005	2004	2005	2004
Foreign-exchange contracts								
Forward transactions/Futures, purchase	11,798		4,821	5,302	11,128	4,579	5,854	6,742
Forward transactions/Futures, sale	5,723	7,072	3,732		6,685	5,842	2,504	1,480
Swaps	42		42		28		28	
Options, purchase	12				6	45		
Options, sale			15				7	51
Interest-rate contracts								
Forward transactions/Futures, purchase	334	512	18	11	215	641	10	25
Forward transactions/Futures, sale		2			1		177	145
Swaps	6,803		18,284	15,227	5,739		23,814	11,518
Options, purchase								
Options, sale								
Share contracts								
Forward transactions/Futures, purchase			1		226	118	183	105
Forward transactions/Futures, sale	1		1		183	105	226	315
Options, purchase	4	345			285	113		
Options, sale			83,709	56,655			75,235	45,624
Total	24,717	7,931	110,623	77,195	24,496	11,443	108,038	66,005

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

Unsettled spot transactions

(1,000 DKK)

	Nominal value	Market value		Net market value
		Positive	Negative	
Foreign-exchange transactions, purchase	75,106	14	2	12
Foreign-exchange transactions, sale	15,401	14	0	14
Interest-rate transactions, purchase	14,701	15	1,669	-1,654
Interest-rate transactions, sale	16,065	1,717	10	1,707
Share transactions, purchase	104,218	1,390	794	596
Share transactions, sale	114,703	559	1,073	-514
Total 2005	340,194	3,709	3,548	161
Total 2004	217,483	1,927	1,915	12

Management statement

The Board of Directors and the Management Board have today reviewed and approved the Annual Report of Ringkøbing Landbobank A/S for the financial year 1 January - 31 December 2005.

The Annual Report was prepared in compliance with the Danish Financial Business Act and the Executive Order on the Presentation of Accounts. The Annual Report was also prepared in accordance with the information requirements of the Copenhagen Stock Exchange for issuers of listed securities, except where otherwise provided by the Danish Financial Business Act, the Executive Order on the Presentation of Accounts or other Executive Orders from the Danish Financial Supervisory Authority. In our opinion, the accounting policies applied are appropriate, and the estimates made as cautious, and the Annual Report gives a true and fair view of the Bank's assets, liabilities, financial position and results.

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

Ringkøbing, the 1st February, 2006

Board of Managers:

Bent Naur Kristensen John Bull Fisker

Ringkøbing, the 1st February, 2006

Board of Directors:

Jens Lykke Kjeldsen Jørgen H. Pedersen

Gert Asmussen Keld Hansen Gravers L. Kjærgaard

Mogens Andersen Vibeke Ballegaard Søren Nielsen

Internal Audit

To the shareholders of Ringkjøbing Landbobank A/S

I audited the Annual Report of Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2005, prepared in accordance with the Danish Financial Business Act and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

The Annual Report is the responsibility of the bank's Management. My responsibility is to express an opinion on the Annual Report based on my audit.

Basis of opinion

The audit was conducted based on the basis of the Executive Order from the Danish Financial Supervisory Authority on auditing financial enterprises and in accordance with Danish Auditing Standards. Based on materiality and risk, I have evaluated the business procedures, the accounting policies applied and the significant estimates made and verified the basis for amounts and disclosures in the Annual Report. I believe that my audit provides a reasonable basis for my opinion.

The audit did not result in any qualification.

Opinion

In my opinion, the Annual Report gives a true and fair view of the Bank's financial position at 31 December 2005 and of the results of the Bank's operations for the financial year 1 January - 31 December 2005 in accordance with the Danish Financial Business Act and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

Ringkøbing, the 1st February, 2006

Henrik Haugaard
Internal Audit Manager

External Audit

To the shareholders of Ringkjøbing Landbobank A/S

We audited the Annual Report of Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2005, prepared in accordance with the Danish Financial Business Act and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

The Annual Report is the responsibility of the bank's Management. Our responsibility is to express an opinion on the Annual Report based on our audit.

Basis of opinion

We conducted our audit in accordance with Danish Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies used and significant estimates made by the Management, as well as evaluating the overall Annual Report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Bank's financial position at 31 December 2005 and of the results of the Bank's operations for the financial year 1 January - 31 December 2005 in accordance with the Danish Financial Business Act and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

Ringkøbing, the 1st February, 2006

KPMG C. Jespersen

Kristian Winkler Hansen
State Authorized
Public Accountant

Jakob Nyborg
State Authorized
Public Accountant

PricewaterhouseCoopers

Kim Rune Brarup
State Authorized
Public Accountant

Flemming Nielsen
State Authorized
Public Accountant



Bent Naur Kristensen
General manager



John Bull Fisker
General manager



Sten Erlandsen
Manager of securities and
cash manager



Jørgen Højgaard
Foreign manager



Lars Hindø
Financial manager

Head office and foreign department

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16 Branches:

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Lem
Spjald
Tarm
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Tim
Ulfborg
Viborg
Vildbjerg
Ørnhøj

