

Annual Report 2004

118th Accounting Year



ANNUAL REPORT 2004



www.landbobanken.dk

SHORT PRESENTATION

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 14,000 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 2004 will be held in ROFI Centret in Ringkøbing on Wednesday 23 February 2005.

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Dear shareholder,

Two thousand and four was a particularly good year for Ringkjøbing Landbobank.

A record increase in actual banking operations combined with positive value adjustments of securities has meant a result before tax of DKK 291 million, equivalent to a 25% return on capital and reserves.

Actual banking operations were promoted by a continued acquisition of new customers, a major 38% increase in loans, and a 17% increase in deposits in 2004, while the level of activity throughout the bank was high.

The bank is today owned by 14,000 shareholders. The share price increased by 49% in 2004 and the market value on the stock exchange is now DKK 3 billion.

The dividend for 2004 is recommended at DKK 100 per share, in the form of an ordinary dividend of DKK 40 and an extraordinary dividend of DKK 60 per share because the bank's buy-up programme for 2004 was not utilised.

It was also decided to recommend to the general meeting that the buy-up programme established for 2004 be renewed until 31 December 2005 so that a capital reduction of up to 60,000 shares can be implemented. The programme will, however, be limited by the fact that the shares in the buy-up programme must be bought at market prices to max. 2,050 per share.

We also have positive expectations for this year, and we expect that the result of actual banking operations will increase from DKK 239 million in 2004 to DKK 240-250 million in 2005.

Thank you for your support in 2004.

Bent Naur Kristensen John Bull Fisker

FIVE YEAR SUMMARY

Key figures (million DKK)	2004	2003	2002	2001	2000
Net income from interest and charges	427	373	348	296	265
Value adjustments excl. Totalkredit A/S	49	52	35	11	11
Value adjustments of shares in Totalkredit A/S	17	66	0	0	0
Total costs and depreciation	188	163	155	133	109
Provisions for bad and doubtful debts	20	35	23	23	28
Profit before tax	291	301	209	155	140
Profit after tax	216	230	147	107	96
Actual banking operations	239	195	179	148	133
Shareholders' equity	1,237	1,152	1,034	794	735
Deposits	5,144	4,391	3,714	2,907	2,572
Loans and advances	7,180	5,207	4,567	3,543	3,085
Balance sheet total	9,501	7,532	6,002	4,833	4,331
Guarantees	3,938	2,896	2,705	2,238	1,976
Key figures for the bank (per cent)					
Pre-tax return on equity, start of period	25.3	29.1	23.1	21.2	22.0
Pre-tax return on equity excl. Totalkredit A/S, start of period	23.8	22.7	23.1	21.2	22.0
Return on equity after tax, start of period	18.8	22.3	16.2	14.6	15.0
Rate of costs	42.8	42.3	43.5	43.7	40.3
Core capital (Tier1)	11.5	15.1	14.6	15.2	16.1
Solvency (Tier 2)	11.1	14.4	14.9	14.8	15.9
Key figures per share (DKK)					
Actual banking operations	180.7	143.9	126.6	113.8	98.5
Profit before tax	220.5	222.2	147.8	119.2	103.7
Profit after tax	164.0	169.8	103.9	82.3	71.1
Net asset value	936.8	873.0	744.4	634.8	544.2
Price, end of period	2,163.1	1,448.2	760.0	600.8	379.2
Dividend	100.0	35.0	0.0	0.0	0.0

Annual report - highlights

- 23% increase in actual banking operations to DKK 239 million
- Result before tax DKK 291 million - equivalent to 25% return on capital and reserves
- Still the country's lowest rate of costs at 43%
- Strong increase in business - loans up by 38% and deposits up by 17%
- Dividend DKK 100 per DKK 20 share
- Buy-out programme/capital reduction
- provided that the shares can be acquired at maximum price 2,050
- Expectations for actual banking operations in 2005: DKK 240-250 million

Still increasing area of business and new customers generate 23% increase in result of actual banking operations

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 38%, while deposits increased by 17%. This has resulted in a substantial 23% improvement in the result of actual banking operations to DKK 239 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 adjustment of the bank's own holding of securities, together achieving a pre-tax result of DKK 291 million - equivalent to a 25% return on capital and reserves, 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 427 million against DKK 373 million last year, an increase of 15%.

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 2004 relative to last year, which is attributable partly to increasing competition and partly to an altered product mix.

Fees and commission amounted to net DKK 102.5 million in 2004 against DKK 84.3 million in 2003. The highly positive increase is attributable primarily to the bank's activities within securities trading and asset management, and to the fact that more loans were made abroad, where the bank's earnings are stated under commission.

Net fees and commissions were derived as follows:

	2004		2003
Stock exchange business and asset management	38%	39 million	30 million
Foreign loans	18%	19 million	12 million
Guarantees to mortgage credit institutions	13%	14 million	11 million
Transaction of payments	11%	11 million	10 million
Handling fees, mortgage credit institutions	7%	7 million	10 million
Document handling, general	5%	5 million	3 million
Guarantee commissions, work and payment guarantees	4%	4 million	5 million
Miscellaneous fees	4%	4 million	3 million

Securities and foreign exchange income

Value adjustments of securities and exchange rate adjustments etc. showed a gain of DKK 66 million against last year's DKK 118 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 8 million was also made to sector shares together with a total positive value adjustment of DKK 17 million on Totalkredit shares in 2004.

The highly positive return on the shareholding derives from a portfolio of Danish small-cap shares and the bank's earnings on share trading.

In 2003 the bank sold 63% of its 2.04% ownership of Totalkredit A/S, and the consequent value adjustment contributed DKK 66 million last year. In 2004 the bank sold 18% of the shares, and the sale contributed DKK 17 million - the remaining holding of Totalkredit shares is expected to be sold in 2006 with a value adjustment of approx. DKK 19 million.

The bank's holding of shares etc. at the end of the year amounted to DKK 209 million, DKK 90 million of which was in listed shares while DKK 119 million was in sector shares. The bond holding amounted to DKK 618 million with a corrected interest risk of 1.2% of capital and reserves.

Costs

Total costs including depreciation on tangible assets amounted to DKK 188 million against last year's DKK 163 million, an increase of 15%.

The costs were affected by once-only costs of approx. DKK 7 million in the fourth quarter as a result of the merger with Sdr. Lem Andelskasse, renovation etc. of the bank's property in Ringkøbing and extensions to the bank's Herning branch. Corrected for the above, the growth in costs was 11%.

The rate of costs in 2004 was 42.8, making the bank the country's most efficient bank as measured by this key figure for the fourteenth 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 2004 was 241 against 224 in 2003.

Losses and provisions

Losses and provisions amounted to DKK 20 million, equivalent to 0.17% of the bank's loans, provisions and guarantees - a fall from 0.41% in 2003. The level of losses and provisions remains highly satisfactory, particularly given that actually realised net losses also amounted to a low 0.13% of total loans, provisions and guarantees.

The bank's total account for provisions stood at DKK 405 million at the end of the year, equivalent to 3.5% of total loans, provisions and guarantees.

The bank has grown substantially in recent years, and much 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 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 8% of the total account for provisions relates to this area, where realised losses this year are also insignificant.

MANAGEMENT REPORT

The portfolio of loans in which the interest rate has been set to zero amounts to DKK 19 million, equivalent to 5% of the total account for provisions.

Account for provisions and loans with zeroed interest

	Account for provisions	Loans with zeroed interest
1997	236,600	39,846
1998	263,600	4,905
1999	290,450	18,595
2000	316,750	12,843
2001	331,950	14,222
2002	382,850	26,290
2003	394,850	23,412
2004	404,855	18,875

Over the eight years in which provisions have grown from DKK 233 million at the beginning of 1997 to DKK 405 million at the end of 2004, the bank's average net loss per annum was DKK 11.3 million. Actual net losses in 2004 amounted to DKK 14.6 million.

Actual banking operations	2004	2003	2002	2001	2000	1999	1998	1997
Total income	446	393	357	304	270	226	217	190
Total costs	-188	-163	-155	-133	-109	-99	-97	-87
Loss and provisions	-20	-35	-23	-23	-28	-27	-30	-35
Result of actual banking operations	239	195	179	148	133	100	90	68

The "result of actual banking operations" was achieved after adjustment of the pre-tax result for value adjustments of securities, financial instruments and Totalkredit shares, which amounted to DKK 52 million in 2004 and DKK 106 million in 2003.

The highly satisfactory increase in "actual banking operations" from 2003 to 2004 was 23%, and is of course an expression of the underlying growth in the bank's area of business.

Profit after tax

The result after tax was DKK 216 million after payment of tax of DKK 75 million. The result is equivalent to a 19% return on equity at the beginning of the period.

The return on equity is considered highly satisfactory, particularly in light of the fact that the bank's equity is very high relative to its business.

The balance sheet

The bank's balance sheet stood at DKK 9,501 million at the end of the year against last year's DKK 7,532 million, an increase of 26%. Deposits increased by 17% and amount to DKK 5,144 million. Loans increased by 38% to DKK 7,180 million. The guarantee portfolio was DKK 3,938 million at the end of the year against last year's DKK 2,896 million. DKK 1,251 million of the guarantee portfolio covers foreign loans.

The growth in the bank's loans was widely diversified in 2004. Among ordinary loans, the flexible housing loan and financing of holiday cottages featured prominently, while in the niche concepts, developments in the financing of wind turbines and loans to Private Banking clients were highly satisfactory.

The total portfolio of loans and foreign loans at the end of 2004 can be broadly classified thus:

- 41% of all loans from niche concepts and the distance customer division
- 13% of all loans from the new branches in Herning, Holstebro and Viborg
- 46% 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 800 million have been entered into to cover the bank's excess of loans. These drawing rights are not used in ordinary operations.

A large proportion of the bank's loans with credit institutions etc. are also long-term irredeemable loans with foreign banks.

Capital in 2004 and new goals

Capital and reserves at the beginning of the year stood at DKK 1,152 million. The profit for the year available for allocation is DKK 216 million, and after deduction of the proposed dividend of DKK 132 million, capital and reserves as of 31 December 2004 are DKK 1,237 million.

The solvency ratio (Tier 2) was computed at 11.1 and the core capital ratio (Tier 1) was computed at 11.5.

It has been the bank's goal for several years to reduce both Tier 1 and Tier 2 key figures via profitable growth and retention of diversified and low credit risk loans. This strategy has succeeded very satisfactorily, and the bank's goal to date has now been achieved. It has therefore been decided to fix new long-term goals for the bank's capital. 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.

The bank's shares were listed on the Copenhagen Stock Exchange at 1,448 at the beginning of the year. During 2004 the share price increased by 49% to 2,163 end of year. In 2005 the price rose to 2,331 (on 31 January 2005) and the market value on the stock exchange amounts to DKK 3.1 billion.

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

It is recommended to the general meeting that the board be authorised to - on a later date - reduce the denomination per share to less than nom. DKK 20.

MANAGEMENT REPORT

Hybrid core capital (Tier 1)

It was also decided to include hybrid core capital (Tier 1) of up to DKK 200 million with indefinite duration. The bank has appointed ABN AMRO Bank N.V., London, to arrange the capital certificates.

The capital certificates are expected to be offered to a limited number of institutional investors and it is expected that they will then be listed on Copenhagen Stock Exchange.

Dividend of DKK 100 per share and extension of buy-up programme

The dividend for 2004 is recommended at DKK 100 per share, in the form of an ordinary dividend of DKK 40 per share and an extraordinary dividend of DKK 60 per share because the bank's buy-up programme for 2004 was not utilised.

It was also decided to recommend to the general meeting that the buy-up programme established in 2004 be renewed until 31 December 2005 so that a capital reduction of up to 60,000 shares can be implemented. The programme will, however, be limited by the fact that the shares in the buy-up programme must be bought at market prices to max. 2,050 per share.

Accounting policies and key figures

Accounting policies are unchanged from last year. The Danish Financial Supervisory Authority's key figures are reported on page 18.

Transfer to new accounting rules in 2005

From 1 January 2005, the bank will transfer to new accounting rules as a consequence of the implementation of the new Danish accounting rules and the issuing of a new accounting regulation by the Danish Financial Supervisory Authority. The transfer is expected to affect the bank's balance sheet in the following areas as of 1 January 2005:

The bank's provisions account at the end of 2004 was DKK 405 million in provisions specified by name on private and commercial clients. Approx. DKK 41 million of this is expected to be posted back to capital and reserves. The reverse entry derives from private clients.

Provisions systems have been established for private clients which are based on ratings of the bank's clients. For commercial clients it has been decided to make individual assessments of all clients as this is a natural extension of the bank's ongoing contact with its clients and the historically close credit monitoring.

A better statistical basis for both private and commercial clients will be generated in the years to come. At the portfolio level it is expected that this will be able to reduce the bank's need for provisions.

The new accounting regulation also requires that establishment fees etc. which are comparable to ongoing interest payments must be accrued over the life of the loan so that loans are estimated at amortised cost price. Calculations of previously received establishment fees etc. amortised over an average expected life have therefore been made. The effect of this will mean a writing down of the bank's capital and reserves by approx. DKK 27 million.

Offsetting of the value of own shares etc. in the capital and reserves and the total effect of the capital and reserves items on tax is expected to lead to a writing down of the capital and reserves of approx. DKK 13 million.

The total net impact of the above-mentioned account entries as of 1 January 2005 is thus not expected to affect capital and reserves.

Furthermore, it is noted that in future, the proposed dividend will be included under capital and reserves and not as a liability. The proposed dividend for 31 December 2004 is DKK 132 million.

Expectations and plans

The result achieved for 2004 is significantly better than expected at the beginning of the year. This is attributable partly to better banking operations than the budgeted result of DKK 200-210 million against the realised DKK 239 million and partly to a highly positive value adjustment of securities.

Ringkjøbing 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.

Ringkjøbing Landbobank is being perceived to a higher and higher degree as the best local alternative to the major banks, which is resulting in a strong increase in customer numbers and leading the bank to expect that our presence in these cities will be further extended in the years to come. The bank's plan is not to establish a large number of new branches, but on the contrary to concentrate on a significant expansion within its already established branches. The numbers of employees in these branches will thus continue to increase.

The bank's distance customer department and niche concepts will also be marketed in 2005. The concepts within financing of wind turbines, practicing doctors, securities, dissavings loans, holiday cottage loans and private banking clients are thus expected to continue to develop positively in the years to come.

Against this background - and despite strong competition - net interest and fees are expected to continue to increase in 2005. Increases in costs including depreciation of tangible assets are expected to be approx. 10% in 2005. The need for provisions on the banks loans and guarantee portfolio in 2005 is expected to remain at the 2004 level.

The bank's general expectation is that the result of actual banking operations in 2005 will be in the range DKK 240-250 million against DKK 239 million in 2004.

Financial calendar

The financial calendar for the coming year is as follows:

23 February 2005	General meeting
20 April 2005	First quarter report for 2005
10 August 2005	Half-year report for 2005
12 October 2005	Third quarter report for 2005

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. Ringkjøbing Landbobank's board and management look positively on the Committee's work and have acted in accordance with its recommendations.

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 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 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 Ringkjøbing, whose goal is to service selected customer groups throughout Denmark with a high level of expertise and competitive products.

The bank's employees are well-educated and motivated. 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.

Following a recommendation by the bank's board of directors and the shareholders' committee, the maximum age for appointment to the board and the committee was reduced from 70 to 67 at the 2004 general meeting.

Managerial remuneration

The bank's employees have been offered shares during the past five years. An incentive agreement has been entered into with senior staff, and an incentive and loyalty agreement has been entered into with management. The agreements are described in the bank's annual report. All costs are entered in the profit and loss account and provisions have been made for all contingent liabilities.

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.

MANAGEMENT REPORT

The gearing of loans relative to the core capital is approx. six, and the bank's goal is realisation of the results with the same credit gearing as that of the comparable group in the sector.

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

ACCOUNTING POLICIES

ACCOUNTING POLICIES

General

The annual report was prepared in compliance with the Danish Banking Act and the Executive Order on Bank Accounts. The annual report was also prepared in compliance with the information requirements of the Copenhagen Stock Exchange guidelines for issuers of listed securities, including Danish accounting standards, except where otherwise provided by the Danish Banking Act, the Executive Order on Bank Accounts or the Danish Financial Supervisory Authority.

Accounting policies are unchanged relative to last year.

Foreign currencies

Assets and liabilities in foreign currencies are converted at year-end exchange rates. Income and expenses in foreign currencies are converted at the exchange rates prevailing at the time of booking.

Loans and advances and guarantees

The bank's outstanding balances and guarantees etc. are subject to continuous critical evaluation to identify potential risks. Identified potential losses are charged to expenses in the profit and loss account under "Provisions for bad and doubtful debts".

Bonds and shares

Listed securities are stated at the market value at the end of the year. Unlisted securities are stated at fair value provided that it has been possible to estimate such value with reasonable reliability. If such value cannot be estimated reliably, unlisted securities are valued at cost.

All value adjustments of listed and unlisted securities are charged to the profit and loss account under "Value adjustments".

Tangible assets

Property and land are stated at the booked values as of the end of 1990. Since 1996, property and land have been depreciated using the straight-line method, and property for own use is thus depreciated over 50 years. The scrap value is set at DKK 0. Property is also written down to market value where this is lower, provided that this lower value is considered to be lasting. No depreciation is made on land or on property which is taken over in connection with the liquidation of commitments.

Machinery and equipment are entered at a symbolic value of DKK 1,000. Machinery and equipment acquisitions are written off fully in the year of acquisition, as in previous years.

Provisions for commitments

Provisions for commitments include provisions for future pension obligations and early retirement schemes for staff.

Financial instruments

Forward contracts and other financial instruments are stated at the end-year market value.

Interest swaps acquired to hedge the interest rate risk on isolated fixed-rate loans are not value adjusted.

Tax

Tax on the year's profit is charged to expenses in the profit and loss account. The bank is enrolled in the Danish Tax Prepayment Scheme. Deferred tax resulting from timing differences between the booking of income/charges for tax and for accounting purposes, as the case may be, is stated at the prevailing tax rate. Deferred tax is included in the balance sheet under "Provisions for commitments" or as an asset under "Other assets".

Incentive schemes

The bank has entered into a number of incentive schemes with the bank's employees, the management team and its management.

Costs for share incentive schemes are charged to expenses in the profit and loss account in the year in which they are incurred.

The interest expense incurred in connection with the hedging of the share option incentive scheme affects the profit and loss account to the extent, that the bank's option obligation has been hedged on the basis of the bank's own shares.

PROFIT AND LOSS ACCOUNT

Note no.		2004 (DKK 1,000)	2003 (DKK 1,000)
7	Interest receivable	436,762	383,609
8	Interest payable	118,719	101,121
	Net income from interest	318,043	282,488
9	Dividend on capital shares	6,578	6,156
	Charges and commissions receivable	126,161	101,681
	Charges and commissions payable	23,692	17,414
	Net income from interest and charges	427,090	372,911
10	Value adjustments	66,313	118,213
	Other ordinary income	5,415	7,592
11+12+13	Staff costs and administrative expenses	180,916	158,714
22	Depreciation and writedown of intangible and tangible assets	6,728	4,075
	Loss and provisions for bad and doubtful debts ..	19,904	34,741
	Result of capital shares	-216	0
	Profit on ordinary activities before tax	291,054	301,186
14	Tax	74,615	71,062
	Profit for the financial year	216,439	230,124

DISTRIBUTION OF PROFIT

	Profit for the financial year	216,439	230,124
	Brought forward from prior years	0	0
	Total amount available for distribution	216,439	230,124
	Dividends	132,000	46,200
	Other purposes	300	300
	Appropriation to own funds	84,139	183,624
	Total distribution of the amount available	216,439	230,124

BALANCE SHEET

Note no.		End 2004 (1,000 DKK)	End 2003 (1,000 DKK)
ASSETS:			
	Cash in hand and claims at call on central banks	61,518	175,587
3+17	Claims on credit institutions and on central banks	1,227,470	921,863
1+2+4+29	Loans and advances	7,180,136	5,206,516
18	Bonds	618,021	507,780
19+21	Shares etc.	209,024	197,394
21	Holdings in associated undertakings	134	350
22	Tangible assets	55,874	52,269
23	Own holdings	68,266	45,820
	Other assets	80,540	424,870
	Periodic-defined items	74	17
	Total assets	9,501,057	7,532,466
LIABILITIES:			
5+24	Debt to credit institutions and central banks	2,635,780	1,677,220
6+20+25	Deposits	5,144,209	4,390,606
	Other liabilities	467,727	293,800
	Periodic-defined items	2,473	4,450
26	Provisions for commitments	14,267	13,927
	Shareholders' equity:		
27	Share capital	26,400	26,400
23	Capital for own holdings	68,266	45,820
	Profit or loss brought forward from prior years	1,057,796	896,619
	Carried forward from profit/loss for the year	84,139	183,624
	Total shareholders' equity	1,236,601	1,152,463
	Total liabilities	9,501,057	7,532,466
OFF-BALANCE SHEET ITEMS:			
1	Guarantees etc.	3,938,152	2,895,758
	Other commitments	52,760	2,639
	Total off-balance sheet items	3,990,912	2,898,397

Derivative financial instruments are specified in the Notes.

NOTES TO THE ANNUAL REPORT

	2004 (DKK 1,000)	2003 (DKK 1,000)
Solvency ratio		
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.		
Core capital after deductions	1,153,687	1,095,352
Capital base after deductions	1,114,396	1,043,731
Weighted non-trading book assets	9,454,875	6,808,395
Weighted items with market risks etc.	560,932	424,067
Total weighted items.	10,015,807	7,232,462
Core capital after deduction in pct. of weighted items, total (pct.) . . .	11,519	15.145
Solvency ratio purs. to s. 124(1) of the DFB Act (pct.)	11,126	14.431
Off-balance-sheet items		
Guarantees, etc.		
Financial guarantees	2,498,177	1,938,890
Other guarantees	1,439,975	956,868
Total guarantees, etc.	3,938,152	2,895,758
Other commitments		
Irrevocable loan commitments	50,000	0
Other commitments	2,760	2,639
Total other commitments	52,760	2,639
1 Credit risks		
Loans and advances and guarantees distributed on sectors and lines of business (in pct. end year)		
Public authorities	0.12	0.26
Business		
Agriculture, hunting and forestry	13.83	13.43
Fishing industry	0.73	0.91
Manufacturing business, primary business, electricity-, gas-, water- and heating plants	6.82	9.08
Building and construction	2.29	2.27
Wholesale and retail trade, catering- and hotel trade	7.13	7.02
Carrying trade, storage- and communication service	1.28	1.76
Credit- and financial intermediation and insurance business	4.63	2.25
Real-estate administration, real-estate agent, service business	9.30	7.55
Other business	8.30	7.46
Total business	54.31	51.73
Private persons	45.57	48.01
Total	100.00	100.00
Subordinated claims		
Other business'	1,260	1,260
Credit risk on derivative financial instruments		
Positive market value (by counterparty risk) after netting		
Counterparty riskweight 0 pct.	0	0
Counterparty riskweight 20 pct.	5,833	1,439
Counterparty riskweight 100 pct.	7,508	5,047
2 Accrued provisions		
Provisions made at year end for loans, advances and guarantees		
Provisions made at year end for claims on credit institutions and other claims involving a credit risk	404,855	394,850
	0	0
Total accrued provisions	404,855	394,850
Accrued provisions on loans and advances in per cent of loans and advances at year end (pct.)		
	3.5	4.6
Total claims with suspended calculation of interest at year-end	18,875	23,412
Terms by residual maturity		
3 Claims on credit institutions and central banks		
Claims at call		
Up to 3 months	11,595	42,903
Over 3 months and up to one year	1,086,698	771,853
Over one year and up to 5 years	0	0
Over 5 years	129,177	107,107
Over 5 years	0	0
Total claims on credit institutions and central banks	1,227,470	921,863

NOTES TO THE ANNUAL REPORT

	2004 (DKK 1,000)	2003 (DKK 1,000)
4	Loans and advances	
	At call	2,232,432
	Up to 3 months	548,600
	Over 3 months and up to one year	1,348,191
	Over one year and up to 5 years	1,796,620
	Over 5 years	1,254,293
	Total loans and advances	7,180,136
5	Debt to credit institutions and central banks	
	Debt payable on demand	302,521
	Up to 3 months	2,072,925
	Over 3 months and up to one year	0
	Over 1 year and up to 5 years	260,334
	Over 5 years	0
	Total debt to credit institutions and central banks	2,635,780
6	Deposits	
	On demand	3,242,554
	Deposits at notice:	
	Up to 3 months	779,168
	Over 3 months and up to one year	127,993
	Over one year and up to 5 years	520,436
	Over 5 years	474,058
	Total deposits	5,144,209
7	Interest receivable/premium on	
	Claims on credit institutions and central banks	20,670
	Loans and advances	384,402
	Bonds	23,353
	Total other financial instruments	-8,183
	of this	
	Foreign-exchange contracts	139
	Interest-rate contracts	-8,322
	Other	16,520
	Total interest receivable	436,762
8	Interest payable to	
	Credit institutions and central banks	37,762
	Deposits	78,470
	Other	2,487
	Total interest payable	118,719
9	Dividend on	
	Shares	6,578
	Total dividend on shares and other holdings	6,578
10	Value adjustments	
	Bonds	8,099
	Shares	59,432
	Shares in Totalkredit A/S	17,145
	Fixed-interest loans	3,288
	Foreign currency	5,960
	Total other financial instruments	-27,611
	of this	
	Foreign-exchange contracts	12
	Interest-rate contracts	-7,077
	Share contracts	-20,546
	Total value adjustments	66,313
11	Staff costs and administrative expenses	
	Salaries and payments of management, board of directors and shareholders' committee	
	Management	3,922
	Board of directors	769
	Shareholders' committee	212
	Total	4,903
	Staff costs	
	Salaries	80,862
	Pensions	7,726
	Social security expenses	8,877
	Total	97,465
	Other administration costs	78,548
	Total staff costs and administrative expenses	180,916

NOTES TO THE ANNUAL REPORT

	2004 (DKK 1,000)	2003 (DKK 1,000)
12 Audit fee		
Total fee to the firms of accountants, elected by the General Meeting, that perform the statutory audit	680	646
Of this concerning other contributions than audit	55	49
The bank has an internal auditor.		
13 Number of employees		
Average number of employees during the financial year converted into full-time employees	240.6	223.6
14 Tax		
Tax calculated on the years profit	77,804	73,881
Deferred tax	-3,354	-4,620
Adjustment of tax calculated for previous years	-2,204	-496
Tax on accumulated provisions	2,369	2,297
Total tax	74,615	71,062
Effective tax rate of the bank (pct.):		
The current tax rate of the bank	30.0	30.0
Non-liable income and non-deductible expenses etc.	-4.4	-7.0
Adjustment of deferred tax changes of previous years	-0.8	-0.2
Tax on accumulated provisions	0.8	0.8
Effective tax rate	25.6	23.6
Specification of deferred taxasset (calculated with 30%) included in "Other assets":		
Tangible assets	3,274	2,944
Provisions for commitments	4,280	4,687
Securities and financial instruments	6,727	3,661
Other assets/liabilities	365	0
Total deferred taxasset	14,646	11,292
15 Board of managers, Board of Directors and Shareholders' committee		
The amount of loans, mortgage, sureties or guarantees and appurtenant collaterals issued to members of the bank's		
Board of Managers	50	250
Board of Directors	16,027	9,451
Shareholders' committee	21,357	15,830
Security pledged:		
Board of Managers	0	200
Board of Directors	9,398	4,823
16 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 3, 2, 3, 4 and 5 years. In the 2004 accounting year, the staff acquired a total of 1,715 shares. The bank's staff had acquired a total of 23,552 shares as of the end of 2004.		
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 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 shares 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. Provisions are made in the accounts for the bank's maximum obligation in relation to this programme under "Other liabilities". An interest expense of tDKK 225 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.		

NOTES TO THE ANNUAL REPORT

	2004 (DKK 1,000)	2003 (DKK 1,000)	
17 Claims on credit institutions and central banks			
Claims at notice on central banks	581,698	511,853	
Claims on credit institutions	645,772	410,010	
Total claims on credit institutions and central banks	1,227,470	921,863	
18 Bonds			
Quoted on the stock exchange	618,021	507,780	
Total bonds	618,021	507,780	
Against Danmarks Nationalbank we have pledged bonds with a total market value of 1,000 DKK 82,651 as security for clearing etc.			
19 Shares, etc.			
Quoted on the Copenhagen Stock Exchange	85,702	80,984	
Quoted on other stock exchanges	4,851	4,295	
Other shares	104,699	97,146	
Other holdings	13,772	14,969	
Total shares, etc.	209,024	197,394	
Financial current assets			
Financial current assets valued at market value	703,952	588,861	
Difference between the purchase price of financial current assets and the higher market value on balance sheet date	25,043	22,843	
Financial current assets not valued at market value	3,371	2,366	
Difference between the purchase price of financial current assets not valued at market value and the higher market value on balance sheet date	145	16	
20 Balances with associated undertakings			
Liabilities:			
Deposits	466	254	
Total liabilities	466	254	
21 Financial fixed assets			
		Holdings in associated undertakings 2004	Other holdings 2004
Total purchase price, beginning		475	72,598
Inflow of the year			7,327
Outflow of the year			9,127
Total purchase price, end		475	70,798
Revaluations and depreciation beginning of year		-125	41,350
Revaluations and depreciation of year		-216	9,527
Readjustment of revaluations and depreciation		0	1,954
Revaluations and depreciation end of year		-341	48,923
Booked value, end		134	119,721
of this credit institutions are		0	65,313
Booked value, beginning		350	113,948
of this credit institutions are		0	87,720
Booked value, end 2003		350	113,948
22 Tangible assets and intangible assets			
	Property and land 2004	Machinery, equipment, etc. 2004	Other intangible assets 2004
Acquisition value, beginning	63,269	19,854	2,400
Additions of the year	5,819	4,181	
Disposals of the year	979	3,003	
Acquisition value, end	68,109	21,032	2,400
Depreciation and writedown, beginning	11,001	19,853	2,400
Depreciation and writedown of the year	1,541	4,181	
Depreciation and writedown reversed	306	3,003	
Depreciation and writedown, end	12,236	21,031	2,400
Booked value, end	55,873	1	0
Total tangible assets		55,874	
Total intangible assets			0
Latest rateable value	61,850		
Immediate depreciation of machinery, equipments etc. during the reporting year		1,006	
Booked value, beginning	52,268	1	0
Booked value, end 2003	52,268	1	0

NOTES TO THE ANNUAL REPORT

	2004 (DKK 1,000)	2003 (DKK 1,000)
23 Own holdings		
Own capital shares entered at market value		
Booked value	68,266	45,820
Number of own shares	31,560	31,640
Nominal value thereof	631	633
Own shares' percentage of share capital (pct.)	2.4	2.4
24 Debt to credit institutions and central banks		
Debt to central banks	29,950	20,150
Debt to credit institutions	2,605,830	1,657,070
Total debt to credit institutions and central banks	2,635,780	1,677,220
The bank has at the end of year 2004 undrawn long-term committed lines for DKK 800 mio.		
25 Deposits		
On demand	3,194,272	2,498,082
At notice	82,358	70,691
Time deposits	1,334,688	1,328,397
Special categories of deposits	532,891	493,436
Total deposits	5,144,209	4,390,606
26 Provisions for commitments		
Provisions for retirement pension and similar liabilities	14,267	13,927
Total provisions for commitments	14,267	13,927
27 Share capital		
Number of shares at DKK 20 each	1,320,000	1,320,000
Share capital	26,400	26,400
28 Market risks		
Foreign-exchange risk		
Assets in foreign currency	731,452	371,846
Liabilities in foreign currency	2,054,520	553,740
Foreign-exchange indicator 1	25,148	3,823
Foreign-exchange indicator 1 in pct. of core capital after deductions (pct.)	2.2	0.3
Interest-rate risks		
Total interest-rate risk on liabilities, etc.	19,675	21,087
Interest-rate risk by the foreign currencies of the bank with the largest interest-rate risk		
DKK	19,479	20,360
EUR	-173	587
USD	407	174
CHF	-39	0
NOK	-1	0
SEK	1	-2
Other currencies	1	-32
29 Risk covered assets		
The following fixed-rate assets are in terms of interest rate risk covered:		
Loans and advances - booked value	133,800	140,400
The cover has taken place as follows:		
Interest-rate swap - synthetic principal amount	133,800	140,400
Market value	-7,170	-4,624

NOTES TO THE ANNUAL REPORT

Derivative financial instruments

(1,000 DKK)

	Market value				Average market value			
	Positive		Negative		Positive		Negative	
	2004	2003	2004	2003	2004	2003	2004	2003
Foreign-exchange contracts								
Forward transactions/Futures, purchase		4,358	5,302	4,526	4,579	4,352	6,742	8,369
Forward transactions/Futures, sale	7,072	2,526		2,180	5,842	8,676	1,480	6,353
Options, purchase		28			45	19		
Options, sale				35			51	24
Interest-rate contracts								
Forward transactions/Futures, purchase	512	357	11		641	302	25	
Forward transactions/Futures, sale	2						145	139
Swaps			15,227	7,777			11,518	10,193
Share contracts								
Forward transactions/Futures, purchase		119			118	233	105	
Forward transactions/Futures, sale				119	105		315	233
Options, purchase	345	250			113	499		
Options, sale			56,655	35,609			45,624	25,333
Total	7,931	7,638	77,195	50,246	11,443	14,081	66,005	50,644

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	5,722	1	593	-592
Foreign-exchange transactions, sale	9,046	3	2	1
Interest-rate transactions, purchase	9,600	1	48	-47
Interest-rate transactions, sale	108,048	66	41	25
Share transactions, purchase	42,786	1,606	229	1,377
Share transactions, sale	42,281	250	1,002	-752
Total 2004	217,483	1,927	1,915	12
Total 2003	194,589	3,369	3,274	95

Danish Financial Supervisory Authority key figures for Danish banks

	2004	2003	2002	2001	2000
1. Solvency ratio pct.	11.1	14.4	14.9	14.8	15.9
2. Core capital ratio pct.	11.5	15.1	14.6	15.2	16.1
3. Pre-tax return of equity pct.	24.4	27.5	21.6	20.4	20.4
4. Return of equity after tax pct.	18.1	21.0	15.2	14.0	13.9
5. Income/cost ratio DKK	2.40	2.53	2.17	2.00	2.02
6. Interest risk pct.	1.7	1.9	3.4	3.2	3.5
7. Foreign exchange position pct.	2.2	0.3	0.3	1.1	1.1
8. Foreign exchange risk pct.	-	-	-	-	-
9. Loans + provisions thereon relative to deposits pct.	147.4	127.6	133.3	133.3	132.3
10. Excess cover relative to statutory liquidity requirements pct.	82.7	137.0	126.7	152.3	94.8
11. Total large exposures pct.	101.2	90.9	55.3	65.1	70.2
12. Proportion of debts at reduced interest pct.	0.2	0.3	0.3	0.2	0.3
13. Provisioning ratio pct.	3.5	4.6	5.0	5.4	5.9
14. Write-off and provisioning ratio for the year pct.	0.2	0.4	0.3	0.4	0.5
15. Growth in loans for the year pct.	37.9	14.0	28.9	14.8	16.3
16. Loans relative to shareholders' equity	5.8	4.5	4.4	4.5	4.2
17. Profit for the year after tax per share* . . . DKK	819.8	849.3	520.9	412.1	354.3
18. Book value per share* DKK	4,684	4,365	3,722	3,174	2,721
19. Dividend per share* DKK	500	175	0	0	0
20. Price/profit for the year per share*	13.2	8.5	73	7.3	5.4
21. Price/book value per share*	2.31	1.66	1.02	0.95	0.70

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

MANAGEMENT STATEMENT / AUDITORS' CERTIFICATES

MANAGEMENT STATEMENT

The Board of Directors and the Management Board have today reviewed and approved the Annual Report of Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2004.

The Annual Report was prepared in compliance with the Danish Banking 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, including Danish accounting standards, except where otherwise provided by the Danish Banking Act, the Executive Order on bank accounts or the Danish Financial Supervisory Authority. In our opinion, the accounting policies applied are appropriate, 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.

Ringkjøbing, the 2nd February, 2005

BOARD OF MANAGERS:

Bent Naur Kristensen John Bull Fisker

Ringkjøbing, the 2nd February, 2005

BOARD OF DIRECTORS:

Jens Lykke Kjeldsen Jørgen H. Pedersen
Gert Asmussen Villy Rosendahl Christensen Keld Hansen Gravers L. Kjærgaard
Mogens Andersen Vibeke Ballegaard Søren Nielsen

AUDITORS' CERTIFICATES*

INTERNAL AUDIT

I have audited the Annual Report of Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2004, prepared in accordance with Danish statutory financial reporting requirements and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

The Annual Report is the responsibility of the Bank's Board of Directors and Board of Managements. My responsibility is to express an opinion on the Annual Report based on my audit.

Basis of Opinion

I conducted my audit on the basis of the Statutory Order from the Danish Financial Supervisory Authority on Auditing Financial Enterprises and Financial Groups and in accordance with Danish Auditing Standards. Based on materiality and risk I have evaluated the business procedures, the accounting policies used 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. My audit has not resulted 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 2004 and of the results of the Bank's operations and cash flows in the financial year 1 January - 31 December 2004 in accordance with Danish statutory financial reporting requirements and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

Ringkjøbing, the 2nd February, 2005

Henrik Haugaard
Audit Manager

EXTERNAL AUDIT

To the shareholders of Ringkjøbing Landbobank A/S

We have audited the Annual Report of Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2004, prepared in accordance with Danish statutory financial reporting requirements and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

This Annual Report is the responsibility of the Bank's Board of Directors and Board of 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. These standards require that we plan and perform our audit to obtain reasonable assurance that the Annual Report is free from material misstatements. 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 applied and significant estimates made by the Board of Directors and the Board of 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 give rise to any qualifications.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2004, and the results of the Bank's operations and cash flows in the financial year 1 January - 31 December 2004 are in accordance with Danish statutory financial reporting requirements and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

Ringkjøbing, the 2nd February, 2005

KPMG C. Jespersen

Kristian Winkler Hansen Henry Heiberg
State Authorised State Authorised
Public Accountant Public Accountant

PricewaterhouseCoopers

Kim Rune Brarup Flemming Nielsen
State Authorised State Authorised
Public Accountant Public Accountant

* The auditors' certificates are translations of the danish versions in the complete annual report in danish.



BENT NAUR KRISTENSEN
GENERAL MANAGER



JOHN BULL FISKER
GENERAL MANAGER



STEN ERLANDSEN
MANAGER OF SECURITIES AND
CASH MANAGEMENT



JØRGEN HØJGAARD
FOREIGN MANAGER



JØRGEN JOSEPHSEN
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Viborg
Vildbjerg
Ørnhøj
Ådum

