

ANNUAL REPORT 2013



Ringkjøbing
Landsbobank



Ringkjøbing

Landsby

Yurba

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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.«

DEAR SHAREHOLDER

2013 was a really good year for Ringkjøbing Landbobank. The profit before tax improved to DKK 472 million, equivalent to an 18% return on the bank's equity. The core earnings increased by 12% to DKK 451 million, which is above the expected range reported at the beginning of the year. This result was achieved on the basis of the best ever increase in customer numbers, which led to an 11% increase in the bank's loans and a 10% increase in deposits.

This was another year in Denmark with very modest growth and a record low interest level. However, during the year we saw increasing optimism in large areas of business and among private customers, supporting our belief that general growth in the society will be one percentage point higher in 2014. We expect, however, that we will remain in a period of low growth rates.

The price of the bank's shares in 2013 performed well, with an increase of 44% including the dividend paid, and their market value is now DKK 5.7 billion. It is recommended to the general meeting that the ordinary dividend be increased to DKK 15, that we pay an extraordinary dividend of DKK 10 per share, and that we continue with a new buy-back programme for up to 110,000 shares.

The bank's rate of costs was unchanged at 32%, and we thus remain the most efficient bank in Denmark in terms of costs per krone earned. We are pleased with this situation because it makes us very competitive and makes our results highly robust, which benefits all our stakeholders.

Robustness, competitiveness and a high level of expertise are key elements for the customers by their choice of bank. We have noted this during the past year, when we gained many new customers who want their capital managed or placed. We are therefore very satisfied with the bank's solid capitalisation. The bank's solvency is 20%, which should be seen in relation to the statutory requirement of 8.9%. The high solvency and the bank's earnings mean that Ringkjøbing Landbobank is one of Denmark's most robust banks. We thus have the strength we need to support our customers and their good investments.

This result and our sound basis are also a credit to our competent employees, who again performed fantastically during the year. Their expertise, stability, loyalty and fighting spirit are an unsurpassed combination.

We expect 2014 to be an interesting year, where the main task will be to do even more business with our current customers and continue to increase our market share with more new customers. We expect core earnings in the range DKK 410 - 460 million, to which must be added the result for portfolio.

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

John Bull Fisker

FIVE YEAR SUMMARY

	2013	2012	2011	2010	2009
Main figures for the bank (million DKK)					
Total core income	844	823	767	758	753
Total costs and depreciations	-273	-265	-248	-240	-238
Core earnings before impairments	571	558	519	518	515
Impairment charge for loans etc.	-120	-157	-129	-138	-159
Core earnings	451	401	390	380	356
Result for portfolio	+23	+49	+1	+38	+56
Expenses for bank packages	-2	-2	-11	-80	-107
Profit before tax	472	448	380	338	305
Profit after tax	358	328	286	257	232
Shareholders' equity	2,901	2,676	2,483	2,312	2,056
Deposits	14,114	12,867	12,755	11,662	11,187
Loans	13,849	12,424	12,747	13,151	13,047
Balance sheet total	19,583	17,682	17,549	18,247	17,928
Guarantees	1,902	1,667	1,052	1,042	1,486
Key figures for the bank (per cent)					
Return on equity before tax, beginning of year	18.1	18.5	16.9	16.5	17.1
Return on equity after tax, beginning of year	13.7	13.6	12.7	12.5	13.0
Rate of costs	32.4	32.2	32.4	31.6	31.6
Tier 1 capital ratio	19.2	20.9	19.8	18.6	16.6
Solvency ratio - Tier 2	20.0	22.4	21.4	22.4	20.2
Solvency requirement	8.9	8.0	8.0	8.0	8.0
Key figures per 5 DKK share (DKK)					
Core earnings	94	83	79	75	71
Profit before tax	99	93	77	67	60
Profit after tax	75	68	58	51	46
Net asset value	607	553	503	459	408
Price, end of year	1,099	770	579	725	609
Dividend	25	14	13	12	0

ANNUAL REPORT - HIGHLIGHTS

- The core earnings show an increase of 12% to DKK 451 million, which is above the upwardly adjusted interval
- Increase in profit before tax to DKK 472 million, which is equivalent to an 18% return on equity at the beginning of the year
- The rate of costs was unchanged at 32 - still the lowest in the country
- Substantial increase in customer numbers creates 11% increase in loans and 10% increase in deposits
- Continued good increase in customers in the Private Banking segment
- Submitting of an ordinary dividend of DKK 15 and an extraordinary dividend of DKK 10 because the buy-back programme was not fully utilised - equivalent to a total dividend of DKK 121 million
- Proposed cancellation of 60,000 shares and establishment of new buy-back programme for up to 110,000 shares - equivalent to DKK 129 million
- Core earnings in 2014 are expected to be in the range DKK 410 - 460 million



Ringkjøbing

Landskab
oparbejdet

MANAGEMENT REPORT

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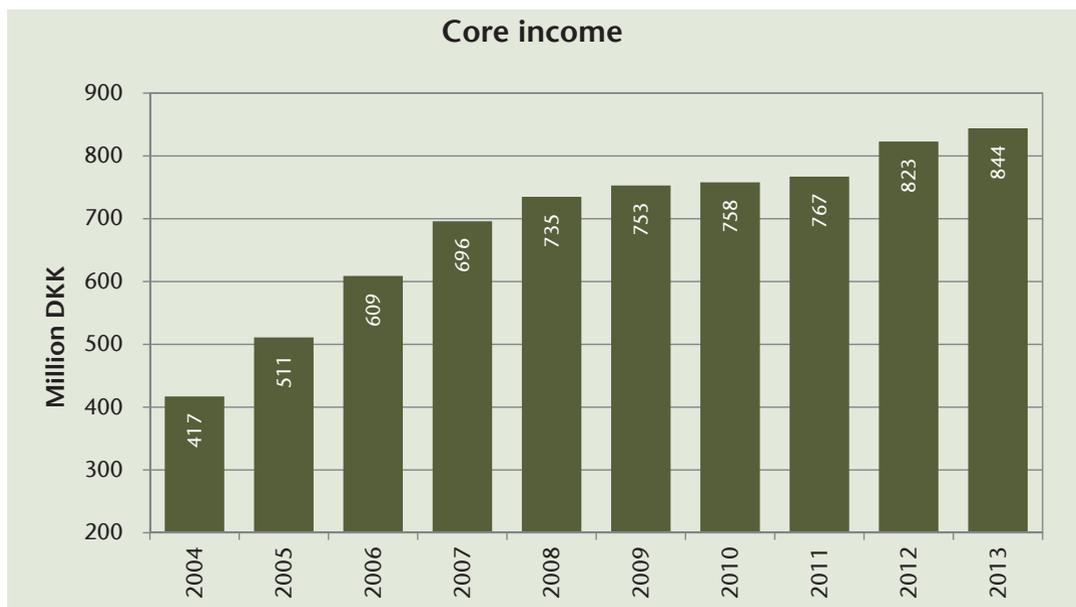
Financial review

The core earnings show an increase of 12% to DKK 451 million, which is above the upwardly adjusted interval.

The profit before tax improved by 5% to DKK 472 million, equivalent to an 18% return on the bank's equity, which is considered highly satisfactory.

Core income

The total core income was 3% higher, with an increase from DKK 823 million in 2012 to DKK 844 million in 2013. The bank considers the increase from the 2012 level satisfactory.



Net interest income was DKK 615 million in 2013, unchanged relative to 2012. Compared to last year, the bank experienced a falling interest margin during 2013, which was neutralised with respect to earnings by an increase in the average volume of loans from 2012 to 2013. In addition, the level of interest rates in society in 2013 was lower than in 2012, which resulted in a lower return on the bank's securities portfolio and liquid resources.

Fees, commissions and foreign exchange earnings amounted to net DKK 212 million in 2013 against net DKK 199 million in 2012, an increase of 6%. Greater activity and volumes within asset management and pensions and higher income from guarantee commissions helped to strengthen earnings. On the other hand, compared with 2012, there were no conversions during the year.

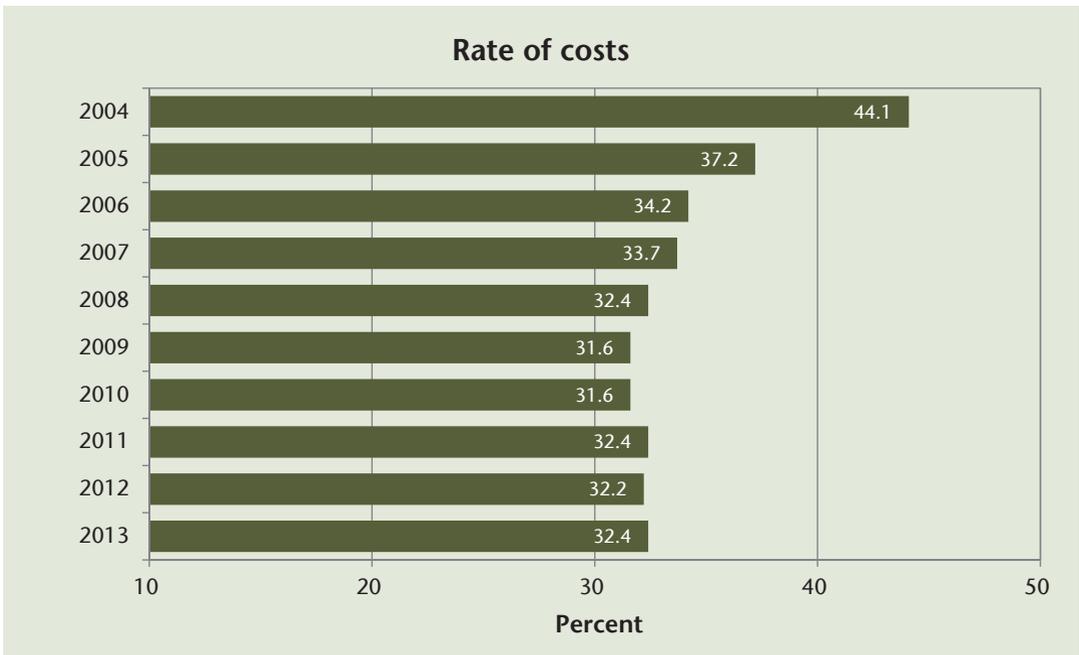
Net fees and commissions and foreign exchange income were derived as follows:

(Million DKK)	2013	2012
Securities trading	27	24
Asset management	80	71
Payment handling	19	18
Loan fees	4	12
Guarantee commissions	62	41
Other fees and commissions	7	20
Foreign exchange income	13	13
Total	212	199

Costs and depreciations

Total costs including depreciations on tangible assets were DKK 273 million in 2013 against DKK 265 million last year, an increase of 3%.

The basic development in the bank’s costs of staffing and administration was moderate, with a total rate of increase of less than 1%, which reflects an increase in the bank’s salary costs and a decrease in IT costs. Most of the cost increase was attributable to an additional DKK 5 million for the insurance scheme under the Guarantee Fund for Depositors and Investors.



The rate of costs was unchanged relative to last year’s level and was computed at 32.4%, which continues to be the lowest in Denmark. A low rate of costs is especially important in periods of difficult economic conditions as this provides a high level of robustness in the bank’s results.

Impairment charges for loans

Impairment charges for loans amounted to DKK 120 million against DKK 157 million last year. The level of impairment charges is falling relative to last year and is equivalent to 0.8% of the total average loans, impairment charges, guarantees and provisions. The bank's customers still appear to be coping better with the weak economic conditions than the average in Denmark.

The bank's total account for impairment charges and provisions was DKK 853 million at the end of the year, equivalent to 5.1% of total loans and guarantees. Actual losses and write-offs on loans etc. continue to be low, and with deduction of the items "Interest on the impaired part of loans" and "Receivables previously written-off", the year's actual net losses were DKK 25 million. The account for impairment charges and provisions is increased by net DKK 95 million during the year.

The portfolio of loans with suspended calculation of interest amounts to DKK 85 million, equivalent to 0.5% of the bank's total loans and guarantees at the end of the year.

Given the low growth in the Danish economy for a number of years, which is expected to continue this year, the bank is satisfied with the conservative credit policy on the basis of which the bank is operated. As a natural part of the economic cycle, the bank's losses are expected to remain at a relatively high level in 2014, but at a lower level than in 2013. It is also still the bank's judgment that its credit policy, diversified loans portfolio and position in central and western Jutland will have a positive effect on the bank relative to the general level of losses for the banking sector as a whole.

Core earnings

(Million DKK)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Total core income	844	823	767	758	753	735	696	609	511	417
Total costs etc.	-273	-265	-248	-240	-238	-239	-234	-208	-190	-184
Core earnings before impairments	571	558	519	518	515	496	462	401	321	233
Impairment charges for loans	-120	-157	-129	-138	-159	-77	+11	+69	+5	+4
Core earnings	451	401	390	380	356	419	473	470	326	237

The core earnings were DKK 451 million against DKK 401 million last year, an increase of 12%. The core earnings were thus realised above the upwardly adjusted interval.

Result for the portfolio and market risk

The result for the portfolio for 2013 was positive at DKK 23 million including funding costs.

The bank's holding of shares etc. amounted to DKK 209 million at the end of the year, with DKK 16 million in listed shares and DKK 193 million in sector shares etc. The bond portfolio is DKK 4,670 million, and the majority of the portfolio consists of AAA-rated Danish mortgage credit bonds and short-term bank bonds issued by rated counterparties.

The total interest rate risk, computed as the impact on the result of a one percentage point change in the interest level, was 0.6% of the bank's tier 1 capital after deductions at the end of the year.

The bank's total market risk within exposures to interest rate risk, listed shares and foreign

currency remains at a low level. The bank's risk of losses calculated on the basis of a Value-at-risk model (computed with a 10-day horizon and 99% probability) was as follows in 2013:

Value at Risk	Risk in million DKK	Risk relative to equity end of year in %
Highest risk of loss:	26.0	0.90%
Lowest risk of loss:	2.5	0.09%
Average risk of loss:	14.9	0.51%

The bank's policy remains to hold the market risk at a low level.

Profit after tax

The profit before tax was DKK 472 million. The profit after tax of DKK 114 million was DKK 358 million against last year's DKK 328 million. The profit before and after tax is equivalent to a return on equity at the beginning of the year after payment of dividend of 18% and 14% respectively.

Balance sheet

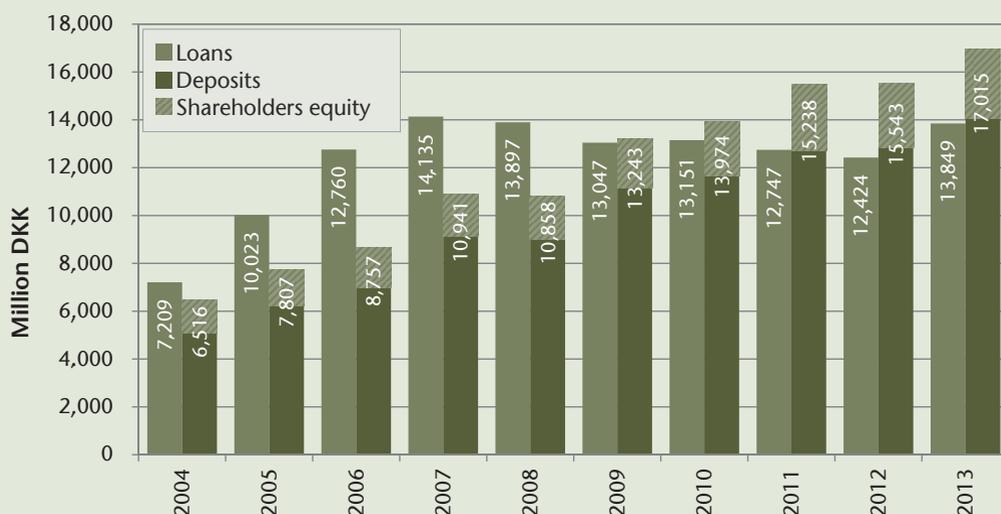
The bank's balance sheet total at the end of the year was DKK 19,583 million against last year's DKK 17,682 million.

Deposits increased by 10% from DKK 12,867 million at the end of 2012 to DKK 14,114 million at the end of 2013.

The bank's loans increased by 11% from DKK 12,424 million to DKK 13,849 million at the end of the year. Just over half of the growth in the bank's loans derives from wind turbine financing, while the remainder derives from a broad range of industries with growth from both other niches and the branch network. The bank thus in 2013 met its goal of realising growth in loans via the organic growth strategy.

The bank's portfolio of guarantees at the end of the year was DKK 1,902 million against DKK 1,667 million in 2012.

Loans, deposits and shareholders equity



Liquidity

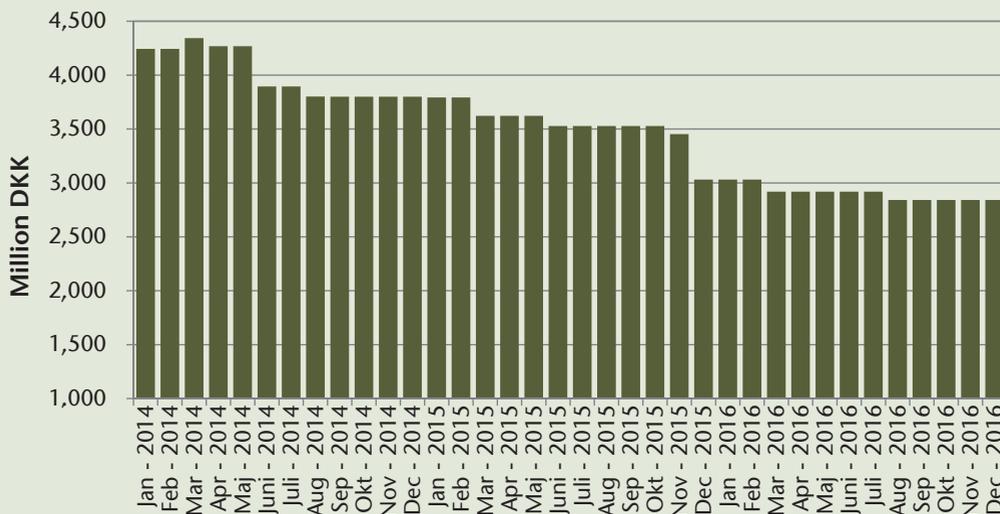
The bank's liquidity is good, and the excess liquidity relative to the statutory requirement is 166%. The bank's short-term funding with term to maturity of less than 12 months amounts to only DKK 755 million, corresponding to DKK 5.0 billion in short-term money market placings, primarily in Danish banks and liquid securities. The bank is thus not dependent on the short-term money market.

During 2013, the bank entered into long-term funding agreements with its partners to the equivalent value of a total of DKK 1.1 billion with an average term of 5.1 years.

The bank's deposits were DKK 265 million greater than loans at the end of the year, and the loans portfolio is thus more than fully financed by the bank's deposits and equity. In addition, part of the German loans portfolio for wind turbines was refinanced back-to-back with KfW Bankengruppe, and DKK 969 million can thus be disregarded in terms of liquidity.

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

Liquidity buffer - 36 months



Rating

Ringkjøbing Landbobank was rated for the first time by the international credit rating bureau Moody's Investors Service in May 2007. The bank's ratings were the end of 2013 as follows:

Moody's ratings:

	Financial strenght	Long-term liquidity	Outlook
End 2013	C-	Baa1	Stable

The bank's ratings have not been changed during 2013, and the bank thus still has the best stand-alone rating among Danish banks rated by Moody's Investor Service.

The supervisory diamond for banks

The Danish Financial Supervisory Authority has prepared a set of rules with five different limit values/landmarks with which Danish banks must comply.

The bank's key figures and the Danish Financial Supervisory Authorities's limit values are given in the table below. Ringkjøbing Landbobank complies with all five limit values with a good margin.

The supervisory diamond

	Limmit values	The bank's key figures end 2013
Stable funding (funding ratio)	< 1	0.7
Excess liquidity	> 50%	166.2%
Total large exposures	< 125%	35.0%
Growth in loans	< 20%	11.5%
Real estate exposure	< 25%	11.4%

Dividend and share buy-back programme

The bank's board of directors will submit to the general meeting that an ordinary dividend of DKK 15 per share, equivalent to DKK 73 million, be paid for the 2013 financial year. A dividend of DKK 14 per share was paid in the 2012 financial year.

It is also submitted that an extraordinary dividend of DKK 10 per share be paid as the share buy-back programme for up to 130,000 shares, which, at the price at the end of January 2013 would be able to reduce the equity by up to DKK 105 million, was not fully used in 2013. 60,000 shares were bought back in 2013 at a cost of DKK 59 million. It is thus proposed that the remaining DKK 46 million be distributed as an extraordinary dividend.

The recommendation to the general meeting will be that these 60,000 shares be cancelled in connection with a capital reduction, thus reducing the number of shares in the bank from 4,840,000 to 4,780,000.

It will also be proposed to the general meeting that a share new buy-back programme be established under which up to 110,000 shares can be bought for cancellation at a future general meeting. At the current price, this authorisation will reduce the equity by DKK 129 million.

Capital

The equity at the beginning of 2013 was DKK 2,676 million. To this must be added the profit for the year, and the dividend paid and the value of the own shares bought must be subtracted, after which the equity at the end of the year was DKK 2,901 million, an increase of 8%.

The bank's solvency ratio (Tier 2) was computed at 20.0% at the end of 2013 and the tier 1 capital ratio was computed at 19.2%.

Solvency cover	2013	2012	2011	2010	2009
Core tier 1 capital ratio (excl. hybrid core capital) (%)	18.7	19.6	18.3	17.1	15.1
Tier 1 capital ratio (%)	19.2	20.9	19.8	18.6	16.6
Solvency ratio - Tier 2 (%)	20.0	22.4	21.4	22.4	20.2
Individual solvency requirement (%)	8.9	8.0	8.0	8.0	8.0
Solvency cover	225%	280%	268%	280%	253%

The above capitalisation means that Ringkjøbing Landbobank remains one of Denmark's best capitalised banks.

With effect from 2013, the method of calculation of the individual solvency requirement was changed to the so-called 8+ model, where the calculation of the individual solvency requirement is based on 8% plus any supplements calculated inter alia for customers with financial problems.

In contrast to the previously used method, the 8+ model takes no account of the bank's earnings and cost base and its robust business model. Despite this, the bank's individual solvency requirement at the end of 2013 was calculated at only 8.9%.

A calculation of the consequences of implementing the CRD IV rules with effect from the beginning of 2014 was made on the basis of the bank's capital ratios at the end of 2013. The calculation shows a modest effect on the bank's core tier 1 capital ratio (excluding hybrid core capital) and a reduction in the tier 1 capital ratio and the solvency ratio of the order of 1.5 - 2.0 percentage points.

The bank's shares

The bank's share capital at the end of 2013 was DKK 24.2 million in 4,840,000 nom. DKK 5 shares.

The bank's shares at the beginning of the year were listed on the NASDAQ OMX Copenhagen at a price of 770.

During 2013, the share price increased to 1,099 at the end of the year.



An investment in the bank's shares at the beginning of 2001 has including dividends paid increased to be well thirteen times the worth at the end of 2013.

Good increase in customer numbers

Throughout 2013, the bank carried out various outreach initiatives towards both existing and new customers, including by investing in further disseminating the bank's Private Banking platform at national level and by carrying out outreach activities in the branch network in Central and West Jutland.

The activities were performed to create healthy growth in the bank as the biggest challenge in a time of low growth in the society is to create growth in the bank's top line.

The outreach activities in question contributed inter alia to the bank's recording the best ever net increase in customers during 2013, with growth in both the branch network and within the niche concepts. The outreach initiatives are planned to continue in 2014 at both regional and national levels.

Expected result and plans for 2014

The bank's core earnings in 2013 were DKK 451 million, which is above the upwardly adjusted range.

Ringkjøbing Landbobank's market share is about 50% in that part of West Jutland where the bank's old branches are located. The bank also has well-established branches in Herning, Holstebro and Viborg which are continuing to operate positively. The bank's plan is to retain and develop this portion of the customer portfolio with sound and competitive products and with focus on the employees' expertise and work in advising customers of the options in a changing financial world. In 2014, the bank expects a continuing positive inflow of customers to its branches in central and western Jutland because of its long-term outreach marketing of the bank and consolidation in the sector.

The activities in the bank's Distance Customer Department and its niche concepts are also expected to continue to develop positively as a whole in the coming year. Focus will be placed on serving the bank's current customers and further developing the portfolio within wind turbine financing and medical practitioners.

Ringkjøbing Landbobank is establishing a new Private Banking branch in Aarhus in the first quarter of 2014. The branch is being established following the success achieved by the Private Banking branches in Ringkjøbing, Herning and Holte over the last three years.

Given the possibilities which the bank currently sees in the market and the establishment of a Private Banking branch in Aarhus in the first quarter of 2014, the bank expects increased costs in the 2014 financial year of approximately 6%. The bank's impairment charges are still expected to remain at a relatively high level in 2014, but at a lower level than in 2013.

As a whole, core earnings in 2014 are expected to be in the range DKK 410 - 460 million. To this must be added the result for the bank's result for portfolio.

Events after the end of the financial year

From the date of the balance sheet to today, no circumstances have arisen to change the assessment of the bank's annual report.

Profit distribution

The bank's board of directors recommends to the general meeting that a dividend of DKK 15 per share, equivalent to DKK 73 million, be paid for the 2013 financial year. A dividend of DKK 14 per share was paid regarding 2012.

The bank's general meeting in February 2013 authorised the bank's management to implement a buy-back programme for up to 130,000 shares on the basis of the 2012 profit corresponding to DKK 105 million.

The bank has during 2013 bought back 60,000 shares and set them aside for later cancellation. The cost of buying the shares totalled DKK 59 million, after which DKK 46 million of the DKK 105 million remains. The board of directors furthermore proposes to the general meeting an extraordinary dividend of DKK 10 per share, equivalent to the above remaining amount concerning the buy-back programme.

A total dividend of DKK 25 per share including the extraordinary dividend of DKK 10 per share is thus recommended to the general meeting.

A new buy-back programme is also proposed for up to 110,000 shares for cancellation at a future general meeting. At the current price, this authorisation will reduce the equity by DKK 129 million. It is also proposed that the board of directors be authorised to cancel or reduce the buy-back programme if this is considered commercially appropriate for the bank, in the bank's long-term interest, or the bank's circumstances with respect to capital otherwise so require.

It is finally recommended to the general meeting to cancel the above 60,000 shares which were bought back and set aside, thus reducing the number of shares from 4,840,000 to 4,780,000 by a capital reduction.

Capital objective

During 2013, the bank's management discussed the future objective for the bank's capital.

In management's general assessment, the bank's strong capitalisation in recent years contributed inter alia to securing funding for the bank from private as well as institutional investors, and management also believes that the strong capitalisation as a whole contributed to the bank's operating results.

The introduction of the CRD IV rules, which are discussed below, means more rigorous requirements concerning the capital structure of banks. The bank is already complying with the fully phased capital requirements at the beginning of 2014.

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

Given these general objectives, the management assesses that a long-term capital target of approximately 15% for the bank's core tier 1 capital is sufficient and adequate for the bank.

CAPITAL STRUCTURE

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

The summary below shows the actual distributions in per cent in recent years. The summary lists the percentages distributed for the 2009 - 2012 financial years and the expected percentage for 2013.

Distributions*

(Million DKK)	2013	2012	2011	2010	2009
Profit for the year after tax	357.7	328.0	286.1	256.9	232.1
Distributions					
Ordinary dividend	72.6	69.2	65.5	60.5	0.0
Extraordinary dividend	0.0	48.4**	0.0	0.0	0.0
Buy-back programme	129.0	58.7	74.2	60.9	0.0
Total	201.6	176.3	139.7	121.4	0.0
Distribution in %	56***	54	49	47	0

* Percentages for the individual years were computed by dividing the actual distributions in one year by the profit for the year after tax. Actual distributions were calculated as the proposed and subsequently paid dividend, any proposed and subsequently paid extraordinary dividend and the actual cost of buying back the shares under an adopted share buy-back programme which were actually cancelled, on the basis of the result for a given financial year.

** At the bank's annual general meeting in February 2014, a proposal will be made for payment of extraordinary dividend relating to the 2012 financial year, and the proposed extraordinary dividend is included in the percentage calculated for this financial year.

*** The percentage for 2013 is the proposed distribution. The percentage was thus calculated on the basis of the proposed ordinary dividend and the current value of the proposed buy-back programme of 110,000 shares.

During 2013 the bank has realised an increase in the risk-weighted items of 12% primarily caused by the growth in loans for the year. This has contributed to an adjustment of the bank's capital structure towards the long-term capital target as indicated in the summary below.

	End dec. 2013	End dec. 2012
Core tier 1 capital ratio (excluding hybrid core capital) (%)	18.7	19.6
Long-term capital target, approximately (%)	15.0	15.0
Excess cover in percentage point	3.7	4.6
Change in excess cover during the year	-20% (-0.9 percentage point)	

The bank also expects to be able to create growth in the risk-weighted items in the years to come through an increase in the bank's loans.

Actual capital structure

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

Capital ratios

- | | |
|---|-------|
| • Core tier 1 capital ratio (excl. hybrid core capital) | 18.7% |
| • Tier 1 capital ratio | 19.2% |
| • Solvency ratio - Tier 2 | 20.0% |

With respect to the calculation of the bank's core capital, capital base and core tier 1 capital ratio (excluding hybrid core capital), tier 1 capital ratio and solvency ratio at the end of 2013, reference is made to the capital adequacy computation on page 59.

The above capitalisation ratios mean that Ringkjøbing Landbobank remains one of Denmark's best capitalised banks.

Subordinate capital

The maturity structure of the bank's external subordinated capital is presented in the following overview.

Subordinated loan capital

- Nom. EUR 27 million taken up on 30 June 2008, term 13 years to 30 June 2021, option of early redemption from 30 June 2018 if approved by the Danish Financial Supervisory Authority.

Hybrid core capital

- Nom. DKK 200 million taken up on 2 March 2005, indefinite term, option of early redemption from 2 March 2015 if approved by the Danish Financial Supervisory Authority.
- A total of nom. DKK 35.5 million of this had been bought at the end of 2013.

Capital adequacy rules

The bank uses the following methods for the calculation of risk-weighted items with credit and counterparty risks and market and operational risks:

Calculation of capital adequacy - methods used

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

As will be evident from the above, the bank uses the standardised method for calculation of its credit risk and therewith the risk-weighted items. This approach uses set solvency weightings. The method thus means that the bank does not apply the same down-weighting of solvency as those banks which apply one of the advanced methods. On the other hand, the bank does not experience increasing solvency weightings in periods of recession. Relative to the advanced methods, use of the standardised method means that there is significantly greater robustness in the calculated capital percentages and a smaller volatility in the risk-weighted items.

CRD IV rules

The capital requirements directive CRD IV and the capital requirements regulation CRR represent the European implementation of the Basel III rules. In connection with the implementation of the rules with effect from 2014 a gradual change concerning the capital requirements imposed on businesses in the financial sector is initiated. The requirements for when subordinated capital in the form of hybrid core capital and/or subordinated loan capital can be counted as the bank's capital base will also be changed, and an amortisation scheme will be introduced for the recognition of subordinated capital obtained prior to the proposal for the CRD IV directive. Finally, certain changes will be implemented for the calculation of risk-weighted items, including a temporary discount on the exposure concerning certain small and medium-size enterprises (SMEs). In conclusion, it should be noted that the European Banking Authority, EBA, is yet to issue a number of interpretations inter alia on the capital requirements regulation, and changes may thus be made throughout 2014 to the interpretations of the new rules available at present.

The bank has made a calculation of the consequences of implementing the CRD IV rules with effect from the beginning of 2014 was made on the basis of the bank's capital ratios at the end of 2013. The calculation shows a modest effect on the bank's core tier 1 capital ratio (excluding hybrid core capital) and a reduction in the tier 1 capital ratio and solvency ratio of the order of 1.5 - 2.0 percentage points.

Individual solvency requirement

Ringkjøbing Landbobank also focuses on its internally calculated individual solvency requirement, defined as an adequate capital base as a percentage of the bank's risk-weighted items.

The adequate capital base is assessed on the basis of an internal calculation model and calculated as the amount which is appropriate to cover the bank's current and future risks. With effect from 2013, the method of calculation of the individual solvency requirement was changed to a so-called 8+ model, where the calculation of the capital base adequacy is based on 8% plus any supplements calculated inter alia for customers with financial problems. The computed adequate capital base is reassessed on a regular basis, and reports to the Danish Financial Supervisory Authorities are also made on a regular basis.

In contrast to the previously used method, the 8+ model takes no account of the bank's earnings and cost base and its robust business model. Despite this, the bank's individual solvency requirement at the end of December 2013 was calculated at only 8.9%. The Danish Financial Supervisory Authorities most recently reviewed the bank's statement of its individual solvency requirement in autumn 2013. For further information on the calculation of Ringkjøbing Landbobank's individual solvency requirement, please see the bank's solvency requirement report for the fourth quarter of 2013 on the bank's website at the address: www.landbobanken.dk/solvency.

Risks and risk management

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

The credit risk is defined as the risk that payments owing to the bank are not judged to be recoverable because of lack of either ability or willingness to make payment at the agreed time.

The market risk is defined as the risk that the market value of the bank's assets and liabilities will change as a result of changes in market conditions. The bank's total market risk includes interest rate risks, foreign currency risks, share price risks and property risks.

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

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

Policy for risk taking and management

The framework for the bank's risk taking is specified by the board of directors, which has adopted a policy for each individual risk area, which inter alia defines the bank's risk profile in the area. Each policy is reviewed and reassessed by the board of directors at least once a year in connection with the board's position on the bank's general business model and risk profile.

The bank's general principle for assuming a risk is that the bank will only assume risks within a moderate risk profile which the bank has the expertise to manage.

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

Apart from the strategic risk management, there is an on-going operational central management and monitoring of the bank's risks in each area. This monitoring is reported to the bank's general management and board of directors. The management and control and reporting functions are separate, and the work is performed by several of the bank's central staff functions. The bank's risk manager ensures full reporting of risks and provides a meaningful picture of the bank's actual risk taking.

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

Credit risks loans

Over the years, Ringkjøbing Landbobank has developed to its present status as primarily a regional bank in central and western Jutland and a niche bank within selected areas.

This development has been a part of the bank's strategy, and the bank's management notes with satisfaction that the bank has achieved a significant diversified portfolio of loans, including with respect to industries and geographical areas.

In general, Ringkjøbing Landbobank assumes credit risks on the basis of a policy, the objectives of which are to have a well-balanced relationship between assumed risks and the return gained by the bank, that the bank's losses must be at an acceptable level relative to the Danish financial sector, and finally, losses suffered even in extreme situations must be able to be accommodated within the bank's results.

The gearing of loans relative to the bank's capital base (capital base after deductions) is about five, and the bank's objective is that the results must be achieved with a lesser or the same credit gearing as that of the country's major banks.

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

Apart from the normal following up and management of credit in the bank's central credit department, where there is regular reviewing of and following up on all major commitments, the bank has developed a set of credit evaluation models which are used to assess the quality of the exposure to credit. Statistical models are used for private and small business customers, while an expert model is used for major business customers. The statistical models use various factors, including information on the customer's assets and a quantity of behavioural data. The expert model for major business customers is based on information on the customer's creditworthiness and earning capacity.

Using these models, the bank's judgment is that the credit quality for those of the bank's loans which have not been impaired is generally unchanged relative to 2012. The bank is, however, experiencing a deteriorating creditworthiness for some of the bank's loans to private customers, one reason being a weak real estate market. The bank is paying attention to this and it is also generally aware of the risks posed to the bank's customers by the economic conditions. The bank gained many new customers throughout 2013. When establishing new customer relationships, the bank is highly attentive to the customers' creditworthiness and potential risks. A separate review of new customers in 2013 shows that these customers' creditworthiness is better on average than the bank's portfolio in general. The bank's many customers with high creditworthiness also repay debts at a high rate. There is thus also a natural run-off of good loans, and the overall result is a credit quality practically at the 2012 level, cf. note 36 on page 80.

Actual net losses

(In DKK 1,000)

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

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

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

The above table documents the bank's sound credit policy. As will be evident, the bank's average percentage loss after interest over the last 25 years (1989 - 2013) was -0.01%, with -0.77% (1992) as the highest loss and +0.51% (2000) the most positive figure. The average percentage loss before interest over the last 25 years is 0.51%, with -1.70 percent (1992) the highest loss and -0.01% (1999 and 2000) the lowest loss. The average percentage loss after interest over the recent ten years (2004 - 2013) was -0.13%, the average percentage loss before interest was -0.32%.

The regional section of the bank is run partly via branches in the bank's original core area in West Jutland and partly via branches in the three big central and western Jutland cities Herning, Holstebro and Viborg.

The most important areas within the bank's niche section are financing of medical practitioners' purchases of private practices, a Private Banking concept covering affluent private customers and financing of securities, loans for the financing of wind turbines and selected wholesale loans. The financing of wind turbines is primarily for Danish investors' purchases of wind turbines erected in Denmark and Germany.

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

Credit concentration

As indicated in the summary below, total large exposures amount to 35.0%. This figure includes a good quality exposure of 18.2% with adequate security and an exposure with a well-consolidated financial counterparty which will be redeemed in 2014.

Credit concentration

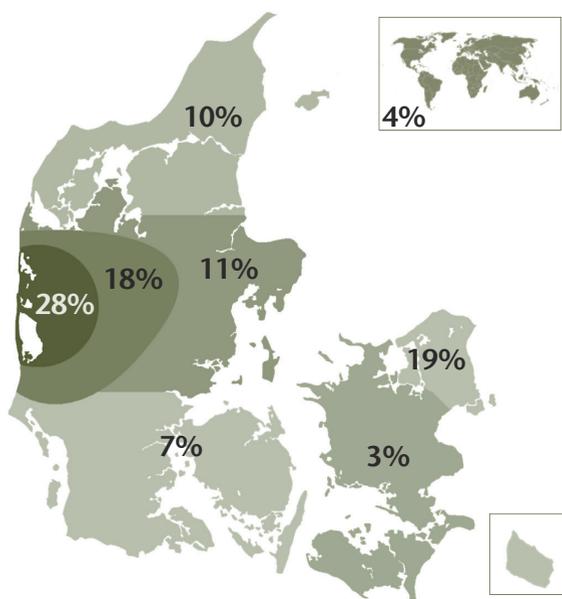
	2013	2012	2011	2010	2009
Total large exposures	35.0%	27.2%	11.8%	0.0%	0.0%

Explanation: The Danish Financial Supervisory Authority key figure »Total large exposures«.

Geographic spread of the bank's loans and guarantee portfolio

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

The loans via the bank's niche section have also helped to ensure a major diversification in the bank's loans portfolio, so that this portfolio is not correlated with the economic cycle to the same extent as if the bank were run exclusively as a regional bank.



Explanation: Distribution of the bank's portfolio of loans and guarantees before impairments and provisions, based on the customers address.

Credit risks on financial counterparties

Exposure to financial counterparties, and therewith a credit risk, including a settlement risk, arises in connection with the bank's trading in securities, foreign currency and derivative financial instruments, the bank's loans to other banks, and the bank's possession of bonds and transfer of funds. The settlement risk is the risk that in connection with the settlement of trades in securities and/or currency, the bank will not receive payment or securities corresponding to the securities and/or payments which the bank has made and delivered.

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

A requirement concerning clearing of derivatives (referred to as CCP) will be introduced gradually from 2014. The bank is participating to further mitigate the counterparty risk concerning derivatives, and the bank also wants to be able to continue to offer competitive products to its customers.

The bank's policy is to keep the credit risk on financial counterparties at a balanced level relative to the bank's size, and against credit institutions with good creditworthiness.

Credit balances with central banks and credit institutions

One of the two major items concerning the credit risk with financial counterparties is credit balances with central banks and credit institutions. The bank has assumed only a moderate risk on this item, and out of the total claims on central banks and credit institutions, 51% is thus due within three months.

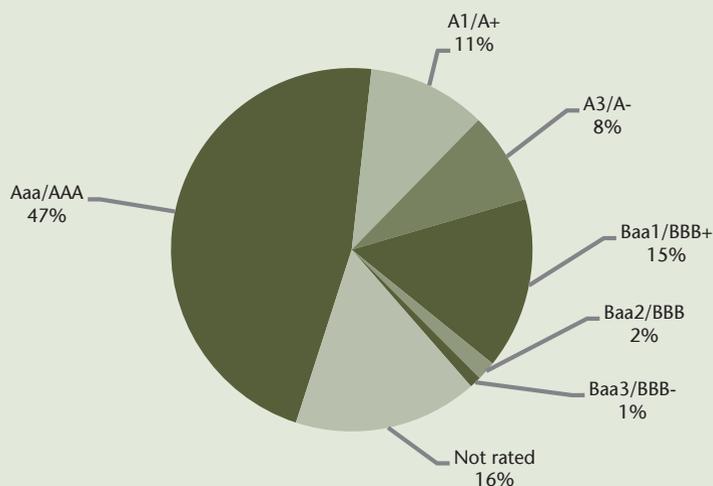
The bond portfolio

The bank's bond portfolio is the second of the two major items concerning the credit risk against financial counterparties.

The bond portfolio consists mainly of AAA-rated Danish mortgage credit bonds and bank bonds. There is also a modest holding of commercial bonds. The portfolio of bank bonds consists mainly of bonds with short terms issued by rated banks. These bonds have a good creditworthiness, but their market value can vary over time in connection with general changes in credit spreads in the market, and company-specific circumstances can also affect the value of these bonds. Given the relatively short term, the risk involved is, however, manageable.

The bank's bond portfolio does not involve any exposure to southern European countries.

Bonds distributed by rating classes



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

Market risks

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

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

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

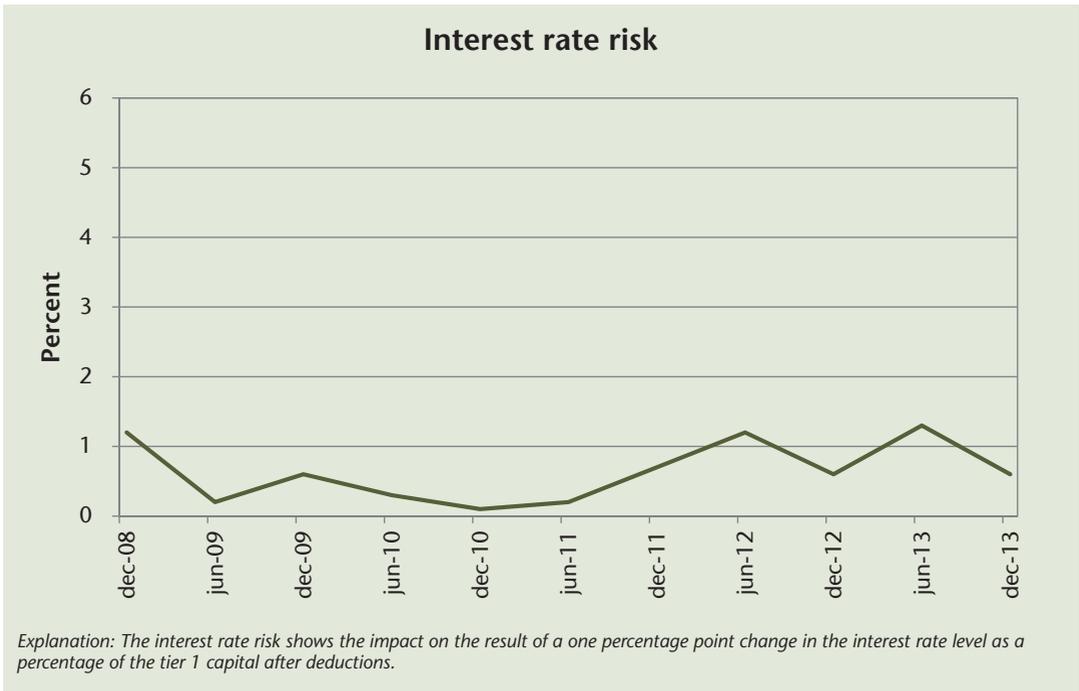
VaR is a measure of risk which describes the bank's risk under normal market conditions. A separate VaR is calculated for interest rate, foreign exchange and listed share positions, and a total VaR is also calculated for all of the bank's market risks consisting of interest rate, foreign exchange and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

Interest rate risk

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

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

The bank's interest rate risk is monitored and managed daily by the bank's securities department, and the bank's service and support department controls maintenance of the limits for assumption of interest rate risk, and reports to the bank's board of directors and general management.



As will be evident from the figure, the bank has maintained a low interest rate risk over the last five years in accordance with the bank's policy for this type of risk.

Foreign exchange risk

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

The bank's policy is to maintain a minimal foreign exchange risk, and the bank thus reduces on-going positions in foreign currencies via hedging.

The bank's positions in foreign exchange are managed daily by the foreign department, while the bank's service and support department monitors maintenance of lines of credit and reports to the board of directors and general management.

As in previous years, the bank's foreign exchange risk in 2013 was at an insignificant level.

Share risk

The bank is co-owner of various industrial companies via equity interests in DLR Kredit A/S, PRAS A/S, BankInvest Holding A/S, Sparinvest Holding A/S, Letpension Holding A/S, Nets Holding A/S, Swift, Bluegarden A/S, Værdipapircentralen A/S, Bankernes Kontant-service A/S and Landbrugets Finansieringsbank A/S.

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

The bank's policy is to maintain a low share price risk. The daily management of the bank's share portfolio is undertaken by the securities department, while monitoring of the lines of credit and reporting to the general management and the board of directors are performed by the service and support department.

The bank's portfolio of listed shares amounted to DKK 16 million at the end of 2013 against DKK 29 million at the end of 2012. The portfolio of sector shares etc. at the end of 2013 was DKK 193 million against DKK 184 million at the end of 2012.

As will be evident from the following figure, the bank's exposure to shares (excluding sector shares) as a percentage of the bank's equity has been modest, therewith documenting the bank's goal of maintaining a low risk on share prices.

Share exposure



Explanation: The share price exposure is computed as the bank's portfolio of shares (excluding sector shares) as a percentage of the bank's equity.

Property risk

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

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

Value at Risk

The bank's total VaR was DKK 5.2 million at the end of 2013. This sum is an expression of the maximum loss in a statistical perspective which the bank could risk losing with 99% probability if all market positions were retained unchanged for a period of 10 days.

Value at Risk summary

(In DKK million) Risk	Average VaR figure	Min. VaR figure*	Max. VaR figure*	End of year VaR figur
Interest	15.2	1.9	26.6	5.3
Foreign currency	0.2	0.1	0.3	0.6
Share	3.2	1.9	4.0	1.5
Diversification	-3.7	-1.4	-4.9	-2.2
Total VaR figure	14.9	2.5	26.0	5.2

* Based on the total VaR figure.

As indicated in the table, the bank's total VaR throughout 2013 varied from DKK 2.5 million to DKK 26.0 million. The average VaR figure was DKK 14.9 million, a small increase relative to last year.

Reference is made to note 39 on page 84 for the VaR figures for the years 2009 - 2013.

The model in brief

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

Back tests and stress tests

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

Liquidity risk

In general with respect to the bank's liquidity management, it is the bank's objective not to have uncovered net funding requirements and not to be dependent on the short-term money market. An objective is thus that the bank may not be affected by a total shutdown of the money market for a period of 12 months.

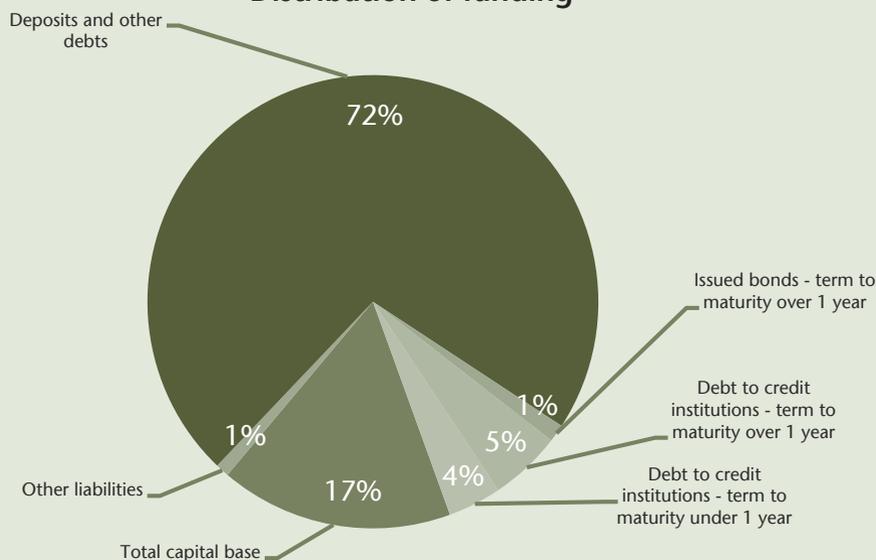
The bank's loans portfolio is funded via a range of sources, namely the bank's deposits, by taking out long-term loans with other credit institutions, via issuing bonds, and finally via the subordinated capital taken up by the bank, and the bank's equity.

The bank's deposit base consists of core deposits and deposits from customers with a long-term relationship with the bank.

Ringkjøbing Landbobank has also entered into longer-term bilateral loan agreements with various European business partners. It should be noted that the bank's funding situation is not comprised such that the bank is dependent on the individual business partners or other partners in a single country.

The bank entered into an agreement with BRFKredit in 2012 on joint funding. This agreement means that the bank can procure liquidity by letting BRFKredit issue SDO bonds against security in the loans which the bank has provided to customers with security in real estate. The partnership is running satisfactory and the bank has made use of the possibility of procuring liquidity through issuing of SDO bonds for the first time in 2013. The bank sees this possibility as a supplementary source of funding for the bank in the future.

Distribution of funding



(DKK 1,000)

The short-term funding (term to maturity under 1 year):

Issued bonds - term to maturity under 1 year	3,727
Debt to credit institutions and central banks - term to maturity under 1 year	750,834
Total	754,561

Is covered as follows:

Cash in hand and claims at call on the Danish National Bank	63,064
Claims on credit institutions - term to maturity under 1 year	214,032
Listed bonds and listed shares at current value	4,685,432
Total	4,962,528

Excess cover **4,207,967**

As will be evident from the above, the short-term funding (time to maturity less than one year) is supported via the bank's portfolio of claims at call on the Danish National Bank, short-term loan arrangements to other Danish banks, and the bank's portfolio of liquid securities. The excess liquidity cover at the end of 2013 thus was DKK 4.2 billion, while the corresponding figure at the end of 2012 and 2011 were DKK 3.9 billion and DKK 3.7 billion respectively.

To ensure diversification in funding, the bank established an EMTN bond programme of EUR 2 billion in 2008. The programme helps to ensure alternative funding sources for the bank. The bank has made issues under the programme in 2010, 2011 and 2013.

As a whole, the bank has entered into long-term funding agreements with its partners during 2013 to the equivalent value of a total of DKK 1.1 billion with an average term of 5.1 year.

Operational risk

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

The bank uses the so-called basic indicator method where, on the basis of calculation of an average of the most recent three financial years' approved net incomes, a sum is quantified and added to the risk-weighted items to cover the bank's operational risks.

The bank regularly produces reports on the losses and events which are judged to be attributable to operational risks. An assessment is made on the basis of the reports of whether procedures etc. can be adjusted and improved in order to avoid or minimise any operational risks, and the bank's procedures are also regularly reviewed and assessed by the bank's internal and external auditors.

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

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

Further information of the bank's risks

With the previous implementation of the Basel II rules in Danish legislation on capital adequacy, Danish banks were also required to publish certain information on risks (popularly also called Column 3 information). Some of the required risk information is given in this annual report, but for a full overview of the bank's duty to provide information, the reader is referred to the bank's website: www.landbobanken.dk/risk-information.

Statement on corporate governance

In accordance with Section 134 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc., the following statutory statement has been prepared for corporate governance in Ringkjøbing Landbobank. The statement is a summary of a complete account of management and corporate governance in Ringkjøbing Landbobank which is available on the bank's website at www.landbobanken.dk/cg.

Codes of management

As a listed financial institution and a member of the Danish Bankers' Association, the bank is covered by a number of codes. As a company listed on the NASDAQ OMX Copenhagen, the bank is covered by the Recommendations on Corporate Governance issued by the Committee for Corporate Governance, and as a member of the Danish Bankers' Association, the bank is covered by the "Recommendations for member companies of the Danish Bankers' Association".

The corporate governance recommendations

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

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

The Committee on Corporate Governance issued updated recommendations in May 2013. The number of recommendations was reduced from 79 to 47, and in its updating of the recommendations, the Committee was particularly focused on companies' value creation, on the board of directors' self-evaluation and its involvement in companies' development.

When preparing the 2013 annual report, the bank's board of directors and general management has assessed the bank's positions on the updated recommendations. The bank's management supports the efforts in the area of corporate governance, and the bank's board of directors and the general management have elected to adopt almost all the recommendations in this area. In a small number of areas, the bank's management has, however, elected either not to follow the recommendations or to follow them only in part. The bank currently follows 43 of the 47 recommendations.

Recommendations for members companies of the Danish Bankers' Association

In the Danish Bankers' Association's recommendations, the Association recommends that member companies consider all of the recommendations of the Committee for Corporate Governance of 6 May 2013 under the "comply or explain" principle. The Danish Bankers' Association further recommends that the member companies follow the Danish Bankers' Association's recommendations on auditing.

The bank follows the Association's recommendation on deciding on all recommendations of the Committee for Corporate Governance, and the bank follows the recommendation in the area of auditing, where the Association recommends that its member companies be strongly focused on the role of the external auditor and the quality of the latter's work. Banks, savings banks and cooperative banks should, for example, require:

- that external auditors have undergone in-service training focused on the banking sector, and
- that the composition of the team used by external auditors must include at least two experienced auditors with supplementary areas of competencies.

The bank is strongly focused on the external auditors' role and qualifications. It is agreed in the bank's partnership with external auditors that the team that will audit the bank will always include at least two experienced auditors with experience in auditing banks. Furthermore it is also agreed that the signing auditor(s) will be certified under applicable rules.

The bank also knows that the firm elected by the general meeting to audit the bank has an in-service training programme etc. targeted towards the financial sector.

On 22 November 2013, the Danish Bankers' Association also published a new code of management adopted by the Association, hereinafter called "the Danish Bankers' Association's code of management". The object of the recommendations in the Association's code of management is that the Association's member companies must actively consider a number of managerial matters and that greater openness will be obtained concerning the frameworks for management of the individual member companies. The Danish Bankers' Association has thus prepared a further ten recommendations as well as the above two recommendations in connection with the code of management. The additional ten recommendations together with the above two by the Danish Bankers' Association therewith comprise the Association's full code of management. Under the "comply or explain" principle, the Association's member companies must specify how they view the Association's code of management in connection with the presentation of the annual report for the 2014 financial year. When presenting the 2014 annual report, Ringkjøbing Landbobank will thus provide a specific and detailed account of its position on the recommendations in the Danish Bankers' Association's code of management. It is, however, noted that the bank has a positive attitude to the recommendations and that it has already implemented, and is following, most of the new recommendations.

The financial reporting process

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

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

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

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

The internal controls and risk management systems in connection with the financial reporting process are also structured with the following main elements:

- The accounts department has overall management of the process of financial reporting.
- The accounts department coordinates and obtains relevant information from other departments for use in the preparation of accounts and it also reviews such information.
- The accounts department assists external and internal auditing with information and details in connection with the auditing of the annual accounts.
- The general management makes a thorough review of the draft annual report and other reports.
- The audit committee and the board of directors review the draft annual report.
- The general management and the board of directors meet with the bank's auditors.

The above also applies to the presentation of quarterly and interim reports with their consequent changes and adaptations resulting from the absence of audit hereof.

An account is given below of the bank's audit committee and the internal controls and risk management process in connection with the financial reporting process.

The audit committee

The audit committee's tasks include monitoring and checking accounting and auditing matters and preparing the board of directors' handling of accounting- and auditing-related items.

The board of directors has appointed an independent board member (the chairman of the audit committee) who possesses the requisite qualifications within accounting, including the financial reporting process, internal controls and risk management etc.

Internal control and risk management systems

The board of directors and the general management have general responsibility for the bank's internal control and risk management systems in connection with the presentation of accounts.

Recognition and measurement

For the recognition and measurement of certain assets and liabilities, estimates are required of how future events will affect the value of these assets and liabilities on the balance sheet date. Estimates of significance for the presentation of accounts are made among other ways by summarising impairment charges on impaired loans, current values of unlisted financial instruments and provisions.

The estimates used are based on assumptions which management judges to be prudent, but which by their nature are uncertain. In management's assessment, assets and liabilities provide a true and fair view of the financial position, and the control environment for the estimates made is satisfactory.

The control environment

The most important elements in the control environment are an appropriate organisation, including proper separation of functions and internal policies, routines and procedures.

The board of directors, the general management and the other persons concerned with the presentation of accounts is comprised such that relevant competencies concerning risk management and assessment of internal controls is present and independently functioning.

The appointed audit committee regularly monitors the adequacy of the bank's internal controls and assesses material risks in connection with the financial reporting process, including the risk that fraud or errors could lead to material misstatement in the annual report.

Risk assessment

A risk assessment of the information in the annual report is regularly made in order to identify elements which carry increased risks because they are based on estimates and/or generated via complex or manual processes.

The audit committee is regularly advised of the assessment of the bank's risks, including risks which affect the process of presentation of the accounts. At least once a year, the audit committee, the board of directors and the general management decide whether new internal controls should be implemented to counter identified risks. The audit committee and the board of directors also reviews particularly risky areas at least once a year, including the recognition and measurement of major assets and liabilities and any changes in accounting policies.

Control activities

Control activities have been established, the object of which is to prevent, discover and correct any errors and deficiencies in the data which form the basis for preparation of the accounts.

These activities include certification, authorisation, approval, reconciliation, analyses of results, separation of duties, general IT controls, and controls concerning IT applications.

Monitoring and reporting

The bank uses systems and manual resources to monitor the data on the basis of which the accounts are prepared. Any weaknesses and errors are regularly corrected and reported.

Further analyses and control activities are carried out in connection with the preparation of the accounts to ensure that the accounts are presented in accordance with legal requirements. The audit committee follows up to ensure that the weaknesses in the internal controls and major errors and omissions in the annual financial statements noted and reported by the internal and the external audit are corrected.

The bank's management organs and their committees and functions

The bank's management organs comprise the following bodies:

- The general meeting
- The shareholders' committee
- The board of directors
- The general management

The bank advises as follows with respect to the individual organs' functions:

Re The general meeting

The general meeting is the bank's supreme decision-making authority. The general meeting's tasks include electing members to the bank's shareholders' committee.

Re The shareholders' committee

In accordance with the articles of association, the bank's shareholders' committee has at least 25 and at most 30 members elected for four years at a time. As of the end of December 2013, 26 members had been elected to the bank's shareholders' committee.

The bank's shareholders' committee elects the members of the bank's board of directors. The shareholders' committee also has a duty to act in the bank's best interest and, to the best of its ability, to assist the board of directors and the general management with the procuring of information they may need. The shareholders' committee also sets the fixed remuneration for the board of directors and decides on the establishment of branches as recommended by the board of directors.

Members of the shareholders' committee must retire from the committee at the latest at the first annual general meeting after they have reached the age of 67.

Re The board of directors

In accordance with the articles of association, the bank's board of directors consists of at least four and at most six members elected by the shareholders' committee. As of the end of December 2013, the board of directors had six members elected by the shareholders' committee and two members elected by the employees.

The bank's general management does not serve on the board of directors, but it participates in board meetings. The board of directors holds 10 - 12 meetings a year. The board of directors proposes members of the board such that its composition ensures a range of competencies and is comprised in a manner which ensures a broad range of competencies and compliance with a special competence profile specified by the board itself. Board members are also elected for four-year terms. In accordance with the recommendation of the Committee for Corporate Governance, at least half the board members must be independent.

Members of the board of directors must retire at the latest at the first annual general meeting after they have reached the age of 67.

Committees of the board of directors

The board of directors has appointed the following committees: an audit committee, a risk committee, a nomination committee and a remuneration committee. The audit, risk and nomination committees consist of the bank's full board of directors, while the remuneration committee consists of the chairman and deputy chairman of the board of directors and one member elected by the employees. The audit committee held three meetings in 2013. The risk and nomination committees were only formed at the end of 2013, and the remuneration committee's tasks during the 2013 financial year were undertaken by the board of directors.

Further information on the committees of the board of directors is given on pages 97 - 99 of this annual report.

Evaluation of the board of directors etc.

The board of directors has for several years conducted a self-evaluation process, and the board of directors in 2012 also supplemented the self-evaluation on the basis of the Financial Supervisory Authorities' guideline for evaluation of the board of directors' knowledge and experience in credit institutions.

In autumn 2013 the board of directors again made its annual self-evaluation process etc. As a basis for the evaluation, the board also identified the competencies which it should possess in order to be able to perform its activities in a competent way. This was done on the basis of the bank's business concept and a comprehensive analysis of the risks associated therewith. The general competencies required includes knowledge of the following matters:

- The business concept and various related matters
- Credit risks and various related matters
- Market risks and various related matters
- Liquidity risks and various related matters
- Operational risks and various related matters
- Other matters:
 - Budgets, accounting and auditing
 - Capital
 - Insurance matters
 - Risk management
 - Managerial experience from other financial activities
 - General managerial experience
 - Legal insight, including in relation to financial legislation

Each individual board member assessed his or her own qualifications on the basis of the specified requirements.

The board also evaluated its own work and working relationships.

The board discussed the result of the evaluations, and its assessment and conclusion is that its work and working relationships are functioning satisfactorily and that its members possess adequate collective knowledge, the professional skills and experience to understand the bank's activities and their associated risks, and that the number of board

members is appropriate relative to what is judged to be required for the bank.

Each member of the board of directors has also declared his judgment that he is fit and proper under applicable rules, and that he or she possesses the necessary resources for the job.

Remuneration policy

In 2012 the bank's board of directors adopted a remuneration policy which was presented to the 2013 annual general meeting for approval. The meeting approved the policy, which includes guidelines for the remuneration paid to Ringkjøbing Landbobank's board of directors and general management. The policy for management is that the bank's management is paid remuneration which is both in line with the market and reflects the management's performance for the bank. It was also decided that the fees paid to both the board of directors and the general management will be fixed such that there are no incentive payments. Other risk takers and employees in control functions will not be paid variable salary components outside the framework of the collective agreement which was entered into. The board of directors has in 2013 made an annual review of the policy and has found no reason to make changes.

Supplementary information on the members of management, including other managerial offices

The reader is referred to pages 95 - 96 and 100 - 101 of this annual report for supplementary information on the members of the bank's management, including information on their other managerial activities and on the competencies of the members of the board of directors.

Re The general management

The general management undertakes the bank's daily management.

Statement on corporate social responsibility

In accordance with Section 135 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc., the following statutory statement on corporate social responsibility has been prepared.

Corporate social responsibility policy

Ringkjøbing Landbobank's corporate social responsibility (CSR) policy is based on the bank's long-standing roots in the local communities in which the bank is represented. The bank has a desire to be a responsible and value-creating bank, and the bank works to create the best results for its shareholders, customers, employees, the local community and the surrounding environment.

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

The bank's CSR policy is divided to focus specifically on the four stakeholder groups: customers, employees, the environment and the local community. The bank's CSR policy is available on the bank's website at the address: www.landbobanken.dk/csr, and furthermore this statement is also published at the same internet address.

It is advised further to the bank's CSR policy that the bank has not prepared a specific human rights policy or a specific policy for climate effects. The bank supports the efforts by the Danish government to put human rights and climate effects high on the agenda, but as a regional bank, the bank has currently not found it necessary to develop separate policies for this.

The statement below on the bank's activities in 2013 is targeted at the four stakeholder groups.

Customers

During the year, the bank continued its work on development of its advisory service etc.

The work included:

- Further development of the bank's concept within the area of advice on pensions, where the bank's advisers give the customer a general view of pension saving schemes and insurance cover in the event of disablement and death.
- Development of the means of communication between the bank and its customers, including development of easily understandable elements on the bank's website which give the customer a solid insight into some of the bank's products.
- The strength of Private Banking advice, where the bank's asset advisers provide specialised advice to customers with complex financial situations.
- Development and implementation of a payment solution via mobile phone - called "Swipp".

Employees

The following was implemented in 2013 in relation to the bank's employees:

- Performance reviews with all employees.
- Training and certification of advisers in financial products to ensure their provision of competent advice. The training and certification were carried out to further upgrade certain of the bank's employees, and new employees completed the programme if they had not already done so on the date of employment.
- Continued training within advice on pensions.
- In-service training for a large number of employees in provision of all-inclusive advice.
- Employment of a total of 26 employees, including seven new financial economists and trainees. With a view to recruiting financial economists and trainees next year, the bank held two information evenings and visited the educational institutions in the area in autumn 2013 to give the students in upper secondary programmes in the bank's local area information on a further education programme with the bank, thus providing them with a basis on which to make a qualified career choice.
- Implementation of new routines and systems to increase the efficiency of the bank's administrative processes. This also includes continuation of an in-house campaign "Overview means profit", which ensures employees a better overview of their own duties. In the bank's experience, this ensures happier employees, less stress and better provision of advice to the bank's customers.
- Supported social activities in the bank, including financial support for the bank's staff association.

In 2014, focus will be placed on inter alia the following in relation to the stakeholder group "Employees":

- Signing a new collective agreement
- Various training initiatives
- Establishment of a whistleblower scheme in accordance with applicable law

The environment

As a bank as well as a workplace, the bank accepts shared responsibility for the environment.

In 2013 this included the following concerning the banking activities:

- Loans for wind turbine financing
- Financing of other energy-saving initiatives
- Partnership with interactive web portal to help the bank's customers to identify energy-saving initiatives in their homes.

As a workplace, the environmental initiatives included:

- Continued focus on conversion of procedures to electronic case handling.
- All advisers have received bigger monitors. The new monitors are more energy-efficient partly because their power consumption per hour is lower than the old ones and partly because the new monitors switch to energy-saving mode when the user leaves the workstation, thus also reducing power consumption.
- A large number of employees have had two monitors installed at the workplace, which gives them the opportunity to structure their work better on the monitors. This helps to reduce the amount of unnecessary printing.
- In addition to the above initiative of purchasing energy-saving computer monitors, a power-saving campaign was carried out in which as many electrical appliances as possible apart from the computer screens turn off automatically at the end of the working day.
- Continued focus on holding video conferences to the extent possible with the bank's IT supplier, Bankdata, to reduce the employees' travels to Bankdata's departments in Silkeborg and Fredericia, and continued focus on car-sharing for and planning of training and meeting activities to reduce the associated travel as much as possible.

In all of the above initiatives, focus has been placed on reducing the bank's environmental impact, including reduction of CO2 emissions, lower power and paper consumption etc.

In 2014, the bank will focus on further reductions through the following initiatives:

- The bank will continue to focus on loans for renewable energy.
- It will become possible for the bank's customers to sign agreements and documents electronically by using the NemID login. Agreements and documents will thus be delivered to the customer's internet-based electronic mailbox to further reduce paper consumption.
- It is planned to install video conference equipment in the bank's branches to reduce the requirement for driving associated with internal meetings in the bank.

Local community

Given its position in the local area, the bank has a natural wish to support the area's development. Activities in 2013 included the following:

- Total payment of DKK 114 million in corporation tax and payroll tax, of which DKK 100 million was corporation tax.
- Allocation of a total of just over DKK 0.8 million from the following:
 - Sdr. Lem Andelskasses Fond
 - Tarm Banks Jubilæumsfond
 - The bank's profit distribution
- Sponsorship agreements with more than 700 clubs and associations in the bank's local area. This includes sponsorships and subsidies for cultural activities, general and elite sports in order to support the goal of putting the local community on the map. Specific major activities during the year included support for:
 - DGI gymnastic displays in the spring in Ringkøbing and Skjern
 - DGI World Gymnastic Team in Skjern
 - Gospel festival in Hvide Sande
 - Ringkøbing-Skjern Municipality golf championships
 - Artificial football turf in Ringkøbing
 - Lem Hallen - sponsor contribution to rebuilding and extension
 - New Year concert in Ringkøbing
 - Ringkøbing Fiord Jazz Festival at Stauning harbour
 - Shock Wave music festival in Hvide Sande in connection with the cultural festival The Wave under the Cultural Collaboration in Mid- and West Jutland
 - Skjern GF Football as the new main sponsor
 - School football in Ringkøbing-Skjern Municipality
 - Spjald FritidsCenter - sponsor contribution to expansion
 - Wood sculpture festival in Ringkøbing
 - And many more

The bank will also in 2014 continue to be an active support to the many clubs and associations in the bank's local area.

Statement on the under-represented gender

In accordance with Section 135a of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc., the following statutory statement has been prepared.

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

Target figure for the percentage of the under-represented gender on the board of directors

When the board of directors adopted the target figure in March 2013, the gender distribution of board members elected by the shareholders' committee was the following:

- 16% women
- 84% men

The target set by the board of directors is that the proportion of female board members elected by the shareholders' committee should minimum be 16% - 33% from 2017 (provided that the number of board members elected by the shareholders' committee is 6).

The nomination process for the election to the board of directors in 2013 was over when the board adopted the target figure, and at the end of December 2013 the gender distribution of the bank's board members elected by the shareholders' committee was unchanged in relation to March 2013.

The board of directors' target figure has been adopted as a target applicable from 2017, and in connection with future nomination processes for the election of board members, the board will focus on achieving the target figure upon the shareholders' committee.

Policy to increase the percentage of the under-represented gender at the bank's other management levels

In March 2013, the board of directors also adopted a policy aiming at increasing the percentage of the under-represented gender at the bank's other management levels. The adopted policy aims at creating a basis for a more equal gender distribution at the bank's other management levels.

Other management levels (in the following called management) should be understood as management positions not related to the board of directors, i.e. the general management, department managers, branch directors and managers and team leaders.

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

The bank considers targets and target figures as tools when it comes to ensuring progress and obtaining results. The bank has set the following concrete targets and target figures for the under-represented gender at the bank's management:

- The employees must, irrespective of gender, feel that they have equal career and management opportunities.
- The percentage of managers in the management from the under-represented gender must be at least 20%.
- Focus must be placed on gradually increasing the current percentage of 25% from now until 2017 of managers in the management from the under-represented gender.

In order to reach the specified targets and target figures, the bank will implement initiatives in relevant areas. Such initiatives will, however, take into consideration the bank's wish to maintain and develop the current open-minded and unprejudiced culture in which the individual employee can make the best possible use of his or her skills irrespective of gender, and the bank will thus always appoint the best qualified manager irrespective of gender.

The bank also wants to continue the long-standing policy of Ringkjøbing Landbobank according to which all employees are inspired to become part of the bank's management. Finally, the bank offers all employees the opportunity to develop their professional and personal skills by participating in various training and personality development activities. It is the aim of the bank that employees of both genders should generally participate in these activities on an equal footing.

In March 2013 when the policy and the targets were adopted, the total number of employees involved in management was 36, with the following gender distribution:

- 25 % women
- 75% men

From March 2013 to the end of December 2013 there were no changes in the number of employees or the gender composition in the bank's management, and the gender distribution was thus unchanged. In connection with future recruiting processes for management positions, the bank will take the above targets and additional comments into consideration.

This statutory statement on the under-represented gender is also published on the bank's website at: www.landbobanken.dk/gender.

Information on listed companies

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

The bank's share capital on 31 December 2013 was DKK 24.2 million in 4,840,000 nom. DKK 5 shares.

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

ATP, Hillerød, Denmark and Parvus Asset Management (UK) LLP, London, United Kingdom, have advised that they own more than 5% of the bank's share capital.

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

The members of the bank's board of directors are elected by the members of the bank's shareholders' committee, and the bank's employees also elect members to the bank's board of directors in accordance with rules in force.

With respect to amendments of the bank's articles of association, a decision to change these is only valid if the proposal is agreed upon by at least two thirds of votes cast and of the share capital with voting rights represented at the general meeting.

On the date of presenting the financial statements, the board of directors has the following authority pursuant to the articles of association to issue shares:

Following consultation with the shareholders' committee, the board of directors is authorised to increase the share capital by nom. DKK 14,210,980 to nom. DKK 38,410,980 in one or more rounds. The existing authorisation is valid until 24 February 2018.

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

The bank's annual general meeting of 27 February 2013 has authorised the board of directors, before the next annual general meeting and in accordance with applicable law, to permit the bank to acquire its own shares to a total nominal value of 10% of the bank's share capital, such that the shares can be acquired at the current listed price +/- 10%.

At the annual general meeting in 2013, the board was also authorised to buy back up to 130,000 shares and set them aside for later cancellation, and this authority was exercised in 2013 for 60,000 shares.



Ringkjøbing

Landsrådsrapport



Ringkjøbing

Landsby
oparbej

STATEMENT AND REPORTS

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Statement by the board of directors and the general management

The board of directors and the general management have today reviewed and approved the annual report of Ringkøbing Landbobank A/S for the financial year 1 January - 31 December 2013.

The annual report is prepared in accordance with the provisions of the Danish Financial Business Act and other Danish requirements regarding information in the annual financial statements of listed financial companies. We consider the chosen accounting policies to be appropriate and the estimates made to be responsible, so that the annual report provides a true and fair picture of the bank's assets, liabilities and financial position as of 31 December 2013 and the result of the bank's activities and cash flows for the financial year 1 January - 31 December 2013. We also believe that the management report contains a true and fair account of the bank's activities and financial position as well as a description of the most important risks and uncertainties which can affect the bank.

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

Ringkøbing, 29 January 2014

General management:

John Bull Fisker
CEO

Ringkøbing, 29 January 2014

Board of directors:

Jens Lykke Kjeldsen
Chairman

Martin Krogh Pedersen
Deputy Chairman

Gert Asmussen

Inge Sandgrav Bak

Gravers Kjærgaard

Jørgen Lund Pedersen

Bo Bennedsgaard
Employee board member

Gitte E. S. Vigsø
Employee board member

Internal auditor's report

To the shareholders of Ringkjøbing Landbobank A/S

Endorsement of the annual financial statements

I have audited the annual financial statements of Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2013, covering the profit and loss account, core earnings, balance sheet, statement of shareholders' equity, capital adequacy computation, cash flow statement and notes, including accounting policies and five year main and key figures. The annual financial statements were prepared in accordance with the Danish Financial Business Act.

The audit

The audit was performed on the basis of the Danish FSA's statutory order on the auditing of financial companies etc. and in accordance with international auditing standards. This requires that the audit be planned and performed to achieve a high degree of assurance that the financial statements do not contain material misstatements.

The audit was performed in accordance with the division of labour agreed with the external auditor, and included an assessment of established procedures and internal checks and balances, including the risk management set by management with respect to reporting processes and material business risks. I have made a random sampling of the basis for amounts and other information in the financial statements on grounds of probability and risk. The audit also included an assessment of whether management's choice of accounting policies is appropriate, whether management's accounting estimates are reasonable, and the total presentation of the financial statements.

I participated in the audit of all material and risk areas, and I believe that the basis for the audit is adequate and appropriate for my conclusion.

My audit did not give rise to any qualifications.

Conclusion

I believe that the established procedures and internal controls, including the risk management chosen by management for the bank's reporting processes and material business risks, are functioning satisfactorily.

I also believe that the annual financial statements provide a true and fair picture of the bank's assets, liabilities and financial position as of 31 December 2013 and of the result of the bank's activities and cash flows for the financial year 1 January - 31 December 2013 in accordance with the Danish act on financial activities.

Statement on management report

As required under the Danish Financial Business Act, I have read management's report. I have not performed any further actions in addition to the audit of the annual financial statements. On this basis, I believe that the information in management's report is in accordance with the annual financial statements.

Ringkjøbing, 29 January 2014

Henrik Haugaard
Chief auditor

The independent auditor's report

To the shareholders of Ringkjøbing Landbobank A/S

Endorsement of the annual financial statements

We have audited the annual financial statements for Ringkjøbing Landbobank A/S for the financial year 1 January - 31 December 2013, covering the profit and loss account, core earnings, balance sheet, statement of shareholders' equity, capital adequacy computation, cash flow statement and notes, including the accounting policy and five year main and key figures. The annual financial statements were prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the annual financial statements

Management is responsible for the preparation of annual financial statements which provide a true and fair picture in accordance with the Danish Financial Business Act. Management is also responsible for the internal controls deemed necessary to prepare annual financial statements without material misstatements, whether attributable to fraud or error.

The auditor's responsibility

Our responsibility is to express a conclusion on the annual financial statements on the basis of our audit. We performed the audit in accordance with international auditing standards and additional requirements under Danish auditing law. These require that we observe ethical requirements and plan and perform the audit in order to achieve a high degree of assurance that the annual financial statements do not contain material misstatements.

An audit covers the performance of auditing actions to gain evidence for amounts and information in the financial statements. The chosen actions depend on the auditor's assessment, including an assessment of risks of material misstatements in the financial statements whether attributable to fraud or error. In the risk assessment, the auditor considers internal controls that are relevant for the company's preparation of annual financial statements which provide a true and fair picture. The object is to design audit actions which are appropriate under the circumstances, but not to express a conclusion on the effectiveness of the company's internal controls. An audit also includes an assessment of whether management's choice of accounting policies is appropriate and whether management's estimates are reasonable, as well as an assessment of the total presentation of the financial statements.

We believe that the evidence we obtained for our audit is an appropriate basis for our conclusion.

Our audit did not give rise to any qualifications.

The independent auditor's report - continued

Conclusion

We believe that the annual financial statements provide a true and fair picture of the bank's assets, liabilities and financial position as of 31 December 2013 and of the result of the bank's activities and cash flows for the financial year 1 January-31 December 2013 in accordance with the Danish Financial Business Act.

Statement on the management report

In accordance with the Danish Financial Business Act, we have read the management report. We have not performed any further actions in addition to the audit of the annual financial statements. We believe on this basis that the information in the management report is in accordance with the annual financial statements.

Ringkøbing, 29 January 2014

PricewaterhouseCoopers
State-authorized partnership

H. C. Krogh
State-authorized
public accountant



Ringkjøbing

Landskab
oparbejdet

ACCOUNTS

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PROFIT AND LOSS ACCOUNT

Note no.		2013 DKK 1,000	2012 DKK 1,000
1	Interest receivable	776,268	834,021
2	Interest payable	146,037	200,764
	Net income from interest	630,231	633,257
3	Dividend on capital shares etc.	12,610	1,463
4	Income from fees and commissions	229,813	210,516
4	Fees and commissions paid	31,123	24,029
	Net income from interest and fees	841,531	821,207
5	Value adjustments	+23,074	+46,957
	Other operating income	2,730	3,303
6,7,8,9	Staff and administration costs	254,909	252,796
10	Amortisations, depreciations and write-downs on intangible and tangible assets	4,270	3,233
	Other operating costs		
	Miscellaneous other operating costs	28	133
	Costs Deposit Guarantee Fund	16,091	10,281
11	Impairment charges for loans and other debtors etc.	-120,175	-156,844
	Result of capital shares in associated companies	-3	+5
	Profit before tax	471,859	448,185
12	Tax	114,199	120,188
	Profit after tax	357,660	327,997
	Other comprehensive income	0	0
	Total comprehensive income	357,660	327,997

PROPOSED DISTRIBUTION OF PROFIT

	2013 DKK 1,000	2012 DKK 1,000
Profit after tax	357,660	327,997
Total amount available for distribution	357,660	327,997
Dividend at annual general meeting		
Ordinary dividend	72,600	69,160
Extraordinary dividend	48,400	0
Total dividend	121,000	69,160
Charitable purposes	500	500
Transferred to reserve for net revaluation under the intrinsic value method	-3	+5
Appropriation to own funds	236,163	258,332
Total distribution of the amount available	357,660	327,997

CORE EARNINGS

Note no.		2013 DKK 1,000	2012 DKK 1,000
	Net income from interest	614,719	614,617
4	Net income from fees and provisions excl. commission	171,765	162,371
	Income from sector shares	14,403	5,939
4	Foreign exchange income	13,293	12,591
	Other operating income	2,730	3,303
	Total core income excl. trade income	816,910	798,821
4	Trade income	26,925	24,116
	Total core income	843,835	822,937
6	Staff and administration costs	254,909	252,796
10	Amortisations, depreciations and write-downs on intangible and tangible assets	4,270	3,233
	Other operating costs	13,827	8,705
	Total costs etc.	273,006	264,734
	Core earnings before impairments	570,829	558,203
11	Impairment charges for loans and other debtors etc.	-120,175	-156,844
	Core earnings	450,654	401,359
	Result for portfolio	+23,494	+48,535
	Expenses for bank packages	2,292	1,709
	Profit before tax	471,856	448,185
12	Tax	114,199	120,188
	Profit after tax	357,660	327,997

BALANCE SHEET

Note no.		End Dec. 2013 DKK 1,000	End Dec. 2012 DKK 1,000
	Assets		
	Cash in hand and claims at call on central banks	63,064	483,188
13	Claims on credit institutions and central banks	416,913	373,300
	Claims at notice on central banks	0	176,002
	Money market operations and bilateral loans - term to maturity under 1 year	214,032	92,578
	Bilateral loans - term to maturity over 1 year	202,881	104,720
14,15	Loans and other debtors at amortised cost price	13,849,285	12,424,139
	Loans and other debtors at amortised cost price	12,880,717	11,594,880
	Wind turbine loans with direct funding	968,568	829,259
16	Bonds at current value	4,669,732	3,783,258
17	Shares etc.	208,697	212,710
	Capital shares in associated companies	540	543
18	Land and buildings total	73,871	75,830
	Investment properties	8,015	8,165
	Domicile properties	65,856	67,665
19	Other tangible assets	4,385	3,981
	Actual tax assets	24,501	40,370
	Temporary assets	1,000	1,400
20	Other assets	263,856	276,182
	Periodic-defined items	6,977	6,645
	Total assets	19,582,821	17,681,546

Note no.		End Dec. 2013 DKK 1,000	End Dec. 2012 DKK 1,000
	Liabilities and equity		
21	Debt to credit institutions and central banks	1,754,884	1,198,071
	Money market operations and bilateral credits - term to maturity under 1 year	656,258	294,208
	Bilateral credits - term to maturity over 1 year	130,058	74,604
	Bilateral credits from the KfW Bankengruppe	968,568	829,259
22	Deposits and other debts	14,113,816	12,866,748
23	Issued bonds at amortised cost price	249,814	340,809
24	Other liabilities	173,806	190,830
	Periodic-defined items	917	205
	Total debt	16,293,237	14,596,663
25	Provisions for deferred tax	13,188	15,151
15	Provisions for losses on guarantees	4,256	10,958
	Total provisions for liabilities	17,444	26,109
	Subordinated loan capital	200,193	199,607
	Hybrid core capital	170,847	183,027
26	Total subordinated debt	371,040	382,634
27	Share capital	24,200	24,700
	Reserve for net revaluation under the intrinsic value method	189	192
	Profit carried forward	2,755,211	2,581,588
	Proposed dividend etc.	121,500	69,660
	Total shareholders' equity	2,901,100	2,676,140
	Total liabilities and equity	19,582,821	17,681,546
28	Own capital shares		
29	Contingent liabilities etc.		

STATEMENT OF SHAREHOLDERS' EQUITY

DKK 1,000	Share capital	Reserve for net revaluation under the intrinsic value method	Profit carried forward	Proposed dividend etc.	Total shareholders' equity
2013					
Shareholders' equity at the end of the previous financial year	24,700	192	2,581,588	69,660	2,676,140
Reduction of share capital	-500		500		0
Dividend etc. paid				-69,660	-69,660
Dividend received on own shares			1,427		1,427
Shareholders' equity after allocation of dividend etc.	24,200	192	2,583,515	0	2,607,907
Purchase and sale of own shares			-64,467		-64,467
Total comprehensive income		-3	236,163	121,500	357,660
Shareholders' equity on the balance sheet date	24,200	189	2,755,211	121,500	2,901,100
2012					
Shareholders' equity at the end of the previous financial year	25,200	187	2,391,713	66,020	2,483,120
Reduction of share capital	-500		500		0
Dividend etc. paid				-66,020	-66,020
Dividend received on own shares			1,326		1,326
Shareholders' equity after allocation of dividend etc.	24,700	187	2,393,539	0	2,418,426
Purchase and sale of own shares			-70,283		-70,283
Total comprehensive income		5	258,332	69,660	327,997
Shareholders' equity on the balance sheet date	24,700	192	2,581,588	69,660	2,676,140

CAPITAL ADEQUACY COMPUTATION

	End Dec. 2013 DKK 1,000	End Dec. 2012 DKK 1,000
Calculated pursuant to the Executive order on Capital Adequacy issued by the Danish Financial Supervisory Authority.		
Weighted items with credit and counterpart risks	12,235,761	10,601,717
Market risk	1,110,690	1,219,598
Operational risk	1,522,813	1,483,500
Total risk-weighted items	14,869,264	13,304,815
Shareholders' equity	2,901,100	2,676,140
Proposed dividend etc.	-121,500	-69,660
Reserve for net revaluation	-189	-192
Core tier 1 capital (excl. hybrid core capital)	2,779,411	2,606,288
Hybrid core capital	164,500	172,000
Deduction for equity investments etc. above 10%	-19,963	0
Deduction for the sum of equity investments etc. above 10%	-63,503	0
Tier 1 capital	2,860,445	2,778,288
Subordinated loan capital	201,428	201,431
Reserve for net revaluation	189	192
Deduction for equity investments etc. above 10%	-19,963	0
Deduction for the sum of equity investments etc. above 10%	-63,503	0
Capital base after deductions	2,978,596	2,979,911
Core tier 1 capital ratio (excl. hybrid core capital) (%)	18.7	19.6
Tier 1 capital ratio (%)	19.2	20.9
Solvency ratio - Tier 2 (%)	20.0	22.4
Capital base requirements under Section 124 (2,1) of the Danish Financial Business Act	1,189,541	1,064,385

CASH FLOW STATEMENT

	2013 DKK 1,000	2012 DKK 1,000
Operation activities		
Profit for the financial year	357,660	327,997
Amortisations, depreciations and write-downs on intangible and tangible assets	4,270	3,233
Impairments charges for loans and other debtors etc.	164,088	198,529
Items not affecting liquidity	-2,195	11,135
Adjusted result of operations	523,823	540,894
Changes in operating capital		
Claims on and debt to credit institutions etc., net	410,086	909,261
Loans and other debtors at amortised cost price	-1,589,234	123,892
Securities, not liquid and pledged	-77,691	234,305
Deposits and other debts	1,247,068	111,333
Issued bonds at amortised cost price	-90,995	1,851
Subordinated capital	-11,594	-29,852
Other assets and liabilities, net	5,249	-48,862
Cash flows from operating activities	416,712	1,842,822
Investment activities		
Tangible assets, purchase	-3,125	-4,710
Tangible assets, sale	645	503
Cash flows from investment activities	-2,480	-4,207
Financing activities		
Paid dividend, net	-68,233	-64,694
Own shares etc.	-64,467	-70,283
Cash flows from financing activities	-132,700	-134,977
Total effect on liquidity for the year	281,532	1,703,638
Cash and cash equivalents, beginning of year	4,364,004	2,660,366
Cash and cash equivalents, end of year	4,645,536	4,364,004
Cash and cash equivalents, end of year specified thus:		
Cash in hand and claims at call on central banks	63,064	483,188
Claims on credit institutions and central banks	114,032	217,146
Securities, unpledged	4,468,440	3,663,670
Total cash and cash equivalents, end of year	4,645,536	4,364,004

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

ACCOUNTING POLICIES

Basis for preparing the annual report

General

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

The annual report is presented in DKK.

The accounting policies are unchanged relative to last year.

Inclusion and measuring - general

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

Income is included in the profit and loss account in step with its earning. Costs paid to achieve the income for the year are included in the profit and loss account, and value adjustments made to financial assets, financial liabilities and derivative financial instruments are also included in the profit and loss account.

Regarding the criteria for inclusion and the basis of measurement we refer to the following sections.

Accounting estimates

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

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

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

Foreign currency

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

Financial instruments - general

In general, the bank measures financial assets and liabilities at current value on first inclusion. Measuring is subsequently made at current value unless otherwise specifically emerges from the following sections on the individual accounts items. The bank uses the date of payment as the date of entry for financial instruments.

Derivative financial instruments

Forward transactions, interest rate swaps and other derivative financial instruments 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 Financial Reports for Credit Institutions and Investment Companies etc. 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 derivative financial instruments and items subject to hedging for accounting purposes are entered under the item »Value adjustments« in the profit and loss account.

ACCOUNTING POLICIES

The profit and loss account

Interest income

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

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

Income from fees and commissions, net

Fees and commissions relating to loans and receivables are recognized as part of the carrying amount of loans and receivables and are recognized in the profit and loss account over the term of the loans and receivables as part of the effective interest rate on the loans as interest income, as referred to in the above section »Interest income«. Commissions relating to guarantees are carried to income over the term of the guarantees. Income generated upon performing a given transaction, including securities and custodianship fees plus payment handling fees, are recognised as income when the transaction has been performed.

Staff and administration costs

Staff and administration costs comprise among other things salaries, pension costs, IT-costs, etc.

Impairment charges for loans and debtors etc.

This item includes losses and impairment charges for loans and other debtors and losses and provisions on guarantees. The item also includes losses and write-downs on claims on credit institutions.

Tax

Tax on the profit for the year is booked as a cost in the profit and loss account.

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

Core earnings

The core earnings show a statement of the bank's income and costs. In total, the core earnings contain the same items as the profit and loss account but with a different degree of specification.

The statement divides the year's result into three main elements; core earnings, result for the portfolio, and costs of the Guarantee Fund for Depositors and Investors. Interest and dividends are included in the result for the portfolio and funding costs for the bank's trading portfolio and extraordinary adjustments to sector shares are deducted.

The balance sheet

Claims on credit institutions and central banks

The first inclusion is made at current value plus transactions costs, less establishment fees etc., and subsequent measurement is at amortised cost price, but reference is made to the section »Derivative financial instruments« with respect to hedging for accounting purposes.

Loans and other debtors

The first inclusion is made at current value plus transaction costs, less establishment fees etc., and subsequent measurement is at amortised cost price. Establishment fees etc. which are comparable with ongoing interest payments, and are thus deemed to be an integral part of the effective interest on the loan, are accrued over the life of the individual loan.

If an objective indication of impairment is found on an individually assessed loan, a write-down is made to cover the bank's loss on the basis of expected future payments series based on an assessment of the most likely outcome.

With respect to loans and receivables which have not been written down individually, a group-wise assessment is made of whether there is an objective indication of impairment in value for the group.

This group-wise assessment is made on groups of loans and debtors with uniform characteristics with respect to credit risk. 12 groups are used, one of public clients, one of private clients and 10 of business clients, the latter further grouped by sector.

The group-wise assessment is made on the basis of a segmentation model developed by the Association of Local Banks, Savings Banks and Cooperative Savings Banks in Denmark, which undertakes the ongoing maintenance and development. The segmentation model sets the relationship in the individual groups

between losses suffered and a number of significant explanatory macroeconomic variables via a linear regression analysis. The explanatory macroeconomic variables include unemployment, house prices, interest rates, number of bankruptcies/forced auctions etc.

The macroeconomic segmentation model is initially calculated on the basis of loss data for the entire banking sector. The bank has therefore made an assessment of whether the model estimates reflect the credit risk for the bank's own loan portfolio.

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

Changes in impairments which have been made are adjusted in the profit and loss account under the item »Impairment charges for loans and debtors etc.«.

Bonds and shares

Securities listed on a stock exchange are measured at current value determined at the quoted price, best expressed by the closing price at the 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. The management takes an active approach to the calculation of this market value.

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 shareholders' 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 assets

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

Temporary assets

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

Other assets

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

ACCOUNTING POLICIES

Tax

Actual tax assets and actual tax liabilities are recognized in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax paid on account.

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

The effect of changes in the corporate tax rate is recognized in »Deferred tax assets« / »Provisions for deferred tax«.

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

Measurement is at amortised cost price, but reference is made to the section »Derivative financial instruments« with respect to hedging for accounting purposes.

Other liabilities

Other liabilities include interest and commissions payable and the negative marked value of derivative financial instruments.

Provisions for liabilities

Provisions for liabilities include mainly deferred tax and provisions for losses on guarantees. A provision is recognized in respect of a guarantee or an irrevocable credit commitment if it is likely that the guarantee or the credit commitment will be exercised and the amount of the commitment can be reliably determined. Provisions are based on Management's best estimate of the amount of the commitments.

In measuring provisions for liabilities, discounting to net present value is made where deemed material.

Various informations

Contingent liabilities/guarantees

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

Cash flow statement

The cash flow statement is presented in accordance with the indirect method on the basis of the result for the year, adjusted for non-liquid items.

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

The cash flows from the operating activity are computed as the result for the year, adjusted for non-liquid items and changes in operating capital. Cash flows from the investment activity cover purchases and sale of fixed assets etc. Cash flows from the financing activity cover movements and allocations in subordinated debt and in shareholders' equity.

Liquid assets cover cash in hand, claims at call on the Central Bank of Denmark, fully secured and liquid claims at call on banks, unpledged certificates of deposit issued by the Central Bank of Denmark, and secure and easily saleable listed unpledged securities, under Section 152 of the Danish Financial Business Act.

Information and key figures

The »Return on equity before tax, beginning of the year«, and the »Return on equity after tax, beginning of the year« as given on page 3 under »Key figures for the bank« were calculated after deduction of dividend etc., net.

»Key figures per DKK 5 share« on page 3 were calculated on the basis of 2013 4,780.000 shares, 2012: 4,840,000 shares, 2011: 4,940,000 shares, 2010: 5,040,000 shares and 2009: 5.040.000 shares.

The market value listed on page 2 and the current value of the proposed share buy-back programme listed on pages 3, 11, 15 and 16 are calculated from the closing price of the Ringkjøbing Landbobank share on 27 January 2014 at 1,171.

Impairment charges for loans etc. are listed excl. expenses for bank packages and impairment charges for national bank package 1, etc.

NOTES TO THE ANNUAL REPORT

Note no.	2013 DKK 1,000	2012 DKK 1,000
1 Interest receivable		
Claims on credit institutions and central banks	23,425	10,943
Loans and other debtors	719,154	769,656
Loans - interest concerning the impaired part of loans	-43,913	-41,685
Bonds	86,007	86,941
Total derivatives financial instruments, of which	-8,617	8,016
Currency contracts	-4,104	4,880
Interest-rate contracts	-4,513	3,136
Other interest receivable	212	150
Total interest receivable	776,268	834,021
2 Interest payable		
Credit institutions and central banks	23,385	27,163
Deposits and other debts	101,280	146,108
Issued bonds	8,015	11,496
Subordinated debt	13,221	15,828
Other interest payable	136	169
Total interest payable	146,037	200,764
3 Dividend on capital shares etc.		
Shares	12,610	1,463
Total dividend on capital shares etc.	12,610	1,463
4 Fees and commissions		
Gross income from fees and commissions		
Securities trading	33,646	28,279
Asset management	84,785	75,271
Payment handling	21,524	20,898
Loan fees	6,273	14,578
Guarantee commissions	61,527	41,371
Other fees and commissions	22,058	30,119
Total gross income from fees and commissions	229,813	210,516
Fees and commissions paid		
Securities trading	6,721	4,163
Asset management	5,030	4,289
Payment handling	2,177	2,462
Loan fees	2,069	2,514
Other fees and commissions	15,126	10,601
Total fees and commissions paid	31,123	24,029
Net income from fees and commissions		
Securities trading	26,925	24,116
Asset management	79,755	70,982
Payment handling	19,347	18,436
Loan fees	4,204	12,064
Guarantee commissions	61,527	41,371
Other fees and commissions	6,932	19,518
Total net income from fees and commissions	198,690	186,487
Foreign exchange income	13,293	12,591
Total net income from fees, commissions and foreign exchange income	211,983	199,078

NOTES TO THE ANNUAL REPORT

Note no.		2013 DKK 1,000	2012 DKK 1,000
5	Value adjustments		
	Loans and other debtors, current value adjustment*	-974	6,433
	Bonds	1,653	78,318
	Shares etc.	9,479	-25,862
	Investment properties	150	-415
	Foreign exchange income	13,293	12,591
	Total derivative financial instruments, of which	-7,846	-26,497
	Interest-rate contracts	-7,846	-26,497
	Issued bonds	2,491	1,041
	Other liabilities	4,828	1,348
	Total value adjustments	23,074	46,957
	* Cf. note 34.		
6	Staff and administration costs		
	Payments to general management, board of directors and shareholders' committee		
	General management*/**:		
	John Fisker:		
	Fixed payment	3,973	3,870
	Bent Naur:		
	Fixed payment	0	1,317
	Total payment	3,973	5,187
	Board of directors*:		
	Jens Lykke Kjeldsen, chairman	272	243
	Martin Krogh Pedersen, deputy chairman	164	126
	Gert Asmussen	140	126
	Inge Sandgrav Bak	140	126
	Gravers Kjærgaard	158	162
	Jørgen Lund Pedersen	117	0
	Keld Hansen	23	126
	Bo Bennedsgaard	140	126
	Gitte E. S. Vigsø	140	126
	Total payment	1,294	1,161
	Shareholders committee*:		
	Total payment	366	318
	Total	5,633	6,666
	Staff costs		
	Salaries	117,365	111,848
	Pensions	12,066	11,478
	Social security expenses	900	917
	Costs depending on number of staff	16,195	14,978
	Total	146,526	139,221
	Other administration costs	102,750	106,909
	Total staff and administration costs	254,909	252,796
	* The general management, the board of directors and the shareholders committee does not receive variable payment.		
	** The general management has a company car.		
7	Number of full-time employees		
	Average number of employees during the financial year converted into full-time employees	251	244

Note no.		2013 DKK 1,000	2012 DKK 1,000
8	Salaries to major risk takers and control functions		
	Fixed salary	4,283	4,136
	Variable salary	175	150
	Pension	471	454
	Total	4,929	4,740
	Number of full-time employees	5	5
9	Fee to the auditor elected by the general meeting		
	Statutory audit	625	610
	Other declarations with security	50	131
	Advice on tax	13	5
	Other services	37	0
	Total fee to the auditor elected by the general meeting	725	746
	The bank has also an internal auditor.		
10	Amortisations, depreciations and write-downs on intangible and tangible assets		
	Tangible assets		
	Domicile properties, depreciations	1,555	684
	Other tangible assets, depreciations	2,715	2,549
	Total amortisations, depreciations and write-downs on intangible and tangible assets	4,270	3,233
11	Impairment charges on loans and other debtors etc.		
	Net changes in impairment charges on loans and other debtors and provisions for losses on guarantees	95,058	108,506
	Actual realised net losses	69,030	90,023
	Interest concerning the impaired part of loans	-43,913	-41,685
	Total impairment charges on loans and other debtors etc.	120,175	156,844
12	Tax		
	Tax calculated on the years profit	114,967	109,075
	Adjustment of deferred tax	-1,660	10,362
	Adjustment of deferred tax due to change in tax rate	-303	0
	Adjustment of tax calculated for previous years	1,195	751
	Total tax	114,199	120,188
	Effective tax rate (%):		
	The current tax rate of the bank	25.0	25.0
	Permanent deviations	-1.0	1.6
	Adjustment of deferred tax due to change in tax rate	-0.1	0.0
	Adjustment of tax calculated for previous years	0.3	0.2
	Total effective tax rate	24.2	26.8
		End Dec. 2013	End Dec. 2012
		DKK 1,000	DKK 1,000
13	Claims on credit institutions and central banks		
	Claims at call	114,032	41,144
	Up to and including 3 months	100,000	226,002
	More than 3 months and up to and including 1 year	0	1,434
	More than 1 year and up to and including 5 years	202,881	104,220
	More than 5 years	0	500
	Total claims on credit institutions and central banks	416,913	373,300
	Distributed as follows:		
	Claims at notice on central banks	0	176,002
	Claims on credit institutions	416,913	197,298
		416,913	373,300

NOTES TO THE ANNUAL REPORT

Note no.		End Dec. 2013 DKK 1,000	End Dec. 2012 DKK 1,000
14	Loans and other debtors at amortised cost price		
	At call	1,311,786	2,027,476
	Up to and including 3 months	674,795	597,833
	More than 3 months and up to and including 1 year	1,542,624	1,354,204
	More than 1 year and up to and including 5 years	4,601,579	4,300,538
	More than 5 years	5,718,501	4,144,088
	Total loans and other debtors at amortised cost price	13,849,285	12,424,139
15	Impairment charges for loans and other debtors and provisions for losses on guarantees		
	Individual impairment charges		
	Cumulative individual impairment charges for loans and other debtors at the end of the previous financial year	632,529	577,352
	Impairment charges/value adjustments during the year	255,157	243,459
	Reverse entry - impairment charges made in previous financial years	-90,895	-124,433
	Booked losses covered by impairment charges	-60,278	-63,849
	Cumulative individual impairment charges for loans and other debtors on the balance sheet date	736,513	632,529
	Collective impairment charges		
	Cumulative collective impairment charges for loans and other debtors at the end of the previous financial year	114,876	67,466
	Impairment charges/value adjustments during the year	-2,224	47,410
	Cumulative collective impairment charges for loans and other debtors on the balance sheet date	112,652	114,876
	Total cumulative impairment charges for loans and other debtors on the balance sheet date	849,165	747,405
	Provisions for losses on guarantees		
	Cumulative individual provisions for losses on guarantees at the end of the previous financial year	10,958	5,038
	Provisions/value adjustments during the year	3,282	10,009
	Reverse entry - provisions made in previous financial years	-9,245	-3,835
	Booked losses covered by provisions	-739	-254
	Cumulative individual provisions for losses on guarantees on the balance sheet date	4,256	10,958
	Total cumulative impairment charges for loans and other debtors and provisions for losses on guarantees on the balance sheet date	853,421	758,363
16	Bonds at current value		
	Listed on the stock exchange*	4,669,732	3,783,258
	Total bonds at current value	4,669,732	3,783,258

* See page 24 of the management report, where the rating is stated.

Note no.		End Dec. 2013 DKK 1,000	End Dec. 2012 DKK 1,000
17	Shares etc.		
	Listed on NASDAQ OMX Copenhagen	15,700	29,104
	Unlisted shares at current value	1,372	1,505
	Sector shares at current value	191,625	182,101
	Total shares etc.	208,697	212,710
18	Land and buildings		
	Investment properties		
	Current value at the end of the previous financial year	8,165	6,681
	Acquisitions during the year, including improvements	0	2,184
	Disposals during the year	-817	-206
	Value adjustments to current value for the year	374	-494
	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	293	0
	Current value on the balance sheet date	8,015	8,165
	Domicile properties		
	Reassessed value at the end of the previous financial year	67,665	68,041
	Acquisitions during the year, including improvements	0	308
	Disposals during the year	-350	0
	Depreciations for the year	-555	-559
	Write-downs after revaluation for the year	-1,000	-125
	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	96	0
	Total reassessed value on the balance sheet date	65,856	67,665
	When measuring investment and domicile properties a rate of return between 6% and 8% is used.		
	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	29,517	28,824
	Acquisitions during the year, including improvements	3,125	2,218
	Disposals during the year	-3,796	-1,525
	Total cost price on the balance sheet date	28,846	29,517
	Amortisations, depreciations and write-downs		
	Amortisations, depreciations and write-downs at the end of the previous financial year	25,536	23,931
	Depreciations for the year	2,715	2,548
	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	-3,790	-943
	Total amortisations, depreciations and write-downs on the balance sheet date	24,461	25,536
	Total other tangible assets on the balance sheet date	4,385	3,981
20	Other assets		
	Interest and commissions receivable	72,697	51,425
	Positive market value of derivative financial instruments	130,888	172,253
	Miscellaneous receivables and other assets	43,049	35,673
	Other deposits	17,222	16,831
	Total other assets	263,856	276,182

NOTES TO THE ANNUAL REPORT

Note no.		End Dec. 2013 DKK 1,000	End Dec. 2012 DKK 1,000
21	Debt to credit institutions and central banks		
	Debt payable on demand	298,236	214,603
	Up to and including 3 months	315,311	30,726
	More than 3 months and up to and including 1 year	137,287	169,143
	More than 1 year and up to and including 5 years	560,112	516,937
	More than 5 years	443,938	266,662
	Total debt to credit institutions and central banks	1,754,884	1,198,071
	Distributed as follows:		
	Debt to credit institutions	1,754,884	1,198,071
		1,754,884	1,198,071
	The bank has undrawn long-term committed revolving credit facilities equivalent to:		
	Term to maturity under 1 year	0	74,604
	Total	0	74,604
22	Deposits and other debts		
	On demand*	8,325,047	7,536,906
	Deposits and other debts at notice:		
	Up to and including 3 months	1,205,176	1,487,572
	More than 3 months and up to and including 1 year	1,426,171	908,664
	More than 1 year and up to and including 5 years	1,501,668	1,414,739
	More than 5 years	1,655,754	1,518,867
	Total deposits and other debts	14,113,816	12,866,748
	Distributed as follows:		
	On demand	7,933,649	6,557,380
	At notice	337,480	175,268
	Time deposits	2,549,938	2,921,952
	Long-term deposit agreements	1,883,569	1,906,942
	Special types of deposits*	1,409,180	1,305,206
		14,113,816	12,866,748
	* Special types of deposits are entered under the item »On demand« pending payment, while in the specification of the different types of deposits, the sum is instead included under »Special types of deposits«.		
23	Issued bonds at amortised cost price		
	Up to and including 3 months	3,727	4,583
	More than 3 months and up to and including 1 year	0	220,000
	More than 1 year and up to and including 5 years	246,087	116,226
	Total issued bonds at amortised cost price	249,814	340,809
	Distributed as follows:		
	Issues in Danish kroner		
	Nom. 220 million DKK	0	220,000
	Issues in Norwegian kroner		
	Nom. 100 million NOK*	88,540	101,670
	Regulation at amortised cost price and adjustment to current value of issues in Norwegian kroner*	5,768	8,256
	Issues in Euro:		
	Nom. 20 million EUR	149,206	0
	Other issues	6,300	10,883
		249,814	340,809
	* Cf. note 34.		

Note no.		End Dec. 2013 DKK 1,000	End Dec. 2012 DKK 1,000						
24	Other liabilities								
	Interest and commissions payable	25,597	41,469						
	Negative market value of derivative financial instruments	36,347	55,635						
	Micellaneous payables and other liabilities	111,862	93,726						
	Total other liabilities	173,806	190,830						
25	Provisions for deferred tax								
	The calculated provisions for deferred tax relates to the balance sheet items:								
	Loans and other debtors	-2,857	-2,177						
	Tangible assets	-576	-670						
	Temporary assets	-74	0						
	Other balance sheet items	16,695	17,998						
	Total provisions for deferred tax	13,188	15,151						
26	Subordinated debt								
	Type	Interest rate (%)	Currency	Mill.	Due date	Possible early redemption date			
	Subordinated loan capital								
	Bilateral agreement*	Floating	EUR	27	30 June 2021	30 June 2018	201,428	201,431	
	Total subordinated loan capital							201,428	201,431
	Hybrid core capital								
	Bond loan**/**	4.795	DKK	200	Indefinite	2 March 2015	200,000	200,000	
	Own holding						-35,500	-28,000	
	Total hybrid core capital							164,500	172,000
	Subordinated debt included in the calculation of the capital base							365,928	401,431
	Regulation at amortised cost price and adjustment to current value							5,112	9,203
	Total subordinated debt							371,040	382,634

* The interest rate will change on 30 June 2018 to a quarterly variable rate equivalent to the EURIBOR rate for a term of three months plus 3.50% p.a.
Interest - 2013: tDKK 5,176 / 2012: tDKK 6,332

** The interest rate will change on 2 March 2015 to a quarterly variable coupon rate equivalent to the CIBOR rate published by the Central Bank of Denmark for a term of three months plus 2.16% p.a.
Interest - 2013: tDKK 8,045 / 2012: tDKK 9,496

*** Admitted for listing on NASDAQ OMX Copenhagen.

NOTES TO THE ANNUAL REPORT

Note no.		End Dec. 2013 DKK 1,000	End Dec. 2012 DKK 1,000
27	Share capital		
	Number of shares at DKK 5 each:		
	Beginning of year	4,940,000	5,040,000
	Cancellation during the year	-100,000	-100,000
	End of year	4,840,000	4,940,000
	Reserved for subsequent cancellation	60,000	90,000
	Share capital	24,200	24,700
	The whole share capital has been admitted for listing on NASDAQ OMX Copenhagen.		
28	Own capital shares		
	Own capital shares included in the balance sheet at	0	0
	The market value is	68,747	73,978
	Number of own shares:		
	Beginning of year	96,075	100,855
	Purchase during the year	318,806	335,686
	Sale during the year	-252,327	-240,466
	Cancellation during the year	-100,000	-100,000
	End of year	62,554	96,075
	Nominal value of holding of own shares, end of year	313	480
	Own shares' proportion of share capital end of year (%):		
	Beginning of year	1.9	2.0
	Purchase during the year	6.6	6.8
	Sale during the year	-5.2	-4.9
	Cancellation during the year	-2.0	-2.0
	End of year	1.3	1.9
	Total purchase price for shares acquired during the year	362,659	245,185
	Total sales price for shares sold during the year	298,192	174,902
	The transactions for the year in own shares were made on the basis of the bank's ordinary trading with shares.		
29	Contingent liabilities etc.		
	Contingent liabilities		
	Finance guarantees	949,047	693,774
	Guarantees for foreign loans	0	5,595
	Guarantees against losses on mortgage credit loans	55,841	51,951
	Guarantees against losses Totalkredit	112,284	122,797
	Registration and conversion guarantees	55,605	70,999
	Sector guarantees	48,175	46,816
	Other contingent liabilities	680,982	675,168
	Total contingent liabilities	1,901,934	1,667,100
30	Assets furnished as security		
	First mortgage loans were provided for German wind turbine projects. The loans are funded directly by KfW Bankengruppe, to which security in the associated loans has been provided. Each reduction of the first mortgage loans is deducted directly from the funding at the KfW Bankengruppe.	968,568	829,259
	As security for clearing, the bank has pledged securities from its holding to the Central Bank of Denmark to a total market price of	321,192	250,623
	Provision of security under CSA agreements	75,372	86,101

Note
no.

31 Legal proceedings, etc.

The bank is not party to any legal proceedings that are estimated to result in major losses and in that way to a substantial change of the accounts.

32 Related parties

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

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

It is also noted that all of the transactions performed in 2013 and 2012 with related parties, including credit facilities, were carried out on market terms or a cost-cover basis.

Information on the remuneration made to the board of directors and the general managers is given in note 6.

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

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

The amount of loans issued to and mortgages, sureties or guarantees issued for the members of the bank's:

	Interest rates 2013	End Dec. 2013 DKK 1,000	End Dec. 2012 DKK 1,000
General management	(Mastercard)	250	250
Board of directors, incl. elected by the staff	1.0%-10.0%	8,260	19,012
New engagements during the year have been granted for		4,296	1,162

All engagements are performed under market terms, including both interest and guarantee commission rates.

Security pledged from members of the bank's:

General management	0	0
Board of directors, incl. elected by the staff	79	2,234

The board of directors' and the general management shareholdings* in Ringkjøbing Landbobank at the end of the year

The board of directors:

	End Dec. 2013 Number of shares	End Dec. 2012 Number of shares
Jens Lykke Kjeldsen	5,865	5,865
Martin Krogh Pedersen	6,501	6,501
Gert Asmussen	4,528	4,528
Inge Sandgrav Bak	2,521	2,448
Gravers Kjærgaard	6,663	6,663
Jørgen Lund Pedersen	100	-
Keld Hansen	-	16,636
Bo Bennedsgaard	530	530
Gitte E. S. Vigsø	30	30

General management:

John Fisker	15,192	15,192
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* Stated in accordance with the rules on insiders.

NOTES TO THE ANNUAL REPORT

Note
Eno.

33 Current value of financial instruments

Financial instruments are measured in the balance sheet at either current value or amortised cost price (with consideration to risk cover that fulfil the conditions applying to hedging).

The current value is the amount at which a financial asset can be sold or the amount at which a financial liability can be redeemed between agreed independent parties. The current values of financial assets and liabilities valued on active markets are calculated on the basis of observed market prices on the balance sheet date. The current values of financial instruments which are not valued on active markets are calculated on the basis of generally recognised methods of valuation.

Shares etc. and derivative financial instruments are measured in the accounts at market value such that included book values correspond to current values.

Loans and other debtors are measured in the balance sheet at amortised cost. The difference from current value is calculated as fees and commissions received, costs incurred in the lending activities, and for fixed-interest loans, the value adjustment which is independent of the interest level and which can be calculated by comparing the actual market interest rate with the nominal rate applying to the loans.

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

Issued bonds and subordinated debt are measured at amortised cost price. The difference between book and current values is calculated on the basis of prices on the market for own listed issues.

For variable-interest financial liabilities in the form of deposits and debts to credit institutions measured at amortised cost price, it is estimated that the book value corresponds to the current value.

For fixed-interest financial liabilities in the form of deposits and debts to credit institutions measured at amortised cost price, the difference from current values is estimated to be the value adjustment which is independent of interest level.

	End Dec. 2013		End Dec. 2012	
	Book value DKK 1,000	Current value DKK 1,000	Book value DKK 1,000	Current value DKK 1,000
Financial assets				
Cash in hand + claims at call on central banks	63,064	63,064	483,188	483,188
Claims on credit institut. and central banks*	438,117	438,117	373,612	373,612
Loans and other debtors at amort. cost price*	13,878,254	13,904,051	12,452,751	12,508,615
Bonds at current value*	4,685,946	4,685,946	3,799,528	3,799,528
Shares etc.	209,237	209,237	213,253	213,253
Derivative financial instruments	130,888	130,888	189,084	189,084
Total financial assets	19,405,506	19,431,303	17,511,416	17,567,280
Financial liabilities				
Debt to credit institutions and central banks*	1,755,861	1,755,861	1,198,895	1,198,472
Deposits and other debts*	14,125,574	14,125,306	12,893,489	12,934,285
Issued bonds at amortised cost price*/**	253,232	247,463	345,475	337,219
Derivative financial instruments	36,347	36,347	55,635	55,635
Subordinated debt*/**	378,762	371,980	390,660	372,857
Total financial liabilities	16,549,776	16,536,957	14,884,154	14,898,468

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

** Using the most recently listed transaction price before the balance sheet date, irrespective of the liquidity in the security in question.

Note
no.

34 Hedging

The following are hedged:

Fixed interest loans, issued bonds at amortised cost price, floating interest subordinated loan capital and fixed interest hybrid core capital

Risk cover:

Interest rate risk and foreign exchange risk

Book values:

Loans

32,501

44,785

Issued bonds at amortised cost price

94,308

109,926

Subordinated loan capital

200,193

199,607

Hybrid core capital

170,847

183,027

Cover is thus:

Interest swaps - total synthetic principal

190,250

198,542

Currency swaps - total synthetic principal

289,968

303,101

Total current value

6,990

11,113

35 Risks and risk management

As described in the section on risk »Risks and risk management« in the management report contained in the annual report, Ringkjøbing Landbobank is exposed to various types of risk. See the section on risks on pages 19 - 30 of the management report for a description of financial risks and policies and objectives for their management:

- Credit risks - page 20
- Interest rate risk - page 25
- Foreign exchange risk - page 26
- Share risk - page 26
- Liquidity risk - page 28

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

NOTES TO THE ANNUAL REPORT

Note no.	End Dec. 2013 DKK 1,000	End Dec. 2012 DKK 1,000
36 Credit risk		
Maximum credit exposure classified by balance sheet and off-balance sheet items		
Balance sheet items		
Cash in hand and claims at call on central banks	63,064	483,188
Claims on credit institutions and central banks	416,913	373,300
Loans and other debtors at amortised cost price	13,849,285	12,424,139
Bonds at current value	4,669,732	3,783,258
Shares etc.	208,697	212,710
Capital shares in associated companies	540	543
Other assets, including derivative financial instruments	288,357	316,552
	19,496,588	17,593,690
Off-balance sheet items		
Guarantees (contingent liabilities)	1,901,934	1,667,100
	1,901,934	1,667,100
Maximum credit exposure excluding unutilised credit facilities	21,398,522	19,260,790
Unutilised credit facilities*	4,261,468	4,026,576
Total maximum credit exposure	25,659,990	23,287,366

* The bank has made unused credit facilities to a total of DKK 4,3 billion available. Most of this sum comprises uncommitted credits in the legal sense, and the bank will be able to terminate them with immediate effect. The volume of committed credit facilities is insignificant.

A more detailed division of the items »Loans and other debtors at amortised cost price«, »Guarantees« and »Unutilised credit facilities« are given below. There is also a classification covering only the items »Loans made and other debtors at amortised cost price« and »Guarantees«.

	End Dec. 2013 Per cent	End Dec. 2012 Per cent
Loans, guarantees and unutilised credit facilities in percent, end of year, by sector		
Public authorities	0.0	0.1
Business:		
Agriculture, hunting and forestry		
Cattle farming etc.	2.5	2.8
Pig farming etc.	2.3	2.5
Other agriculture, hunting and forestry	4.2	4.2
Fishing	1.5	1.6
Mink production	1.1	1.2
Industry and raw materials extraction	3.1	2.1
Energy supply	1.3	0.6
Wind turbines - Denmark	8.6	5.8
Wind turbines - foreign	13.4	12.6
Building and construction	1.7	1.5
Trade	4.1	4.3
Transport, hotels and restaurants	1.6	1.4
Information and communication	0.3	0.2
Financing and insurance	8.0	10.7
Real estate	9.7	10.2
Other business	9.3	9.8
Total business	72.7	71.5
Private	27.3	28.4
Total	100.0	100.0

Note
no.

36 Credit risk - continued

Loans and guarantees in percent, end of year, by sector

	End Dec. 2013 Per cent	End Dec. 2012 Per cent
Public authorities	0.0	0.0
Business:		
Agriculture, hunting and forestry		
Cattle farming etc.	2.6	3.0
Pig farming etc.	2.4	2.6
Other agriculture, hunting and forestry	3.9	4.2
Fishing	1.6	1.8
Mink production	0.9	1.1
Industry and raw materials extraction	2.6	2.0
Energy	1.0	0.8
Wind turbines - Denmark	9.5	6.6
Wind turbines - foreign	14.9	14.1
Building and construction	1.4	1.3
Trade	3.7	3.6
Transport, hotels and restaurants	1.7	1.5
Information and communication	0.2	0.1
Financing and insurance	9.6	11.7
Real estate	11.4	12.2
Other business	8.3	7.8
Total business	75.7	74.4
Private	24.3	25.6
Total	100.0	100.0

The classifications by business was made on the basis of Statistics Denmark's sector codes etc.

Comments on distribution by sector

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

Private customers account for a total of 24.3% of Ringkjøbing Landbobank's total loans and guarantees. The majority of these customers are found in the bank's core area in central and western Jutland and they are characterised by a solid creditworthiness. Some of the bank's private customers are, however, challenged by a weak real estate market, and the bank made a number of impairment charges on the portfolio of private customers in 2013. The credit rating was also lowered for some private customers. As in previous years, actual losses on private customers were, however, at a low level. Collateral received from private customers primarily consists of mortgages on real estate (private homes).

The bank has a well-diversified portfolio related to agriculture, with pig farms accounting for 2.4% of the total volume of loans and guarantees, cattle accounting for 2.6%, and other agriculture for 3.9%. The total exposure to these three agricultural sectors fell from 9.8% in 2012 to 8.9% in 2013. The terms of trade for agriculture have improved over the last couple of years, but the economic conditions for agriculture as a whole remain difficult. The earnings within agriculture generally remain weak, and despite the fact that the bank's agricultural customers are relatively less indebted than the sector in general, the bank continues to allocate considerable impairments for this sector. Security consists primarily of mortgages on agricultural property (land, buildings and other production facilities on the farms). To this must be added assignment of aid per hectare and other accounts etc.

Note
no.

36 Credit risk - continued

Loans for wind turbines amount to a total of 24.4% and they are thus the largest industry in the bank's total loans and guarantees. Wind turbine funding has been a core competence for the bank for over 20 years. The exposure to wind turbines primarily concerns wind turbines erected in Germany, but many turbines have also been erected in Denmark in the past year, and the bank's loans for these have increased appreciably. The bank's concept for wind turbine financing is based on first mortgage financing. The concept includes a legal and commercial due diligence, which combined with subsidy schemes provide a high degree of security. Fixed prices to the producers on the German market provide additional security that the bank will be paid. The bank's realised losses in this sector were minimal, and the financial crisis confirmed that the risk in this sector is limited. Security consists primarily in first mortgages on wind turbines as well as assignment of electricity accounts and possible subsidies. The bank is still experiencing an efficient wind turbine market with high marketability.

Real estate accounts for a total of 11.4% of the bank's total loans and guarantees. This is a relatively modest share compared to other banks, and this reflects the bank's conservative approach to this sector. Loans and security can be divided into the following main groups:

- Loans with first mortgages on properties (the majority of loans)
- Loans with second mortgage on real property and a strong lessee with an irrevocable lease

In the context of second mortgage financing, the bank emphasises the project's ability to settle the debt prior to expiration of the lease.

Both types of loans showed their strength during the financial crisis, and the bank feels comfortable about them.

Financing and insurance comprise a total of 9.6% of the bank's total loans and guarantees and include inter alia exposure to well-consolidated financial counterparties and the bank's concept for securities lending. Security in this concept is primarily provided in the form of listed securities.

The concept has certainly demonstrated its strength during the extremely volatile periods on the financial markets during the financial crisis.

Description of security

Ringkjøbing Landbobank wants to reduce the risk to the extent possible when entering into transactions with its customers by obtaining security in the form of mortgages on physical assets, securities, bank deposits etc. as well as obtaining guarantees, including by surety, and letters of subordination. Securities, cash and mortgages on real estate and movable property are most frequently used as security.

The bank monitors the value of security obtained on a regular basis. When computing loan and mortgageable values, a deduction from the value is always made to cover the risk in connection with realisation, costs etc. The following table shows the nominal security values, i.e. the value of the nominal mortgage without any reductions. A reduction can be relevant if an asset's actual value is insufficient to secure the full value of a mortgage if realised. Security was provided mainly in connection with the establishment of loans, and in step with regular repayments of the individual loan, excess security will occur in some cases. On the other hand, accounts also exist where the value of the security, if any, is insufficient to cover the current debt. The following table shows considerable nominal security in proportion to the bank's total loans, and there may thus be unsecured portions in the individual accounts.

Note
no.

36 Credit risk - continued

	Securities and cash DKK 1,000	Real estate DKK 1,000	Movable property DKK 1,000	Total DKK 1,000
2013				
Nominal securities for not impaired loans by sector				
Public authorities	0	3,195	300	3,495
Business:				
Agriculture, forestry and fishing	265,508	1,168,200	409,468	1,843,176
Industry and raw materials extraction	14,030	90,846	176,335	281,211
Energy supply	154,481	457,352	2,335,574	2,947,407
Building and construction	16,307	71,125	78,929	166,361
Trade	77,302	218,261	153,691	449,254
Transport, hotels and restaurants	54,500	36,524	122,259	213,283
Information and communication	836	13,668	13,679	28,183
Financing and insurance	762,978	287,626	5,700	1,056,304
Real estate	98,167	1,347,367	13,780	1,459,314
Other business	565,406	859,063	122,061	1,546,530
Total business	2,009,515	4,550,032	3,431,476	9,991,023
Private	791,612	2,018,581	250,139	3,060,332
Total	2,801,127	6,571,808	3,681,915	13,054,850
	Securities and cash DKK 1,000	Real estate DKK 1,000	Movable property DKK 1,000	Total DKK 1,000
2012				
Nominal securities for not impaired loans by sector				
Public authorities	0	3,195	1,800	4,995
Business:				
Agriculture, forestry and fishing	249,113	1,066,918	403,538	1,719,569
Industry and raw materials extraction	41,644	56,114	131,746	229,504
Energy supply	137,486	397,341	1,991,600	2,526,427
Building and construction	7,794	63,141	91,539	162,474
Trade	43,410	123,047	136,216	302,673
Transport, hotels and restaurants	5,179	33,141	172,610	210,930
Information and communication	1,288	18,599	7,600	27,487
Financing and insurance	632,124	336,507	2,830	971,461
Real estate	77,759	860,177	14,525	952,461
Other business	368,853	980,019	112,823	1,461,695
Total business	1,564,650	3,935,004	3,065,027	8,564,681
Private	714,011	1,871,096	220,388	2,805,495
Total	2,278,661	5,809,925	3,287,215	11,375,171

The nominal collateral values are not necessarily indicative of the actual collateral value.

Note no.

36 Credit risk - continued

Credit quality of loans and guarantees which are neither in arrears or have been impaired

The bank has credit rated a substantial number of customers. Statistical models are used for the rating of private and small business customers (based on the probability of default), while an expert model is used for major business customers.

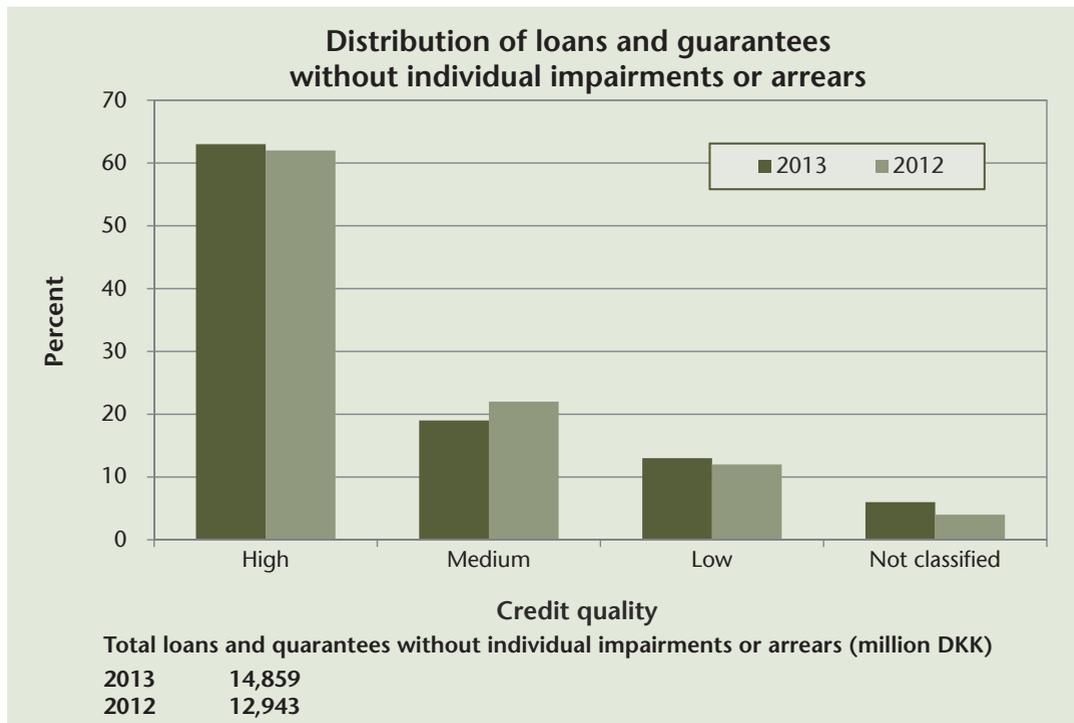
The statistical models use various factors, including information on the customer's assets and a quantity of behavioural data. The factors chosen are those among a number of possible factors which best describe previously distressed accounts.

The expert model for major business customers is based on information on the customer's financial standing and earning capacity. A general model is used for the business customer group as a whole, and three additional variant models are specially adapted to credit exposure to wind turbines, agriculture and real estate.

The figure below indicates that the credit quality is high for 63% of loans and guarantees which have not been impaired and are not in arrears, compared to 62% at the end of 2012. Concurrently herewith, the share of customers with low credit quality increased from 12% to 13%, whereas the group in the middle was reduced. The group of non-classified accounts is 6% and consists mainly of small business customers from a wide range of sectors.

Some of the customers in the group with a fall in the rating for 2013 are private customers whose financial position is challenged by the economic conditions, including a weak real estate market. The bank gained many new customers throughout 2013, and when establishing new customer relationships, the bank is highly attentive to the customers' creditworthiness and potential risks. A separate review of new customers in 2013 shows that these customers' creditworthiness is better on average than the bank's portfolio in general. The bank's customers with high creditworthiness also repay debts at a high rate with a resulting natural run-off of loans of high standing.

The aggregate result is that the creditworthiness of the bank's customers is at the same level as in 2012.



Note
no.

36 Credit risk - continued

	Arrears under 90 days DKK 1,000	Arrears over 90 days DKK 1,000	Arrears total DKK 1,000	Total loans inclusive arrears DKK 1,000
2013				
Distribution by time from the due date for loan engagements without impairments in arrears				
Public authorities	6	0	6	6
Business:				
Agriculture, forestry and fishing	18,672	478	19,150	115,398
Industry and raw materials extraction	2,428	26	2,454	19,002
Energy supply	5,132	25	5,157	16,941
Building and construction	1,598	117	1,715	8,086
Trade	14,459	652	15,111	59,562
Transport, hotels and restaurants	1,457	1	1,458	21,035
Information and communication	5,922	74	5,996	8,318
Financing and insurance	721	541	1,262	40,717
Real estate	3,754	110	3,864	21,736
Other business	18,386	929	19,315	93,586
Total business	72,529	2,953	75,482	404,380
Private	28,281	3,525	31,806	152,018
Total	100,816	6,478	107,294	556,398

	Arrears under 90 days DKK 1,000	Arrears over 90 days DKK 1,000	Arrears total DKK 1,000	Total loans inclusive arrears DKK 1,000
2012				
Distribution by time from the due date for loan engagements without impairments in arrears				
Public authorities	47	0	47	47
Business:				
Agriculture, forestry and fishing	14,193	1,259	15,452	80,736
Industry and raw materials extraction	1,761	108	1,869	15,411
Energy supply	3,666	11	3,677	19,347
Building and construction	1,078	656	1,734	8,235
Trade	3,756	622	4,378	34,415
Transport, hotels and restaurants	1,013	184	1,197	4,261
Information and communication	293	164	457	1,227
Financing and insurance	2,910	1,313	4,223	9,638
Real estate	2,306	4,005	6,311	24,755
Other business	10,515	1,222	11,737	69,172
Total business	41,491	9,544	51,035	267,197
Private	32,078	8,797	40,875	174,014
Total	73,616	18,341	91,957	441,258

NOTES TO THE ANNUAL REPORT

Note
no.

36 Credit risk - continued

The value of loans where individual impairment charges have been made

	Major financial difficulties DKK 1,000	Breach of contract DKK 1,000	Relaxation of terms DKK 1,000	Probable bankruptcy DKK 1,000	Total credit exposure DKK 1,000	Individual impairment charges DKK 1,000
Credit exposure by reason for impairment						
Public authorities	0	0	0	0	0	0
Business:						
Agriculture, forestry and fishing	166,597	82,535	115,805	99,471	464,408	332,099
Industry and raw materials extraction	12,837	2,075	3,561	0	18,473	13,370
Energy supply	1,639	3,163	3,073	0	7,875	5,899
Building and construction	13,095	3,370	0	4,841	21,306	17,541
Trade	15,167	10,703	2,335	440	28,645	17,756
Transport, hotels and restaurants	11,224	3,323	3,461	7,253	25,261	19,394
Information and communication	537	52	36	115	740	745
Financing and insurance	0	4,195	945	856	5,996	3,740
Real estate	61,997	50,394	3,388	58,676	174,455	74,317
Other business	38,790	25,409	12,099	7,097	83,395	51,009
Total business	321,883	185,219	144,703	178,749	830,554	535,870
Private	176,379	112,736	30,131	36,643	355,889	204,899
Total credit exposure 2013	498,262	297,955	174,834	215,392	1,186,443	740,769
Total credit exposure 2012	363,927	276,948	185,797	129,123	955,795	643,487
	Major financial difficulties DKK 1,000	Breach of contract DKK 1,000	Relaxation of terms DKK 1,000	Probable- bankruptcy DKK 1,000	Total DKK 1,000	
2013						
Individual impairment charges	290,460	189,283	136,800	124,226	740,769	
Security values for accounts which have been impaired	104,823	58,518	21,282	86,676	271,299	
2012						
individual impairment charges	242,601	174,863	98,186	127,837	643,487	
Security values for accounts which have been impaired	69,773	55,858	17,232	64,305	207,168	

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

Note
no.

36 Credit risk - continued

Loans and other debtors with an objective indication of impairment included in the balance sheet at a book value greater than zero

Individual impaired loans

Balance for loans and other debtors before impairments

Impairment charges

Balance for loans and other debtors after impairments

Collective impaired loans

Balance for loans and other debtors before impairments

Impairment charges

Balance for loans and other debtors after impairments

Suspended calculation of interest

Loans and other debtors with suspended calculation of interest on the balance sheet date

Credit risk on derivative financial instruments

Positive market value (by counterpart risk) after netting

Counterpart riskweight 20%

Counterpart riskweight 75%

Counterpart riskweight 100%

Counterpart riskweight 150%

Total counterpart riskweight

37 Foreign exchange risk

Total assets in foreign currency

Total liabilities in foreign currency

Foreign exchange indicator 1

Foreign exchange indicator 1 in per cent of tier 1 capital after deductions (%)

Foreign exchange indicator 2

Foreign exchange indicator 2 in per cent of tier 1 capital after deductions (%)

38 Interest rate risk

Total interest rate risk

Total interest rate risk (%)

Interest rate risk by the foreign currencies:

DKK

NOK

EUR

CHF

USD

GBP

Other currencies

Total

End Dec. 2013
DKK 1,000

End Dec. 2012
DKK 1,000

1,342,665

909,961

-678,560

-586,017

664,105

323,944

12,996,640

11,908,553

-112,652

-114,876

12,883,988

11,793,677

85.258

113.312

92,674

140,002

39,859

65,836

59,473

49,812

408

0

192,414

255,650

5,004,562

5,252,363

3,843,183

3,119,494

44,391

16,838

1.6

0.6

1.170

212

0.0

0.0

18,493

17,102

0.6

0.6

23,195

18,710

-1,287

-2,453

-3,190

996

-83

-202

-126

105

-17

-45

1

-9

18,493

17,102

NOTES TO THE ANNUAL REPORT

Note no.

39 Value at Risk/Market risk

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

Reference is made to pages 27 - 28 of this annual report for further description of the model etc.

(DKK million)

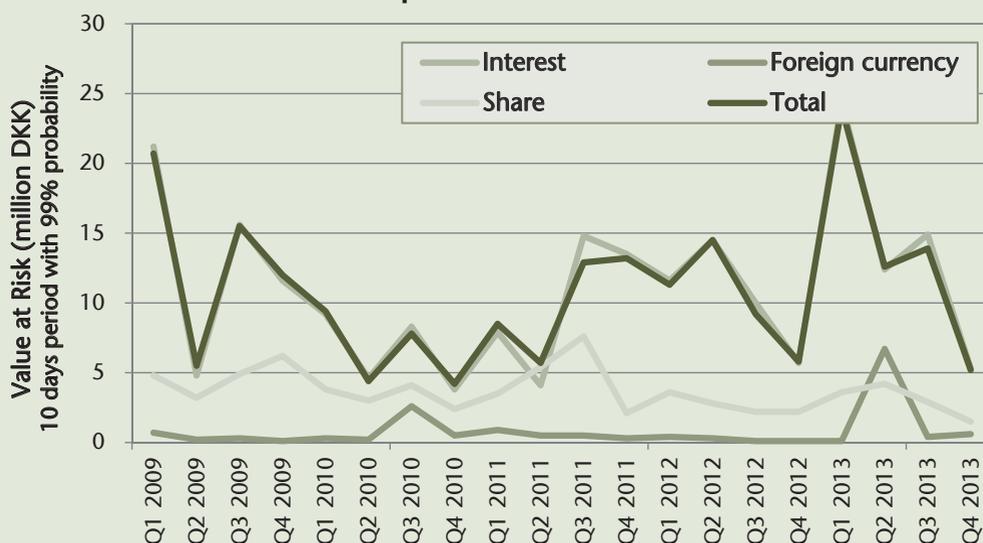
Year/Risk	Average VaR-figure	Minimum VaR-figure*	Maximum VaR-figure*	End of year VaR-figure
2013				
Interest	15.2	1.9	26.6	5.3
Foreign currency	0.3	0.1	0.3	0.6
Share	3.2	1.9	4.0	1.5
Diversification	-3.7	-1.4	-4.9	-2.2
Total VaR-figure	14.9	2.5	26.0	5.2

* Determined by the total VaR-figure.

Sensitivity analysis of sector shares (DKK 1,000)

Sector shares cf. note 17	191,625
Effect of a 10% price change on the result	19,163

Development in Value at Risk



Note
no.

40 Derivative financial instruments

By residual maturity

DKK 1,000

	Up to 3 month		Over 3 month and up to 1 year	
	Nominal value	Net market value	Nominal value	Net market value
Foreign-exchange contracts				
Spot, purchase	61,699	1,925		
Spot, sale	86,883	-247		
Forward transactions/futures, purchase	721,392	-7,371	111,128	2,265
Forward transactions/futures, sale	2,295,550	19,136	109,724	13,272
Swaps				
Options, purchase				
Options, sale				
Interest-rate contracts				
Spot, purchase	277,305	1,293		
Spot, sale	227,172	-3,329		
Forward transactions/futures, purchase	4,083	-14		
Forward transactions/futures, sale	24,194	-61	210,929	-2,395
Swaps	4,043	8	121,627	-681
Options, purchase	4,022	133	61,715	617
Options, sale	4,022	-134	61,715	-617
Share contracts				
Spot, purchase	32,859	749		
Spot, sale	31,713	-722		
Forward transactions/futures, purchase	120	162		
Forward transactions/futures, sale	120	-164		
	Over 1 year and up to 5 years		Over 5 years	
	Nominal value	Net market value	Nominal value	Net market value
Foreign-exchange contracts				
Spot, purchase				
Spot, sale				
Forward transactions/futures, purchase				
Forward transactions/futures, sale	271	9		
Swaps	303,341	4,467		
Options, purchase				
Options, sale				
Interest-rate contracts				
Spot, purchase				
Spot, sale				
Forward transactions/futures, purchase				
Forward transactions/futures, sale				
Swaps	1,184,503	-12,595	363,206	2,376
Options, purchase	130,566	2,942	122,409	7,656
Options, sale	130,566	-2,942	122,409	-7,656
Other derivative contracts				
Credit Default Swaps	74,603	1,087		

NOTES TO THE ANNUAL REPORT

40 Derivative financial instruments - continued

DKK 1,000

	Total nominal value		Total net marketvalue	
	2013	2012	2013	2012
Foreign-exchange contracts				
Spot, purchase	61,699	41,976	1,925	99
Spot, sale	86,883	23,902	-247	-115
Forward transactions/futures, purchase	832,520	1,220,313	-5,106	3,197
Forward transactions/futures, sale	2,405,274	3,706,939	32,417	20,506
Swaps	303,341	456,206	4,467	21,788
Options, purchase				
Options, sale				
Interest-rate contracts				
Spot, purchase	277,305	321,330	1,293	791
Spot, sale	227,172	110,704	-3,329	-1,551
Forward transactions/futures, purchase	4,083	11,822	-14	212
Forward transactions/futures, sale	235,394	91,095	-2,456	-691
Swaps	1,673,379	1,584,932	-10,892	-12,834
Options, purchase	318,712	216,615	11,348	11,312
Options, sale	318,712	216,615	-11,349	-11,312
Share contracts				
Spot, purchase	32,859	46,054	749	-264
Spot, sale	31,713	47,816	-722	310
Forward transactions/futures, purchase	120	62	162	31
Forward transactions/futures, sale	120	32	-164	-31
Other derivative contracts				
Credit Default Swaps	74,603	74,606	1,087	-931
Net market value, total			19,169	30,517

40 Derivative financial instruments - continued

DKK 1,000

	Market value				Average market value			
	Positive		Negative		Positive		Negative	
	2013	2012	2013	2012	2013	2012	2013	2012
Foreign-exchange contracts								
Spot, purchase	1,925	119		20	546	203	113	2,932
Spot, sale		16	247	131	116	147	138	266
Forward transactions/ futures, purchase	9,737	16,843	14,843	13,646	15,492	25,534	14,104	10,263
Forward transactions/ futures, sale	39,970	32,756	7,553	12,250	35,318	34,903	9,844	16,594
Swaps	15,131	43,057	10,664	21,269	25,522	38,472	17,165	23,388
Options, purchase								
Options, sale								
Interest-rate contracts								
Spot, purchase	1,919	1,823	626	1,032	1,197	1,043	1,084	1,129
Spot, sale	839	507	4,168	2,058	844	846	2,160	1,228
Forward transactions/ futures, purchase	5	212	19		155	307	115	64
Forward transactions/ futures, sale	339	528	2,795	1,219	868	179	1,562	1,021
Swaps	47,015	64,339	57,907	77,173	59,748	77,363	69,974	72,198
Options, purchase	11,348	11,312			12,541	14,130		
Options, sale			11,349	11,312			12,542	14,130
Share contracts								
Spot, purchase	1,068	211	319	475	1,621	769	1,018	436
Spot, sale	326	499	1,048	189	3,211	451	1,576	746
Forward transactions/ futures, purchase	171	31	9		250	35	29	48
Forward transactions/ futures, sale	8		172	31	29	12	250	35
Other derivative contracts								
Credit Default Swaps	1,087			931	1,189		316	348
Total	130,888	172,253	111,719	141,736	158,647	194,394	131,990	144,826
Provision of security under CSA agreements			-75,372	-86,101				
Total other assets/ other liabilities	130,888	172,253	36,347	55,635				

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

FIVE YEAR MAIN FIGURES

Summary (DKK 1,000)	2013	2012	2011	2010	2009
Profit and loss account					
Interest receivable	776,268	834,021	858,257	836,339	993,756
Interest payable	146,037	200,764	245,291	241,954	377,728
Net income from interest	630,231	633,257	612,966	594,385	616,028
Dividend on capital shares etc.	12,610	1,463	1,111	1,219	3,243
Income from fees and commissions	229,813	210,516	158,303	170,389	149,628
Fees and commissions paid	31,123	24,029	24,312	25,996	23,823
Net income from interest and fees	841,531	821,207	748,068	739,997	745,076
Value adjustments	+23,074	+46,957	+16,386	+52,159	+58,130
Other operating income	2,730	3,303	4,535	3,893	5,351
Staff and administration costs	254,909	252,796	244,068	236,374	235,604
Amortisations, depreciations and write-downs on intangible and tangible assets	4,270	3,233	4,375	3,219	2,424
Other operating costs	28	133	381	195	56
Costs bank packages and Deposit Guarantee Fund	16,091	10,281	11,178	46,590	55,785
Impairment charges for loans and other debtors etc.	-120,175	-156,844	-128,799	-138,217	-158,600
Impairment charges for national bank package I etc.	0	0	0	-33,152	-51,173
Result of capital shares in associated companies	-3	+5	+11	+14	-59
Profit before tax	471,859	448,185	380,199	338,316	304,856
Tax	114,199	120,188	94,128	81,443	72,775
Profit after tax	357,660	327,997	286,071	256,873	232,081

Summary (DKK 1,000)	End 2013	End 2012	End 2011	End 2010	End 2009
Balance sheet					
Assets					
Cash in hand and claims on credit institutions and central banks	479,977	856,488	1,348,253	2,714,304	2,534,722
Loans and other debtors at amortised cost price	13,849,285	12,424,139	12,746,560	13,151,216	13,047,212
Securities	4,878,969	4,013,342	3,005,504	1,804,062	1,936,663
Tangible assets	78,256	79,811	79,615	80,092	79,644
Other assets	296,334	307,766	369,091	497,530	329,715
Total assets	19,582,821	17,681,546	17,549,023	18,247,204	17,927,956
Liabilities and equity					
Debt to credit institutions and central banks					
Term to maturity under 1 year	750,834	414,472	387,432	731,968	699,732
Term to maturity over 1 year	1,004,050	783,599	854,643	1,900,222	2,294,991
Deposits and other debts	14,113,816	12,866,748	12,755,415	11,661,654	11,187,470
Issued bonds	249,814	340,809	338,958	337,617	557,337
Other liabilities	174,723	191,035	301,996	593,153	365,021
Provisions for liabilities	17,444	26,109	14,973	13,247	72,238
Subordinated debt	371,040	382,634	412,486	696,999	695,394
Share capital	24,200	24,700	25,200	25,200	25,200
Reserves	2,876,900	2,651,440	2,457,920	2,287,144	2,030,573
Total shareholders' equity	2,901,100	2,676,140	2,483,120	2,312,344	2,055,773
Total liabilities and equity	19,582,821	17,681,546	17,549,023	18,247,204	17,927,956
Contingent liabilities etc.					
Contingent liabilities	1,901,934	1,667,100	1,052,222	1,041,983	1,485,676
Total contingent liabilities etc.	1,901,934	1,667,100	1,052,222	1,041,983	1,485,676

FIVE YEAR KEY FIGURES

		2013	2012	2011	2010	2009
Solvency:						
Solvency ratio	%	20.0	22.4	21.4	22.4	20.2
Tier 1 capital ratio	%	19.2	20.9	19.8	18.6	16.6
Earnings:						
Return on equity before tax	%	16.9	17.4	15.9	15.5	15.9
Return on equity after tax	%	12.8	12.7	11.9	11.8	12.1
Income/cost ratio	DKK	2.19	2.06	1.98	1.74	1.61
Market risk:						
Interest rate risk	%	0.6	0.6	0.7	0.1	0.6
Foreign exchange position	%	1.6	0.6	0.9	0.5	3.4
Foreign exchange risk	%	0.6	0.0	0.0	0.0	0.1
Liquidity risk:						
Excess cover relative to statutory liquidity requirement	%	166.2	185.5	140.5	231.8	205.6
Loans and impairments thereon relative to deposits	%	104.2	102.4	105.0	117.6	120.8
Credit risk:						
Loans relative to shareholders' equity		4.8	4.6	5.1	5.7	6.3
Growth in loans for the year	%	11.5	-2.5	-3.1	0.8	-6.1
Total large exposures	%	35.0	27.2	11.8	0.0	0.0
Cumulative impairment percentage	%	5.1	5.1	4.5	3.8	3.1
Impairment percentage for the year	%	0.72	1.06	0.89	0.94	1.16
Proportion of debtors at reduced interest	%	0.5	0.8	0.4	0.4	0.4
Share return:						
Profit for the year after tax per share*/***	DKK	1,462.8	1,314.6	1,135.2	1,019.3	921.0
Book value per share*/**	DKK	12,145	11,049	10,055	9,193	8,172
Dividend per share*	DKK	500	280	260	240	0
Share price relative to profit for the year per share*/***		15.0	11.7	10.2	14.2	13.2
Share price relative to book value per share*/**		1.81	1.39	1.15	1.58	1.49

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

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

*** Calculated on the basis of the average number of shares. The average number of shares is calculated as a simple average of the shares at the beginning of the year and at the end of the year.

Definitions of the official key figures/ratios from the Danish Financial Supervisory Authority

Solvency ratio

Capital base after deductions in per cent of total risk weighted items.

Tier 1 capital ratio

Tier 1 capital after deductions (incl. hybrid core capital) in per cent of total risk weighted items.

Return on equity before tax

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

Return on equity after tax

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

Income/cost ratio

Net income from interest and fees, value adjustments, other operating income and result of capital shares in associated companies in per cent of staff and administration costs, amortisation, depreciation and write-downs on intangible and tangible assets, other operating costs and write-downs on loans and debtors etc.

Interest rate risk

Interest rate risk in per cent of tier 1 capital after deductions (incl. hybrid core capital).

Foreign exchange position

Foreign exchange indicator 1 in per cent of tier 1 capital after deductions (incl. hybrid core capital).

Foreign exchange risk

Foreign exchange indicator 2 in per cent of tier 1 capital after deductions (incl. hybrid core capital).

Excess coverage relative to statutory liquidity requirement

Cash in hand, demand deposits with the Danish National Bank, fully secured and liquid on-demand credit balance in credit institutions and insurance companies, unencumbered certificates of deposit issued by the Danish National Bank, secure readily negotiable listed unencumbered securities, loan framework in the Danish National Bank against security in sector shares valid for the time being with 30 days notice of termination. The total of all elements measured in percent relative to 10% of the reduced debt and guarantee liabilities.

Loans and impairments thereon relative to deposits

Loans + impairments thereon in per cent of deposits.

Loans relative to shareholders' equity

Loans/shareholders' equity.

Growth in loans for the year

Growth in loans from the beginning of the year to the end of the year, in per cent.

Total large exposures

The total sum of large exposures in per cent of the capital base after deductions.

Cumulative impairment percentage

Impairment charges for loans and provisions for losses on guarantees in per cent of loans + impairment charges for loans + guarantees + provisions for losses for guarantees.

Impairment percentage for the year

Impairment charges etc. for the year in per cent of loans + impairment charges for loans + guarantees + provision for losses on guarantees.

Proportion of debtors at reduced interest

Proportion of debtors at reduced interest before impairment charges etc. in per cent of loans + impairment charges for loans + guarantees + provision for losses on guarantees.

Profit for the year after tax per share*/***

Profit for the year after tax/average number of shares.

Book value per share**/**

Shareholders' equity/share capital excl. own shares.

Dividend per share*

Proposed dividend/share capital.

Share price relative to profit for the year per share*/***

Share price/profit for the year per share.

Share price relative to book value per share*/**

Share price/book value per share.

*/**/***: See page 90



Ringkjøbing

Landskab
oparbejdet

OTHER INFORMATION

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103	Stock exchange reports
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Shareholders' committee

Jens Møller Nielsen, manager, Ringkøbing, - born on 25 August 1956
chairman of the shareholders' committee

Else Kirkegaard Hansen, senior master, Ringkøbing, - born on 26 August 1954
deputy chairman of the shareholders' committee

Hejne F. Andersen, industrialist, Ringkøbing - born on 30 August 1954

Jens Arnth-Jensen, manager, Holte - born on 9 June 1948

Gert Asmussen, printer, Tarm - born on 14 April 1950*

Inge Sandgrav Bak, financial manager, Ringkøbing - born on 31 July 1960*

Claus H. Christensen, farmer, Lem - born on 25 February 1961

Claus Dalgaard, manager, Ringkøbing - born on 28 April 1962

Per Dam, accountant, Ulfborg - born on 27 February 1952

Ole K. Erlandsen, butcher, Herning - born on 19 December 1962

Niels Ole Hansen, manager, Ringkøbing - born on 1 September 1951

Tonny Hansen, college principal, Ringkøbing - born on 27 May 1958

Leif Haubjerg, farmer, No - born on 18 December 1959

Erik Jensen, manager, Skjern - born on 7 September 1965

Niels Esper Kamp, farmer, Stadil - born on 30 September 1957

Jens Lykke Kjeldsen, timber merchant, Ringkøbing - born on 2 September 1950*

Gravers Kjærgaard, farmer, Grønbjerg - born on 12 August 1952*

Jacob Møller, CEO, Ringkøbing - born on 2 August 1969

Lars Møller, municipal chief executive, Holstebro - born on 30 November 1957

Martin Krogh Pedersen, CEO, Ringkøbing - born on 7 June 1967*

Ole Christian Pedersen, manager, Vostrup - born on 15 February 1950

Kristian Skannerup, industrialist, Tim - born on 14 June 1959

Lone R. Søllmann, financial manager, Tarm - born on 26 January 1968

Egon Sørensen, insurer, Spjald - born on 16 June 1965

Jørgen Kolle Sørensen, car dealer, Hvide Sande - born on 17 September 1970

Johan Chr. Øllgaard, industrialist, Stauning - born on 10 June 1947

* Member of the board of directors

Board of directors

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

Born on 2 September 1950

Member of the board of directors since 1995

End of current term of election to the board of directors: 2016

Other managerial activities - member of the management of:

A/S Henry Kjeldsen

A/S Miljøpark Vest

Aktieselskabet af 1. august 1989

Asta og Henry Kjeldsens Familiefond

Danbuy A.m.b.A.

Henry Kjeldsen, Ringkøbing Tømmerhandel A/S

VT Hallen A/S

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

Born 7 June 1967

Independent

Member of the board of directors since 2011

End of current term of election to the board of directors: 2015

Other managerial activities - member of the management of:

A/S Maskinfabrikken PCP

Ejendomsselskabet Ringkøbing ApS

Elefantriste A/S

K. P. Components Inc.

K. P. Holding A/S

K. P. Komponenter A/S

PF Group A/S

MHKP Holding ApS

MHKPO Holding ApS

MHKPS Holding A/S

Gert Asmussen, printer, Tarm

Born on 14 April 1950

Independent

Member of the board of directors since 2002

End of current term of election to the board of directors: 2014

Other managerial activities - member of the management of:

A. Rasmussens Bogtrykkeri ApS

Gert Asmussen Holding A/S

Gullanders Bogtrykkeri A/S

Tarm Bogtryk A/S

Tarm Elværk Net A/S

Tarm Ugeblad ApS

TB Anlæg ApS

BOARD OF DIRECTORS

Inge Sandgrav Bak, financial manager, Ringkøbing

Born on 31 July 1960

Independent

Member of the board of directors since 2011

End of current term of election to the board of directors: 2015

Other managerial activities - member of the management of:

International A/S

JSB Composite (Zhuozhou) Co., Ltd.

Rindum ApS

Gravers Kjærgaard, farmer, Grønbjerg

Born on 12 August 1952

Independent

Member of the board of directors since 2002

Member of the bank's auditing committee

End of current term of election to the board of directors: 2013

No other managerial activities

Jørgen Lund Pedersen, manager, Skanderborg

Born on 7 October 1949

Independent

Member of the board of directors since 2013

End of current term of election to the board of directors: 2017

Other managerial activities - member of the management of:

Løvbjerg Fonden

Bo Bennedsgaard, IT consultant, Holstebro, elected by the employees

Born on 23 January 1972

Member of the board of directors since 2007

End of current term of election to the board of directors: 2015

No other managerial activities

Gitte Elisa Sigersmunda Høgholm Vigsø, administrative employee, Holstebro, elected by the employees

Born on 24 April 1976

Member of the board of directors since 2011

End of current term of election to the board of directors: 2015

No other managerial activities

Board committees

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

Find below subsequent information about the individual committees.

Audit committee

The following are members of the audit committee:

- Gert Asmussen, chairman of the committee
- Jens Lykke Kjeldsen
- Martin Krogh Pedersen
- Inge Sandgrav Bak
- Gravers Kjærgaard
- Jørgen Lund Pedersen
- Bo Bennedsgaard
- Gitte E. S. Vigsø

Gert Asmussen is the specially qualified member of the audit committee. Given the bank's size and complexity and Mr Asmussen's education and professional experience, the bank's board of directors judges that Mr Asmussen possesses the qualifications required pursuant to the Danish "Executive order on audit committees in companies and groups subject to the supervision of the Danish Financial Supervisory Authority".

The bank's board of directors has agreed on a business procedure for the audit committee which include provisions on the committee's constitution and objective, members, meetings, powers etc., tasks, reporting and self-assessment.

The audit committee is responsible for the following tasks:

- Monitoring of the financial statements process.
- Monitoring whether the company's internal control system, risk management systems and any internal auditing are effective.
- Monitoring of the statutory auditing of the annual financial statements etc.
- Monitoring and checking the auditor's independence pursuant to Section 24 of the Danish Act on approved auditors and audit firms, including in particular the delivery of additional services to the company.
- Recommendation on election of auditors to the board of directors.

Risk committee

The following are members of the risk committee:

- Jens Lykke Kjeldsen, chairman of the committee
- Martin Krogh Pedersen
- Gert Asmussen
- Inge Sandgrav Bak
- Gravers Kjærgaard
- Jørgen Lund Pedersen
- Bo Bennedsgaard
- Gitte E. S. Vigsø

The bank's board of directors has agreed on a business procedure for the risk committee which include provisions on the area of application and objective, members and constitution, tasks, meetings, powers and resources, reporting and minutes of meeting, announcements, assessment and self-assessment, as well as changes to the business procedure.

The risk committee is responsible for the following tasks:

- Advise the board of directors on the company's general existing and future risk profile and strategy.
- Assist the board of directors with ensuring that the board's risk strategy is implemented correctly in the organisation.
- Assess whether the financial products and services traded by the bank are in accordance with the bank's business concept and risk profile, including whether the earnings on the products and services reflect the associated risks, and prepare proposals for remedies if the products or services and the associated earnings are not in accordance with the bank's business concept and risk profile.
- Assess whether the incentive components of the bank's remuneration structure take account of the bank's risks, capital, liquidity and the probability and time of payment of remuneration (under the bank's remuneration policy, no forms of incentive components are used in the bank).

Nomination committee

The following are members of the nomination committee:

- Jens Lykke Kjeldsen, chairman of the committee
- Martin Krogh Pedersen
- Gert Asmussen
- Inge Sandgrav Bak
- Gravers Kjærgaard
- Jørgen Lund Pedersen
- Bo Bennedsgaard
- Gitte E. S. Vigsø

The bank's board of directors has agreed on a business procedure for the nomination committee which include provisions on the area of application and objective, members and constitution, tasks, meetings, powers and resources, reporting and minutes of meetings, announcements, assessment and self-assessment, as well as changes to the business procedure.

The nomination committee is responsible for the following tasks:

- Prepare proposals and recommendations in connection with election and re-election of members to the bank's shareholders' committee and board of directors and appointment of the bank's general management.
- Regularly and minimum once a year assess the board of directors' size, structure, composition and results with respect to their tasks and report and make recommendations for possible changes thereon to the full board of directors.
- Regularly and minimum once a year assess whether the full board of directors has the required combination of knowledge, professional skills, diversity and experience, and whether the individual member meets the requirements of Section 64 of the Danish Financial Business Act, and report and make recommendations for possible changes thereon to the full board of directors.
- Regularly and minimum once a year evaluate the bank's executive board and make recommendations thereon to the board of directors.

- Regularly review the board of directors' policy for selection and appointment of members to the general management if such a policy was prepared, and make recommendations thereon to the board of directors.
- Set a target figure for the percentage of the under-represented gender on the board of directors and prepare a policy on how to reach the figure.
- Prepare a policy for diversity on the board of directors.

Remuneration committee

The following are members of the remuneration committee:

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

The bank's board of directors has agreed on a business procedure for the remuneration committee which include provisions on the area of application and objective, members and constitution, tasks, meetings, powers and resources, reporting and minutes of meeting, announcements, assessment and self-assessment, as well as changes to the business procedure.

The remuneration committee is responsible for the following tasks:

- Negotiation and making agreements with the general management on remuneration of the general management.
- Assess the need for changes to the bank's remuneration policy, and, if deemed necessary, prepare and recommend draft changes to the policy for approval by the board of directors prior to adoption by the general meeting.
- Prepare and recommend draft guidelines for the board of directors' monitoring of compliance with the remuneration policy etc. for approval by the board of directors, including ensuring that compliance with the policy is monitored.
- Monitoring remuneration of the management of the part of the organisation in charge of monitoring the limits of risk-taking, and the management of the part of the organisation otherwise in charge of monitoring and auditing, including the management of the compliance function and the chief internal auditor.

In general, in cases where a committee consists of the bank's full board of directors, both the committee and the board of directors treatment may in some cases take place simultaneously.

BOARD OF DIRECTORS

Board of directors - competencies

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

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

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

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

- Jens Lykke Kjeldsen has special competencies, knowledge and experience within the areas of the business concept, liquidity risks, insurance risks, risk management and general managerial experience and within sections of the credit risk and market risk areas.
- Martin Krogh Pedersen has special competencies, knowledge and experience within the areas of the business concept, market risks, budgets, accounting and auditing, insurance risks and general managerial experience and within sections of the credit risk area.
- Gert Asmussen has special competencies, knowledge and experience within the areas of the business concept, credit risks, budgets, accounting and auditing and general managerial experience and within a section of the market risk area. As the chairman of the bank's audit committee, Gert Asmussen has qualifications within accounting/auditing.
- Inge Sandgrav Bak has special competencies, knowledge and experience within the area of budgets, accounting and auditing and within sections of the business concept and credit risk areas.
- Gravers Kjærgaard has special competencies, knowledge and experience within the areas of the business concept, budgets, accounting and auditing and within sections of the credit risk, market risk and liquidity risk areas.
- Jørgen Lund Pedersen has special competencies, knowledge and experience within the areas of the business concept, credit risks, market risks, liquidity risks, operational risks, capital, risk management, managerial experience from other financial companies, general managerial experience and legal insight.
- Bo Bennedsgaard has special competencies, knowledge and experience within the area operational risks and within a section of the credit risk area.
- Gitte E. S. Vigsø has special competencies, knowledge and experience within the area legal insight and within section of the business concept and credit risk areas.

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

Reference is made to note 32 on page 73 for information on holdings of Ringkjøbing Landbobank shares by members of the board of directors.

General management

John Bull Fisker, CEO

Born on 3 December 1964

Member of the general management since 1999

On the board of directors of the following companies:

Chairman of Letpension A/S, Copenhagen

Deputy chairman of Bankdata, Fredericia

Deputy chairman of BI Holding A/S, Copenhagen

Deputy chairman of BI Asset Management Fondsmæglerselskab A/S, Copenhagen

Member of the boards of directors of PRAS A/S, Copenhagen

Member of the customer board of:

PFA Pension A/S, Copenhagen

Holdings of Ringkjøbing Landbobank shares by the general management

Reference is made to note 32 on page 73 for information on holdings of Ringkjøbing Landbobank shares by members of the general management.

Ringkøbing Landbobank Aktieselskab

Torvet 1
DK-6950 Ringkøbing
Denmark

Founded: 1886

Phone: +45 9732 1166
Telefax: +45 7624 4913
E-mail: post@landbobanken.dk
Website: www.landbobanken.com

CVR-no.: 37 53 68 14
Bank registration number in Denmark: 7670
SWIFT/BIC: RINGDK22

Share capital

Ringkøbing Landbobank's share capital is DKK 24.2 million in 4,840,000 shares of DKK 5.

Ownership

16.859 shareholders were registered at end of 2013, this represents 97.5 percent of the nominal share capital.

Major shareholders

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

ATP, Hillerød, Denmark
Parvus Asset Management (UK) LLP, London, United Kingdom

STOCK EXCHANGE REPORTS

Stock exchange reports 2013

Review of Ringkjøbing Landbobank's reports to NASDAQ OMX Copenhagen and others in 2013:

02 January 2013	Large shareholders
30 January 2013	Annual accounts for 2012
30 January 2013	Annual report for 2012
30 January 2013	Agenda for the annual general meeting
28 February 2013	Minutes of the annual general meeting the 27 February 2013
28 February 2013	Election to the board of directors
12 March 2013	Updated Articles of Association
24 April 2013	Quarterly report 1st quarter 2013
30 April 2013	Implementation of capital reduction
30 April 2013	Updated Articles of Association
30 April 2013	Voting rights
23 May 2013	Constitution of the board of directors
07 August 2013	Interim report for the 1st half 2013
23 October 2013	Quarterly report 1st - 3rd quarter 2013
23 October 2013	Financial calendar for 2014

Reports regarding insiders' transactions with the Ringkjøbing Landbobank share from executive employees and their closely related do not emerge from the above review.

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

FINANCIAL CALENDAR

Financial calendar 2014

The financial calendar for the upcoming publications is as follows:

26 February 2014	Annual general meeting
23 April 2014	Quarterly report, 1st quarter 2014
06 August 2014	Interim report 2014
22 October 2014	Quarterly report, 1st - 3rd quarters 2014

THE BANK'S BRANCHES ETC.

Head office:

Ringkøbing

Branches:

Herning

Holstebro

Hvide Sande

Lem

Spjald

Tarm

Ulfborg

Viborg

Vildbjerg

Private Banking branches:

Herning

Holte

Ringkøbing

Aarhus



John Bull Fisker
CEO



Jørn Nielsen
Assistant general manager



Lars Hindø
Executive assistant



Sten Erlandsen
Head of treasury



Ole Bjerregaard Pedersen
Financial manager



Jørgen Højgaard
Foreign manager



Ringkjøbing

Landskab
oparbejdet

Ringkøbing Landbobank A/S
Torvet 1
DK-6950 Ringkøbing
Denmark

Telephone
+45 9732 1166

Telefax
+45 7624 4913

E-mail
post@landbobanken.dk

Web
www.landbobanken.com

SWIFT
RINGDK22

CVR-no.
37 53 68 14

