ANNUAL REPORT 2018

Ringkjøbing Landbobank

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DEAR SHAREHOLDER

2018 was a really good year for Ringkjøbing Landbobank. The bank's results coincided with an increase in customer numbers, a high degree of customer satisfaction and associated reputational benefits. Furthermore, of course, we completed our merger with Nordjyske Bank in June as planned.

The merger was well received by our customers. Lending and customer numbers also continued to grow in all parts of the bank. Nordjyske Bank was well-run and is a strong brand in North Jutland. We therefore decided to keep the brand name. Thus our customers in North Jutland have remained largely unaffected by the merger with Ringkjøbing Landbobank. We take this opportunity to express our thanks for the warm welcome we have received in North Jutland.

The stock market also responded positively to the results and to the merger, with a 9% return on the bank's shares in 2018. This should be seen in the context of a total fall of 40% in the OMX Copenhagen Banks PI index.

The pro forma financial statements for 2018 show core earnings of DKK 1,092 million and profit before special costs of DKK 1,169 million, which is 8% higher than the previous year. Special costs totalling DKK 217 million were posted in this merger year, after which profit before tax stood at DKK 952 million. We consider this highly satisfactory.

The general meeting is recommended to approve an increase in ordinary dividend to DKK 10 per share. A new share buy-back programme for up to DKK 190 million is also proposed. We thus continue our policy of recent years. We will pay 64% of the bank's profit to shareholders, and transfer the rest to equity, to support future growth in the bank's lending.

2018 proved to be another year of high levels of customer satisfaction and in January 2019 we were designated the bank in Denmark with the best reputation. The mantra "the Customer is King" is not new to Ringkjøbing Landbobank, and our customers and staff alike appreciate this strong customer focus. Expertise, responsiveness and integrity have been key words for the many new customers we welcomed during the year.

We also take this opportunity to thank our highly skilled employees. They did a fantastic job in an intensive year when we were developing the bank, converting and migrating products and maintaining close relationships with our customers. The expertise, stability, loyalty and indomitable spirit of our employees are an unsurpassed combination.

2019 looks set to be another pleasing year. Our main tasks will be to serve our current customers and continue to increase our market share by winning new customers. Our administrative goals include the IT conversion, scheduled for March. Once all our systems are on the same platform, we will spend the rest of the year streamlining them. We expect core earnings in the range DKK 950 - 1,150 million, to which the result for the securities portfolio will have to be added.

Finally we would like to thank our customers and you, our shareholders, for the strong support which you have shown to the bank.

John Bull Fisker
CEO

ANNUAL REPORT - HIGHLIGHTS

- The financial statements show a 9% increase in core earnings to DKK 1,092 million and an 8% increase in profit before special costs to DKK 1,169 million
- The integration of the banks is proceeding as expected and the merger has been well received by the customers
- Continued big increase in customers and 7% growth in loans to DKK 33 billion
- Pay-out ratio of 64%, increase in dividend to DKK 10 per share and a new share buy-back programme of DKK 190 million
- Common equity tier 1 capital ratio of 15.0% and MREL capital ratio of 25.2%
- Customer satisfaction high for both brands
- The bank again tops the list of Voxmeter's reputation survey in Denmark

MAIN AND KEY FIGURES - pro forma

	2018	2017	2016
Main figures for the bank (DKK million)			
Total core income	2,001	1,917	1,861
Total expenses and depreciation	-866	-845	-815
Core earnings before impairments	**1,135**	**1,072**	**1,046**
Impairment charges for loans etc.	-43	-70	-211
Core earnings	**1,092**	**1,002**	**835**
Result for the portfolio etc.	+77	+84	+78
Profit before special costs	**1,169**	**1,086**	**913**
Special costs	-217	-22	-22
Profit before tax	**952**	**1,064**	**891**
Net profit for the year	**778**	**848**	**726**
Equity	7,189	6,769	6,313
Deposits including pooled schemes	36,993	35,854	34,152
Loans	33,350	31,173	28,304
Balance sheet total	49,651	46,324	43,702
Guarantees	7,829	7,858	6,682
Key figures for the bank (per cent)			
Profit before special costs as a percentage of average equity excluding intangible assets, p.a.	18.8	17.8	16.2
Profit before tax as a percentage of average equity, p.a.	13.6	16.3	14.6
Rate of costs	43.3	44.1	43.8
Common equity tier 1 capital ratio	15.0	15.8	15.8
Total capital ratio	18.8	17.3	17.5
MREL capital ratio	25.2	-	-
Key figures per DKK 1 share (DKK)			
Core earnings	36.5	30.9	27.6
Profit before tax	31.8	33.7	29.6
Net profit for the year	26.0	27.0	24.1
Book value	240.4	175.0	159.0
Price, end of year	340.0	321.5	292.6
Dividend	10.0	9.0	7.2

MANAGEMENT'S REVIEW

Financial review

The annual report for 2018 is the first for the merged bank: Ringkjøbing Landbobank and Nordjyske Bank merged on 8 June 2018, with Ringkjøbing Landbobank as the post-merger entity.

The bank has drawn up two sets of statements in the 2018 annual report: both pro forma and official financial statements.

The pro forma financial statements contain an income statement comprising figures for both the “old” Ringkjøbing Landbobank and the “old” Nordjyske Bank for the full year 2018, i.e. as if the merger had taken effect on 1 January 2018. The pro forma statements show the non-recurring and merger costs etc. in both banks as separate items. The pro forma statements are a part of the present financial review which appears in the management's review of the financial statements.

The pro forma statements have been prepared to give the reader a better overview of the development in the merged bank’s profit and its financial position. The pro forma statements also contain comparative figures for 2017.

The actual financial statements contain both an income statement and a statement of the alternative performance measure “Core earnings”, comprising financial figures for the “old” Ringkjøbing Landbobank for the full year 2018 plus financial figures for the “old” Nordjyske Bank for the period 9 June to 31 December 2018. They include merger costs relating to the “old” Ringkjøbing Landbobank and to the completion of the actual merger after final approval.

Pro forma financial statements

The income statement items in the pro forma financial statements were calculated by adding up figures from Ringkjøbing Landbobank's statement of the alternative measure of performance "Core earnings" and pro forma figures from Nordjyske Bank converted and adjusted to Ringkjøbing Landbobank's statement of the alternative performance measure "Core earnings".

Balance sheet items and contingent liabilities as well as capital ratios as at 31 December 2017 were calculated by a simple adding up of figures from the respective financial statements from Ringkjøbing Landbobank and Nordjyske Bank, without any adjustments.

Core earnings

Note		2018 DKK 1,000	2017 DKK 1,000
	Net interest income	1,147,483	1,123,481
A	Net fee and commission income excluding trading income	568,551	550,297
	Income from sector shares etc.	160,316	120,059
A	Foreign exchange income	30,559	30,953
	Other operating income	6,223	6,047
	Total core income excluding trading income	**1,913,132**	**1,830,837**
A	Trading income	87,664	86,094
	Total core income	**2,000,796**	**1,916,931**
B	Staff and administration costs	846,507	829,346
	Depreciation and write-downs on tangible assets	15,871	10,957
	Other operating expenses	3,399	4,651
	Total expenses etc.	865,777	844,954
	Core earnings before impairment charges for loans	**1,135,019**	**1,071,977**
	Impairment charges for loans and other receivables etc.	-43,118	-70,459
	Core earnings	**1,091,901**	**1,001,518**
	Result for the portfolio etc.	+77,267	+84,482
	Profit before special costs	**1,169,168**	**1,086,000**
	Amortisation and write-downs on intangible assets	25,140	22,030
	Merger and restructuring costs	121,688	-
	Non-recurring costs	70,362	-
	Profit before tax	**951,978**	**1,063,970**
	Tax	173,786	215,722
	Net profit for the year	**778,192**	**848,248**

Balance sheet items and contingent liabilities

	31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
Loans and other receivables at amortised cost	33,350,334	31,172,967
Deposits and other debt including pooled schemes	36,992,571	35,853,528
Equity	7,188,690	6,769,082
Balance sheet total	49,650,528	46,323,863
Contingent liabilities	7,829,417	7,858,398

Key figures

	2018 DKK 1,000	2017 DKK 1,000
Key figures for the bank (per cent)		
Core earnings as a percentage of average equity excluding intangible assets, p.a.	17.5	16.4
Profit before special costs as a percentage of average equity excluding intangible assets, p.a.	18.8	17.8
Profit before tax as a percentage of average equity, p.a.	13.6	16.3
Net profit for the year after tax as a percentage of average equity, p.a.	11.2	13.0
Rate of costs	43.3	44.1
Common equity tier 1 capital ratio (%)	15.0	15.8
Tier 1 capital ratio (%)	15.0	15.8
Total capital ratio (%)	18.8	17.3
MREL requirement (%)	19.7	-
MREL capital ratio (%)	25.2	-
Key figures per DKK 1 share (DKK)		
Core earnings	36.5	-
Profit before special costs	39.1	-
Book value	240.4	-
Price, end of year	340.0	-
Basis of calculation, number of shares	29,906,383	-

Notes

Note		2018 DKK 1,000	2017 DKK 1,000
A	**Gross fee and commission income**		
	Securities trading	98,574	97,961
	Asset management and custody accounts	169,097	191,625
	Payment handling	111,601	104,098
	Loan fees	46,641	37,978
	Guarantee commission and mortgage credit commission etc.	215,091	201,418
	Other fees and commission	71,487	64,316
	Total gross fee and commission income	**712,491**	**697,396**
	Net fee and commission income		
	Securities trading	87,664	86,094
	Asset management and custody accounts	159,932	182,776
	Payment handling	91,177	83,574
	Loan fees	40,363	31,263
	Guarantee commission and mortgage credit commission etc.	213,769	199,806
	Other fees and commission	63,310	52,878
	Total net fee and commission income	**656,215**	**636,391**
	Foreign exchange income	30,559	30,953
	Total net fee, commission and foreign exchange income	**686,774**	**667,344**
B	**Staff and administration costs**		
	Staff costs	481,705	495,600
	Administration costs	364,802	333,746
	Total staff and administration costs	**846,507**	**829,346**

Core income

Net interest income was DKK 1,147 million in 2018 compared to DKK 1,124 million in 2017, an increase of 2%. The bank is satisfied with this development, which included a 7% increase in lending during the year. The interest margin continued to fall in 2018, and there were new interest expenses for the subordinated capital issued in June 2018.

Fee, commission and foreign exchange income amounted to DKK 687 million net in 2018, compared to DKK 667 million net in 2017, an increase of 3%. All fee income lines developed positively in the year compared to 2017 except asset management, which reflected an expected fall in income. This was because the bank no longer receives commission from investment funds for arrangements under which it provides discretionary portfolio management.

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

(DKK million)	**2018**	**2017**	**2016**
Securities trading	87,664	86,094	59,074
Asset management and custody accounts	159,932	182,776	205,206
Payment handling	91,177	83,574	84,393
Loan fees	40,363	31,263	30,856
Guarantee commission and mortgage credit commission etc.	213,769	199,806	174,523
Other fees and commission	63,310	52,878	53,166
Foreign exchange income	30,559	30,953	26,371
Total	**686,774**	**667,344**	**633,589**

Earnings from banking sector shares increased by DKK 40 million in 2018 to a total of 160 million. The earnings derive primarily from return on the bank's ownership interests in DLR Kredit and BankInvest (BI Holding).

In March 2018, the board of directors of BI Holding decided to change the valuation principles for the company's shares. The change in valuation principles resulted in a revaluation of the bank's ownership interest by DKK 104 million in 2018. Although the revaluation can be related to a sector share, it has been posted in the bank's statement of core earnings under the item "Result for the portfolio etc." because it is a once-only income item that does not influence the regular income earned by the bank from its holding of sector shares.

Total core income has developed positively over the last three years, increasing from DKK 1,861 million in 2016 to DKK 1,917 in 2017 and DKK 2,001 million in 2018. In 2018, total core income thus increased by 4%. The bank considers the increase satisfactory.

Expenses, depreciation and write-downs

Total expenses including depreciation and write-downs on tangible assets amounted to DKK 866 million in 2018, compared to DKK 845 million in 2017, an increase of 2%.

The rate of costs was 43.3% in 2018, compared to 44.1% in 2017.

Impairment charges for loans etc.

Impairment charges for loans were an expense of DKK 43 million in 2018, compared to an expense of DKK 70 million in 2017. Impairment charges thus amounted to 0.10% of the gross total average of loans and guarantees in 2018, compared to 0.18% in 2017.

The credit quality of the bank's portfolio of loans and guarantees generally developed positively in 2018. However, the situation deteriorated in specific parts of the agricultural segment during the year. The main reasons are low prices being paid to producers of pork, combined with the financial consequences of the drought last summer. The mink sector again experienced falling prices being paid to producers during 2018. As a consequence, the bank increased impairment charges for agriculture-related loans in 2018, but reversals were also made in other areas.

Core earnings

(DKK million)	**2018**	**2017**	**2016**
Total core income	2,001	1,917	1,861
Total expenses and depreciation	-866	-845	-815
Core earnings before impairments	1,135	1,072	1,046
Impairment charges for loans etc.	-43	-70	-211
Core earnings	**1,092**	**1,002**	**835**

Core earnings totalled DKK 1,092 million compared to last year's DKK 1,002 million, an increase of 9%. Core earnings per share were DKK 36.5.

Result for the portfolio etc.

The result for the portfolio etc. for 2018 was positive by DKK 77 million net, including funding costs for the portfolio. DKK 104 million is attributable to the revaluation of the bank's ownership interest in BI Holding. In 2017 the result for the portfolio etc. was positive by DKK 84 million.

The result for the portfolio was negatively affected by the development on the financial markets with credit spread widening and falling share prices.

Profit before special costs

The profit before special costs was DKK 1,169 million compared to DKK 1,086 million in 2017, an increase of 8%. The profit equates to a return of 18.8% on average equity, excluding intangible assets.

Special costs

The bank considers amortisation and write-downs on intangible assets to be a special item, as posting amortisation and write-downs to this item contributes to strengthening the quality of equity and reduces the deduction when computing total capital. Amortisation and write-downs on intangible assets amounted to DKK 25 million in 2018, compared to DKK 22 million in 2017.

Merger and restructuring costs amounted to DKK 122 million in 2018, which is below the expectations announced in connection with the merger announcement. DKK 33 million of the DKK 122 million was paid by Nordjyske Bank before the merger and DKK 89 million by the merged bank after the merger.

Finally, special costs in the pro forma income statement include non-recurring costs. These non-recurring costs relate to harmonisation of cost accounting and accounting estimates for tangible assets in the two banks. Non-recurring costs amounted to DKK 70 million in 2018, which was paid by Nordjyske Bank before the merger.

Profit before and after tax

The profit before tax was DKK 952 million, equivalent to a return of 13.6% p.a. on average equity.

The net profit for the year was DKK 778 million, equivalent to a return of 11.2% p.a. on average equity.

Balance sheet items and contingent liabilities

The bank's balance sheet total at the end of December 2018 stood at DKK 49,651 million, compared to last year's DKK 46,324 million.

The bank's deposits including pooled schemes increased by 3% in 2018 from DKK 35,854 million at the end of 2017 to DKK 36,993 million at the end of 2018. The bank's loans increased by 7% from DKK 31,173 million at the end of 2017 to DKK 33,350 million at the end of 2018.

The development in lending was positive both under the "Ringkjøbing Landbobank" brand and under the "Nordjyske Bank" brand in 2018. Loans thus increased by 9% in the "old" Ringkjøbing Landbobank and by 4% in the "old" Nordjyske Bank" in 2018. This resulted in the average increase of the 7%. The positive development is attributable among other things to a continued highly satisfactory inflow of new customers and a low outflow of customers. Both the bank's brands are high or highest in terms of reputation and customer satisfaction.

Equity increased from DKK 6,769 million at the end of 2017 to DKK 7,189 million at the end of 2018.

The bank's contingent liabilities, including guarantees, at the end of the year amounted to DKK 7,829 million, compared to DKK 7,858 million at the end of 2017.

Official financial statements

The merger between Ringkjøbing Landbobank and Nordjyske Bank

Ringkjøbing Landbobank and Nordjyske Bank merged on 8 June 2018, with Ringkjøbing Landbobank as the post-merger entity.

The merger meant that Nordjyske Bank's assets, liabilities and operating activities were included in Ringkjøbing Landbobank's accounts from this date in accordance with the "Acquisition method" as specified by the applicable accounting rules. See note 53 on page 107 where the pre-acquisition balance sheet is specified.

The acquisition method meant that a pre-acquisition balance sheet was prepared as at 8 June 2018, in which all assets and liabilities taken over by Ringkjøbing Landbobank were reassessed at fair value.

The acquired goodwill was also calculated. The goodwill value was calculated as the purchase price paid for Nordjyske Bank less the net value of the assets and liabilities taken over as at 8 June 2018.

The acquisition method further meant that Nordjyske Bank's operating activities were included in the official income statement for Ringkjøbing Landbobank with effect from 9 June 2018.

The official financial statements contain both an income statement and core earnings, comprising financial figures for the "old" Ringkjøbing Landbobank for the full year 2018 plus financial figures for the "old" Nordjyske Bank for the period 9 June to 31 December 2018. This includes merger costs relating to the "old" Ringkjøbing Landbobank and the completion of the actual merger after final approval.

Comments on the official financial statements appear below, including on the development in the "old" Ringkjøbing Landbobank, on items from the "old" Nordjyske Bank from the recognition period stated and on a few of the items that are included in the alternative performance measure "Core earnings".

Net interest income

Net interest income increased in the "old" Ringkjøbing Landbobank from DKK 641 million in 2017 to DKK 650 million in 2018, an increase of 1%. To this must be added net interest income of DKK 277 million from the "old" Nordjyske Bank in the recognition period. Total net interest income thus amounted to DKK 927 million in 2018.

Net fee and commission income

Net fee and commission income in the "old" Ringkjøbing Landbobank amounted to DKK 283 million in 2018, compared to DKK 280 million in 2017. To this must be added net fee and commission income of DKK 208 million from the "old" Nordjyske Bank in the recognition period. Total net fee and commission income thus amounted to DKK 491 million in 2018.

Net interest and fee income

Net interest and fee income increased in the "old" Ringkjøbing Landbobank from DKK 932 million in 2017 to DKK 960 million in 2018, an increase of 3%.

To this must be added net interest and fee income of DKK 485 million from the "old" Nordjyske Bank in the recognition period. Total net interest and fee income were thus DKK 1,445 million in 2018.

Value adjustments and market risk

Value adjustments in the "old" Ringkjøbing Landbobank amounted to DKK 169 million in 2018, compared to DKK 143 million in 2017. To this must be added value adjustments of DKK 11 million from the "old" Nordjyske Bank in the recognition period and total value adjustments thus amounted to DKK 180 million in 2018.

The item "Shares etc." amounted to DKK 1,467 million at the end of the year, with DKK 43 million in listed shares and investment fund certificates and DKK 1,424 million in sector shares etc., mainly in the companies DLR Kredit, BI Holding and PRAS. The bond portfolio amounted to DKK 5,427 million, of which the vast majority consisted of AAA-rated Danish government and mortgage credit bonds.

The total interest rate risk - computed as the impact on the profit of a one percentage point change in the interest level - was 1.0% of the bank's tier 1 capital at the end of 2018.

The bank's total market risk within exposures to interest rate risk, listed shares etc. and foreign currency remains at a moderate level, and this policy will continue.

The bank's risk of losses calculated on the basis of a Value at Risk model (computed with a 10-day horizon and 99% probability) was as follows in 2018:

Value at Risk	**Risk in DKK million**	**Risk relative to equity end of year in %**
Highest risk of loss:	15.9	0.22%
Lowest risk of loss:	3.0	0.04%
Average risk of loss:	8.5	0.12%
End of year risk of loss:	15.4	0.21%

Staff and administration costs etc.

Total staff and administration costs etc. including amortisation, depreciation and write-downs on intangible and tangible assets amounted to DKK 730 million in 2018, of which special costs totalling DKK 99 million derived from the merger.

Impairment charges for loans etc.

Impairment charges for loans etc. were an expense of DKK 87 million in 2018, compared to an expense of DKK 10 million in 2017.

With effect from 1 January 2018, the bank started using impairment rules compatible with the IFRS 9 reporting standard, which meant that the bank's accounting policies changed. The IFRS 9 rules are incorporated into the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. and with the introduction of IFRS 9, the previous impairment model, which was an incurred loss model, has been replaced by an expected loss model.

The new expected loss model means that, on initial recognition, a financial asset must be impaired by the expected credit loss for a twelve-month period (stage 1). If the credit risk for the asset subsequently increases significantly relative to initial recognition, the asset must be impaired by the expected credit loss over the asset's remaining life (stage 2). Impairment charges for exposures at stages 1 and 2 are calculated on the basis of a statistical model.

If the asset is judged to be impaired (stage 3), the asset must be impaired by the expected credit loss over its remaining life, while interest income must be recognised in the income statement based on the effective interest method applied to the impaired amount.

The IFRS 9 rules resulted in additional impairment charges of DKK 59 million at the beginning of 2018; the effect on the bank's equity after tax at the beginning of the year was thus DKK 46 million, equivalent to 1.2% of equity at the beginning of the year.

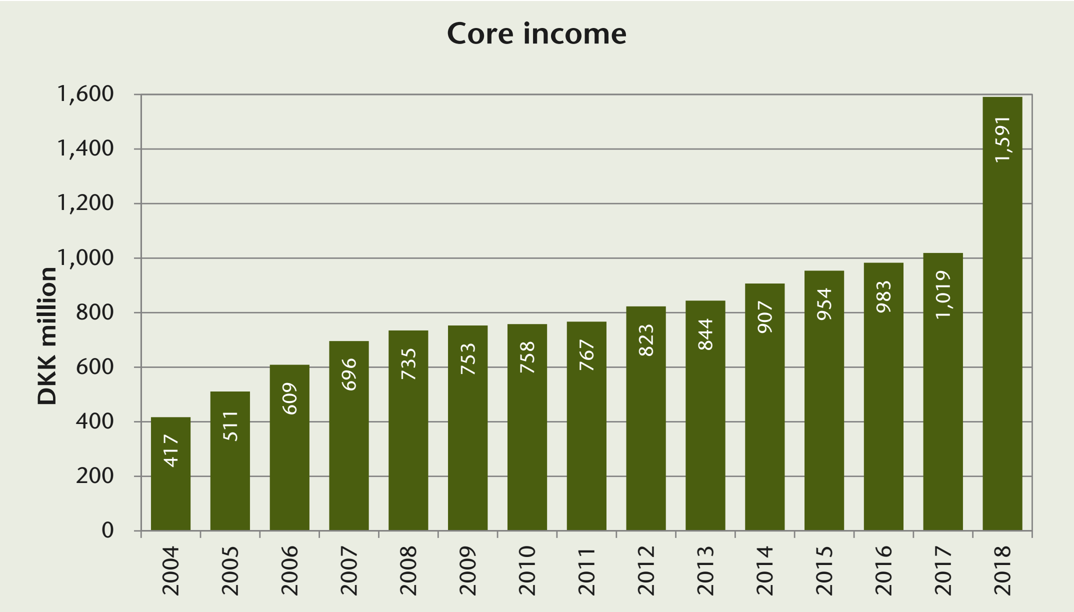
Individual impairment charges (stage 3) were DKK 1,570 million at the end of the year, while stages 1 and 2 impairment charges totalled DKK 470 million on 31 December 2018. Following the merger, the loans portfolio from Nordjyske Bank was taken over. The portfolio was considered to be new loans in Ringkjøbing Landbobank and they were recalculated in terms of IFRS 9 impairment.

The bank's total account for impairment charges and provisions was DKK 2,040 million at the end of the year, equivalent to 4.7% of total loans and guarantees.

The portfolio of loans with suspended calculation of interest amounted to DKK 210 million, equivalent to 0.5% of the bank's total loans and guarantees at the end of the year. The portfolio thus decreased compared to 30 June 2018, when the amount was DKK 397 million. One of the reasons for the decrease was harmonising of the merged bank's policies on loss write-offs.

Core income

Total core income increased from DKK 1,019 million in 2017 to a total of DKK 1,591 million in 2018, mainly due to the merger and thus the recognition of core income from Nordjyske Bank in the recognition period.



The correlations between core income, core earnings and profit before tax are explained in notes 15 - 20 on page 84.

Core earnings

(DKK million)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total core income	1,591	1,019	983	954	907	844	823	767	758	753
Total expenses etc.	-632	-334	-318	-306	-298	-273	-265	-248	-240	-238
Core earnings before impairment charges	959	685	665	648	609	571	558	519	518	515
Impairment charges for loans	-81	-10	-48	-60	-87	-120	-157	-129	-138	-159
Core earnings	**878**	**675**	**617**	**588**	**522**	**451**	**401**	**390**	**380**	**356**

Core earnings increased from DKK 675 million in 2017 to DKK 878 million in 2018.

Profit before and after tax and follow-up on financial expectations for 2018

The profit before tax was DKK 813 million in 2018 and the profit after tax was DKK 663 million, compared to DKK 735 million and DKK 589 million respectively in 2017.

The merger document published on 31 May 2018 contained expectations for 2018 for the merged bank. A profit of DKK 825 - 1,025 million before tax and before merger costs was thus expected for the merged bank for 2018. The realised result for 2018 was DKK 902 million. The expectations for profit after merger costs but before tax for 2018 were an amount of the order of DKK 700 - 900 million. The realised amount was DKK 813 million.

Balance sheet items and contingent liabilities

The bank's balance sheet at the end of the year stood at DKK 49,651 million, compared to last year's DKK 25,796 million.

Deposits including pooled schemes increased from DKK 19,110 million at the end of 2017 to DKK 36,993 million at the end of 2018. The bank's loans increased from DKK 19,351 million at the end of 2017 to DKK 33,350 million at the end of 2018.

Equity increased from DKK 3,817 million at the end of 2017 to DKK 7,189 million at the end of 2018.

The bank's contingent liabilities, including guarantees, at the end of 2018 amounted to DKK 7,829 million, compared to DKK 3,184 million in 2017.

All of the changes above are attributable mainly to the effect of the merger. There was also a positive development in both the "old" Ringkjøbing Landbobank and the "old" Nordjyske Bank.

Liquidity

The bank's liquidity situation is good. The bank's short-term funding with term to maturity of less than 12 months thus amounts to DKK 0.9 billion, balanced by DKK 9.2 billion primarily in short-term investments in the central bank of Denmark and in liquid tradable securities.

The bank's deposits excluding pooled schemes were at the same level as the bank's loans at the end of the year. The bank’s deposits and equity therefore more than cover the financing of the loan portfolio. In addition, part of the loan portfolio for renewable energy projects is financed back-to-back with KfW Bankengruppe, which means that DKK 966 million can be disregarded in terms of liquidity.

In terms of liquidity coverage ratio (LCR), the bank must comply with the statutory requirement of at least 100%. On 31 December 2018, the bank’s LCR was 183%, which thus met the statutory requirement by a good margin.

Further details on the bank’s liquidity are given in the “Liquidity risk” section under “Risks and risk management” on page 40 of this annual report.

Rating

The bank was rated for the first time by the international credit rating agency Moody’s Investors Service in May 2007. Immediately before the final adoption of the merger, the bank’s ratings were affirmed provided that the merger went ahead.

The most important ratings at the end of 2018 were as follows:

Rating	Assigned rating
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Long Term Bank Deposit	A1
Short Term Bank Deposit	P-1
Long Term Issuer Rating	A2
Short Term Issuer Rating	P-1
Outlook	Stable

Share buy-back programmes, development in the bank’s share capital and dividend

A total of 1,332,462 shares were purchased under the DKK 470 million share buy-back programmes, which were implemented under the Safe Harbour regulation.

The development in the bank’s share capital in 2018 and the expected development are given below:

	Number of shares
Beginning of 2018	22,350,000
May 2018	
Capital reduction by cancellation of own shares	-538,000
June 2018	
Issue of new shares in connection with the merger	9,182,258
End of 2018	30,994,258
DKK 170 million share buy-back programme completed July 2018	-463,875
DKK 300 million share buy-back programme completed February 2019	-868,587
Number of shares following capital reduction	29,661,796

It is proposed to the general meeting that 1,332,462 shares be finally cancelled in connection with a capital reduction, thus reducing the number of shares in the bank from 30,994,258 to 29,661,796.

The board of directors further proposes to the general meeting that a dividend of DKK 10.0 per share, equivalent to a total of DKK 310 million, be paid for the 2018 financial year. A dividend of DKK 9.0 per share was paid for the 2017 financial year, and the dividend thus increases by 11%.

A proposal will also be made to the general meeting that a new buy-back programme be established, under which shares for up to DKK 190 million can be bought for cancellation at a future general meeting.

The total pay-out ratio for 2018 is 75% relative to net profit for the year. However, for 2018 it is more appropriate to calculate the pay-out ratio relative to the pro forma profit after tax, and the ratio is then 64% compared to 63% for 2017. Both pay-out ratios for 2018 were calculated without recognising the capital adjustment in connection with the merger via the DKK 300 million share buy-back programme.

Capital structure

The bank's equity at the beginning of 2018 was DKK 3,817 million. To this must be added the net effect of the increase in equity in connection with the merger, which comprised the share capital increase and the cash distribution to Nordjyske Bank's shareholders. The profit for the year must also be added to equity, while the dividend paid must be subtracted and adjustments made for changed accounting policies and movements in the bank's holding of its own shares, after which the equity at the end of 2018 was DKK 7,189 million.

Intangible assets worth DKK 1,065 million as at 31 December 2018 arose out of the merger, and this amount has been deducted from the total capital. The bank has also decided to take advantage of the transition programme for recognition of the negative effect of the IFRS 9 impairment rules and to phase in the full effect on total capital over five years.

As part of the merger, and to strengthen the total capital, with effect from 13 June 2018 the bank issued tier 2 capital in a total amount of DKK 800 million, in two separate issues. One issue, totalling DKK 500 million, has a maturity of ten years with a first call option (redemption) after five years. The interest for the first five years was agreed at a fixed rate consisting of a five-year mid-swap rate plus a margin of 165 basis points. The other issue, totalling DKK 300 million, has a maturity of twelve years with a first call option after seven years. The interest was agreed at a six-month Cibor rate plus a margin of 185 basis points and with fixing of interest every six months. Both issues were unlisted and had been bought in advance by different institutional investors.

The bank's total capital ratio was computed at 18.8% at the end of 2018, and the tier 1 capital ratio at 15.0%.

Capital ratios	2018	2017	2016	2015	2014
Common equity tier 1 capital ratio (%)	15.0	16.5	16.9	17.1	17.5
Tier 1 capital ratio (%)	15.0	16.5	16.9	17.1	17.5
Total capital ratio (%)	18.8	17.8	18.3	18.8	17.5
MREL requirement (%)	19.7	-	-	-	-
MREL capital ratio* (%)	25.2	-	-	-	-

* MREL capital as a percentage of total risk exposure.

The bank has calculated the individual solvency requirement at the end of December 2018 at 9.3%. To this should be added a capital conservation buffer of 1.9%; the total requirement for the bank's total capital is thus 11.2%.

Compared with the actual total capital of DKK 6.8 billion, the capital buffer at the end of December 2018 was thus DKK 2.8 billion, equivalent to 7.6 percentage points.

It was announced at the bank's annual general meeting on 28 February 2018 that the bank's management had worked towards new capital targets. The capital targets were later finalised by the board of directors and the bank now operates with three different capital targets.

The capital targets are that the common equity tier 1 capital ratio must be at least 13.5%, the total capital ratio must be at least 17% and the MREL capital ratio for covering the MREL requirement must be at least 24% including the capital buffers.

All capital targets are minimum figures that must be met at the end of the year, but there may be major fluctuations in the capital ratios over the year, due to the capital rules applying to deductions for share buy-back programmes.

The MREL requirement must be met by the beginning of 2019, because the bank has previously decided to meet the fully phased-in MREL requirement from that date. This was also a pre-condition for recognising (grandfathering) previous issues of contractual senior funding (issued before 31 December 2017).

Reference is made to the "Capital structure" section on page 24 of this annual report for further details.

The Supervisory Diamond

The bank complies with the Danish FSA's Supervisory Diamond which contains different benchmarks and associated limit values which Danish banks must observe.

The benchmark for large exposures was changed with effect from 1 January 2018. In future it must be calculated as the sum of the bank's 20 largest exposures relative to its common equity tier 1 capital with a limit value of less than 175%.

With effect from 30 June 2018, the liquidity benchmark was changed to an LCR benchmark, which will show the ability of banks to survive stressed liquidity for a three-month period with a limit value of more than 100%.

The Supervisory Diamond benchmarks and limit values and the bank's key figures are given in the following table.

Benchmarks (Danish FSA limit values)	**2018**	**2017**	**2016**	**2015**	**2014**
Funding ratio (<1)	0.7	0.8	0.7	0.8	0.8
Liquidity benchmark (>100%)	179.5%	-	-	-	-
Total large exposures (<175%)	106.0%	136.1%	-	-	-
Growth in loans (<20%)	72.3%*	10.7%	2.7%	14.0%	7.8%
Real property exposure (<25%)	15.8%	18.0%	14.8%	14.1%	11.6%

* The increase was mainly caused by the merger. The pro forma growth in loans relative to December 2017 was 7.0%.

As shown above, Ringkjøbing Landbobank observes all five current limit values by a good margin.

The Danish FSA's ordinary inspection

The Danish FSA carried out an ordinary inspection of the bank in the first quarter of 2018. The most recent previous inspection had been carried out in 2014.

The Danish FSA's final inspection report was published in June 2018. In the report, the Danish FSA concluded that the credit quality of the bank's loans to business customers was better than the average of group-2 institutions. No new impairment charges were identified during the inspection.

The Danish FSA further concluded that the bank has a strong, centralised credit organisation.

Finally, the Danish FSA had no comments on the bank's risk classification of the customers reviewed by the Danish FSA. It concluded that the individual solvency requirement calculated by the bank was adequate.

In connection with the inspection, the bank received a number of orders of an administrative nature, which we adopted and implemented subsequently.

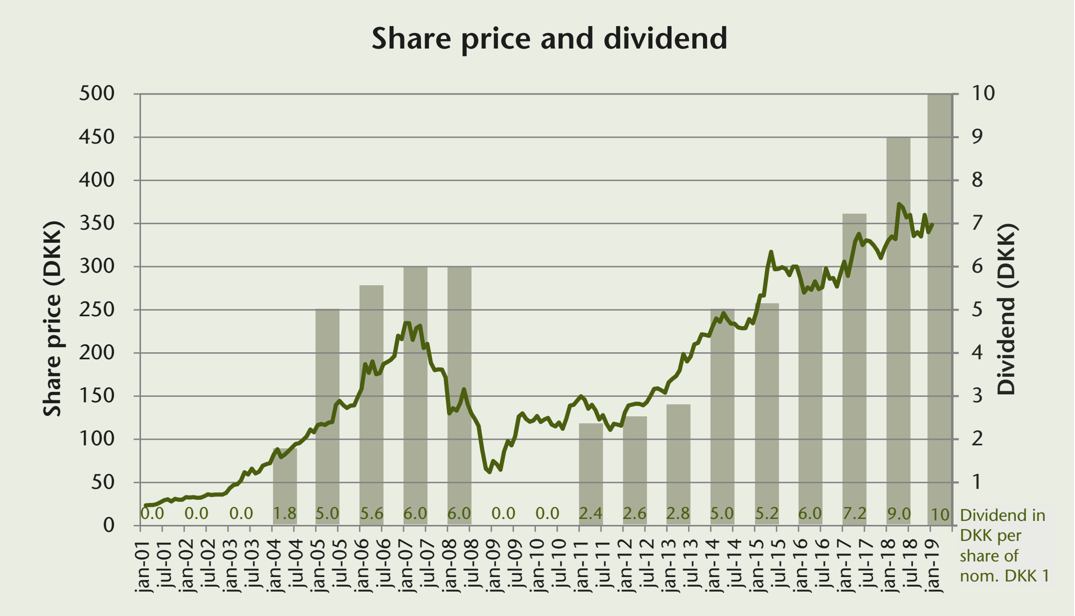
The bank's shares

The bank carried out a capital reduction of nom. DKK 538,000 in May 2018. Subsequently, the bank implemented a capital increase of nom. DKK 9,182,258 in connection with the merger in June 2018. The bank's share capital at the end of 2018 was thus DKK 30,994,258 million in 30,994,258 nom. DKK 1 shares.

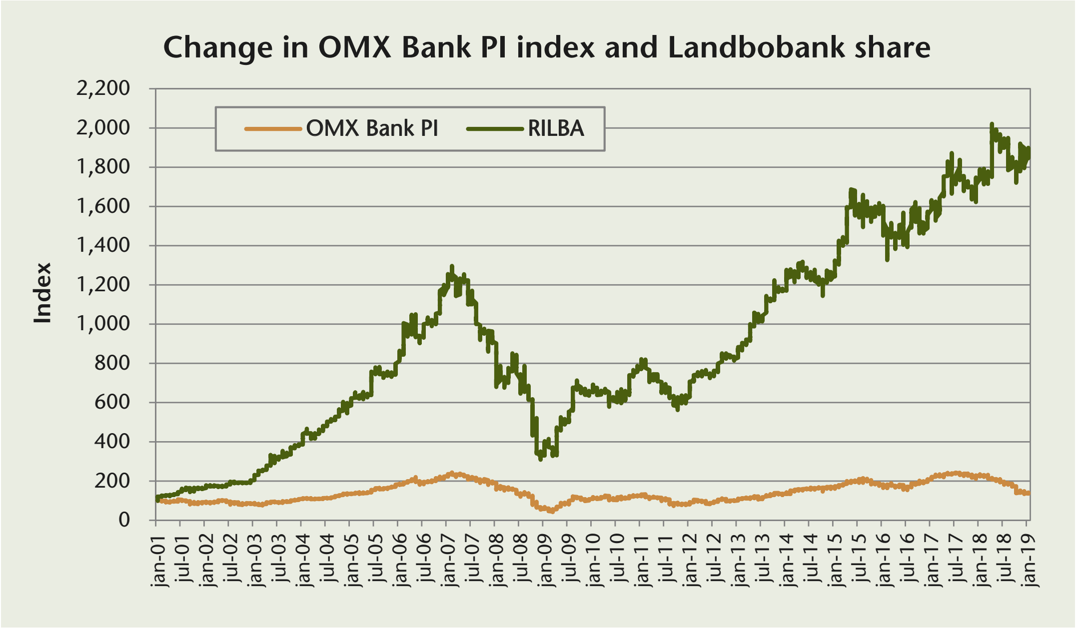
The bank's shares at the beginning of the year were listed on the Nasdaq Copenhagen at 321.5. At the end of 2018, the share price had increased to 340.0 and the return on the share was thus 8.6% including the dividend of DKK 9.0 distributed in 2018.

As a result of the merger, the merged bank's market value increased significantly. The bank was therefore upgraded to a large cap company at Nasdaq Copenhagen with effect from 11 June 2018.

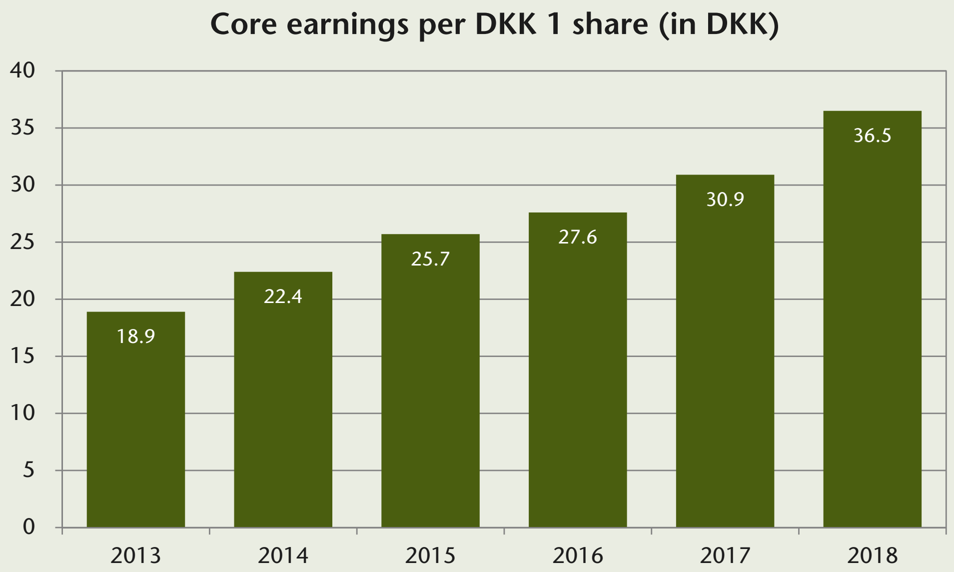
Including dividend, an investment in the bank's shares at the beginning of 2001 had increased by over 20 times by the end of 2018, as shown in the following chart.



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



The bank attaches great importance to the development in core earnings per share, which has increased from DKK 18.9 per share in 2013 to DKK 36.5 per share in 2018. For the purpose of comparability, core earnings per share for 2018 were computed on a pro forma basis.



The bank's alternative performance "Core earnings" is used as the value of earnings. For the years 2013 - 2017, core earnings figures from the "old" Ringkjøbing Landbobank were used and, for 2018, the pro forma core earnings for the merged bank were used. The following numbers of shares were used: End of 2013: 23,900,000, end of 2014: 23,350,000, end of 2015: 22,850,000, end of 2016: 22,350,000, end of 2017: 21,812,000 and end of 2018: 29,906,383.

Changes in the bank's board of directors

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

Chairman of the bank's board of directors for 16 years, timber merchant Jens Lykke Kjeldsen, of Ringkøbing, retired from the shareholders' committee and the board of directors with effect from the annual general meeting held on 28 February 2018.

In connection with the merger, the following former board members of Nordjyske Bank joined the bank's board of directors with effect from 7 June 2018:

- Mads Hvolby, of Nørresundby, chartered surveyor, born 1956
- Morten Jensen, of Dronninglund, attorney-at-law (Supreme Court), born 1961
- Sten Uggerhøj, of Frederikshavn, car dealer, born 1959
- Arne Ugilt, of Uggerby near Hjørring, credit consultant, born 1956, elected by the employees
- Finn Aaen, of Frejlev near Aalborg, business customer advisor, born 1970, elected by the employees

Bo Fuglsang Bennedsgaard retired as employee representative in connection with the merger.

New chairman of the board of directors is former deputy chairman Martin Krogh Pedersen, while Jens Møller Nielsen and Mads Hvolby are new deputy chairmen.

An election of employee representatives to the board of directors has been held among the bank's employees in 2019. The result was re-election of all four serving employee representatives for a four-year term.

Customer satisfaction and reputation

We are pleased to note that, measured both on customer satisfaction and general reputation, the bank was high or highest on the list of Danish financial institutions in 2018.

This was established in a survey carried out by Voxmeter published in January 2019, where both of the bank's brands were high or highest on the list. The Voxmeter survey is by far the biggest in Denmark and based on more than 50,000 respondents.

Reputation / image among financial institutions in Denmark

- The "Ringkjøbing Landbobank" brand is no. 1
- The "Nordjyske Bank" brand is no. 3

Customer satisfaction in Denmark

- The "Ringkjøbing Landbobank" brand is no. 2
- The "Nordjyske Bank" brand is no. 4

The high level of customer satisfaction and the bank's reputation contribute to the highly satisfactory continued net increase in new customers in both the branch network in Central and West Jutland and within the niche concepts in 2018. This was also the case in North Jutland, despite the merger process during 2018.

Merger process, plans for 2019 and expected results

The merger has been well received by the customers of the entire bank and the integration of the two banks is proceeding as expected. The final IT conversion at Bankdata will take place in March 2019.

Nordjyske Bank's products were almost identical to those of Ringkjøbing Landbobank, because both banks used the same providers: Bankdata, Totalkredit, BankInvest, Letpension, Privatsikring, card providers and others. This means that customers have not, and will not experience any inconvenience from the merger, because the products are unaltered and because it was decided to continue the "Nordjyske Bank" brand post-merger. Customers can therefore continue to use their existing cards, accounts and custody accounts.

Since 2011, Ringkjøbing Landbobank has had a successful growth strategy that has secured it an average growth in loans of 7.4% per annum, based on a continuous net increase in new customers. This growth is based on both the branch network in Central and West Jutland and niche concepts.

Nordjyske Bank also had a growth strategy before the merger, with satisfactory growth and a good net increase in new customers in 2016 and 2017. Growth in the first half of 2018 was more modest, because the uncertainty of Nordjyske Bank's future made outreach activities difficult. As stated, the merger has been well received by the customers and there was growth again in the second half of 2018.

The bank's focus is both on integrating the two banks and continuing the overall goal of pursuing an organic growth strategy.

Based on the above, the bank's expectations for 2019 are as follows.

During the first half of 2019, the bank expects to integrate all of its measuring tools and forecasts a continued net increase in customers in North, Central and West Jutland and within its niche concepts.

Continuing pressure on the bank's interest margin is expected in 2019 due to competition in the sector. Total net interest income is expected to develop positively, despite the issue of non-preferred senior capital which will increase interest expenses.

Total fee income is expected to be positively affected by the forecast increase in customers, but the pressure on asset management margins and competition are pulling in the opposite direction.

Total costs (excluding special costs) are expected to fall by 4 - 6% in 2019 compared to the costs calculated on a pro forma basis (excluding special costs) for 2018. The expectations are stated against the background of realisation of cost synergies, the establishment of a new Private Banking unit in Aalborg, planned investments in the organisation with a higher level of generalist knowledge within pensions and the establishment of bigger specialist environments to meet customer demand for competent advice.

Impairment charges are expected to remain at a low level, although the level in 2019 is expected to increase compared to the impairment charges calculated on a pro forma basis for 2018.

On the basis of the above, the bank expects core earnings for 2019 in the range DKK 950 - 1,150 million and profit before tax in the range DKK 900 - 1,200 million.

Accounting policies

As indicated in the section "Impairment charges for loans etc.", the bank's accounting policy for calculating impairment charges for loans changed with effect from 1 January 2018. It is not practically possible to adjust the comparative figures for 2017 and earlier years to reflect the changed accounting policy, and these figures have therefore not been changed.

Furthermore, new accounting policies for items not previously included in the bank's financial statements were established following the merger, i.e. investments in group undertakings, assets linked to pooled schemes, intangible assets, deposits in pooled schemes and provisions for pensions and similar liabilities.

The accounting policies are otherwise unchanged relative to those in the submitted and audited 2017 annual report.

See "Accounting policies etc." in note 1 on page 70 for a detailed description.

Profit distribution

The bank's annual general meeting in February 2018 authorised the bank's management to implement a share buy-back programme for up to DKK 170 million on the basis of the 2017 profit, with a view to cancelling the shares at a future general meeting.

In addition, the extraordinary general meeting held in June 2018 authorised the bank's management to implement a share buy-back programme for up to DKK 300 million, also with a view to cancelling the shares at a future general meeting. This share buy-back programme was proposed because of the wish to adjust the capital in connection with the merger.

Both share buy-back programmes were carried out under the Safe Harbour regulation.

Under the share buy-back programmes, shares to the total value of DKK 469.8 million, equivalent to 1,332,462 shares, have been bought and reserved, as shown in the following table:

	Number of shares	**Average purchase price - in DKK**	**Transaction value - in DKK million**
Reserved on 9 July 2018	463,875	366.48	170.0
Reserved on 20 February 2019	868,587	345.13	299.8
Total reserved on 20 February 2019	**1,332,462**	**352.56**	**469.8**

It is thus proposed to the general meeting to cancel the 1,332,462 shares, which will reduce the number of shares from 30,994,258 to 29,661,796 by a capital reduction.

The board of directors further proposes to the general meeting that a dividend of DKK 10 per share, equivalent to DKK 310 million, be paid for the 2018 financial year. A dividend of DKK 9 per share was paid for the 2017 financial year, and the dividend thus increases by 11%.

Finally, it is proposed to the general meeting that a new share buy-back programme be established for up to DKK 190 million, with a view to cancelling the shares bought back under the programme at a future general meeting. It is also proposed that the board of directors be authorised to cancel or reduce the share buy-back programme if this is considered commercially appropriate for the bank, in the bank's long-term interest, or the bank's circumstances with respect to capital otherwise so require. If the general meeting adopts the proposal for a new share buy-back programme, the amount of the share buy-back programme must be deducted from the bank's total capital which, seen in isolation, will mean a reduction of the bank's common equity tier 1 capital ratio by 0.5 percentage point calculated on the basis of the capital structure on 31 December 2018.

Capital objective

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

Management generally wants the bank's capitalisation to be such as to ensure sufficient capital for future growth and for hedging against any fluctuations in the risks assumed by the bank.

In light of these general objectives, it was announced at the bank's annual general meeting on 28 February 2018 that management had worked towards new capital targets.

The capital targets were later finalised by the board of directors and the bank now operates with three different capital targets.

The capital targets are that the common equity tier 1 capital ratio must be at least 13.5%, the total capital ratio must be at least 17% and the MREL capital ratio for covering the MREL requirement must be at least 24% including the capital buffers.

All capital targets are minimum figures that must be met at the end of the year, but there may be major fluctuations in the capital ratios over the year, due to the capital rules applying to deductions for share buy-back programmes.

The MREL requirement must be met by the beginning of 2019, because the bank has previously decided to meet the fully phased-in MREL requirement from that date. This was also a pre-condition for recognising (grandfathering) previous issues of contractual senior funding (issued before 31 December 2017).

The bank intends to continue the policy for distributions practised in recent years. The policy has thus been characterised by stable dividends combined with share buy-backs / extraordinary dividends to regularly adjust the capital structure to the development in the bank's total risk exposure amount and the bank's future growth opportunities as envisaged by management.

The following summary shows the actual pay-out ratios in per cent in recent years. The summary lists the actual pay-out ratios for the 2014 - 2017 financial years and the expected ratio for 2018.

Pay-out ratios

(DKK million)	**Pro forma 2018**	**2017**	**2016**	**2015**	**2014**
Net profit for the year	778.2	588.6	539.5	458.7	445.9
Distributions					
Ordinary dividend	309.9	201.2	164.5	140.1	124.3
Share buy-back programme	190.0	170.0	169.9	140.4	142.6
Total	**499.9**	**371.2**	**334.4**	**280.5**	**266.9**
Pay-out ratio in %	**64**	**63**	**62**	**61**	**60**

See page 77 for detailed comments on the pay-out ratios in general.

The expected pay-out ratio for 2018 was calculated on the basis of net profit for the year on a pro forma basis, since this is judged more appropriate. If net profit for the year in the official income statement is used instead, the expected pay-out ratio is 75%. Both of these pay-out ratios for 2018 were calculated without recognising the capital adjustment in connection with the merger via the DKK 300 million share buy-back programme.

Current capital structure

The bank's capital ratios as of the end of December 2014 - 2018 were as follows:

Capital ratios	**2018**	**2017**	**2016**	**2015**	**2014**
Common equity tier 1 capital ratio (%)	15.0	16.5	16.9	17.1	17.5
Tier 1 capital ratio (%)	15.0	16.5	16.9	17.1	17.5
Total capital ratio (%)	18.8	17.8	18.3	18.8	17.5
MREL capital ratio (%)	25.2	-	-	-	-

Individual solvency requirement and capital buffers

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

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

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

Despite this, the bank’s individual solvency requirement at the end of 2018 was calculated at 9.3%, which is 0.3 percentage point higher than at the end of 2017. To this should be added the capital conservation buffer of 1.9%. The total requirement for the bank’s total capital is thus 11.2%. Compared with the actual total capital of DKK 6.8 billion, the capital buffer at the end of 2018 was thus DKK 2.8 billion, equivalent to 7.6 percentage points.

As at 1 January 2019, the requirement for the capital conservation buffer increased by an additional 0.6%, which means that the buffer of 2.5% has now been finally phased in.

Following a recommendation by The Systemic Risk Council, the Minister for Industry, Business and Financial Affairs has starting implementing the countercyclical capital buffer in Denmark. The rate will be 0.5% from 31 March 2019 and increase by an additional 0.5 percentage point to a total of 1% from 30 September 2019.

Adjusted for these circumstances, the capital buffer would instead have been 6.0 percentage points.

Further reference is made to the summary below.

Individual solvency requirement and excess cover	**2018**	**2017**	**2016**	**2015**	**2014**
Individual solvency requirement (%)	9.3	9.0	9.0	9.0	8.9
Capital conservation buffer (%)	1.9	1.3	0.6	0.0	0.0
Countercyclical capital buffer (%)	0.0	0.0	0.0	0.0	0.0
Total requirement for the bank's total capital (%)	11.2	10.3	9.6	9.0	8.9
Excess cover in percentage points relative to individual solvency requirement	9.5	8.8	9.3	9.8	8.6
Excess cover in percentage points relative to total requirement for total capital	7.6	7.5	8.7	9.8	8.6

The computed adequate total capital is assessed on a regular basis, and regular reports are also made to the Danish FSA.

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 2018 on the bank's website at the address: www.landbobanken.dk/solvency.

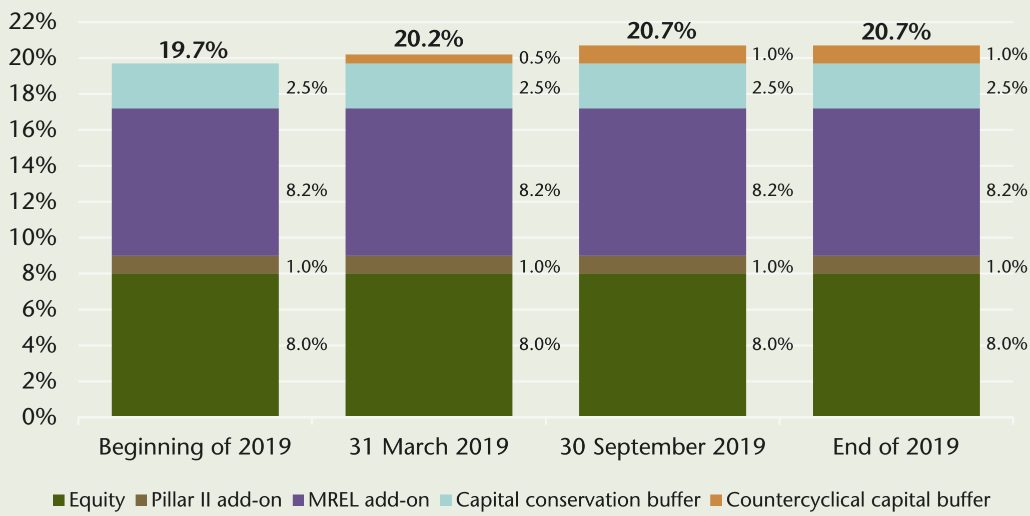
MREL requirement

In December 2018, the bank received the final MREL requirement (minimum requirement for own funds and eligible liabilities which can be used to convert debt into share capital/bail-in) applicable from the beginning of 2019 from the Danish FSA.

The Danish FSA fixed the final MREL requirement to be met from 1 January 2019 at 19.7% of the total risk exposure. The MREL capital ratio of 25.2% at the end of 2018 met the MREL requirement.

During 2019, the MREL requirement will increase in step with implementation of the countercyclical capital buffer and develop as shown in the following figure.

Phasing in MREL requirements



To comply with the MREL requirement, the bank had established funding to meet the requirements for grandfathering of contractual senior funding by the end of 2017. DKK 2.0 billion of the funding could be included to meet the bank's MREL requirement at the beginning of 2019, and in December 2018, the bank issued non-preferred senior capital totalling DKK 300 million.

As stated above, the bank's MREL capital ratio was 25.2% at the end of 2018, which thus met both the MREL requirement and the target fixed for the MREL capital ratio.

Given the maturity structure in 2020 and 2021 for the subordinated capital issued by the bank and the funding that has been grandfathered, the bank expects to issue non-preferred senior capital of approximately DKK 1 billion by the end of 2019 and an additional approximately DKK 1 billion by the end of 2020.

In October 2018, the bank updated its EMTN programme which, among other things, has enabled non-preferred senior capital to be issued under the programme.

Subordinated debt

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

Tier 2 capital

- Nom. DKK 275 million issued on 27 February 2015, term 10 years to 27 February 2025, option of early redemption from 27 February 2020 if approved by the Danish FSA.
- Nom. EUR 50 million issued on 20 May 2015, term 10 years to 20 May 2025, option of early redemption from 20 May 2020 if approved by the Danish FSA.
- Nom. DKK 500 million issued on 13 June 2018, term 10 years to 13 June 2028, option of early redemption from 13 June 2023 if approved by the Danish FSA.
- Nom. DKK 300 million issued on 13 June 2018, term 12 years to 13 June 2030, option of early redemption from 13 June 2025 if approved by the Danish FSA.

Capital adequacy rules

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

Calculation of capital adequacy - methods used

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

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

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

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

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

Risks and risk management

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

The credit risk is defined as the risk that payments owing to the bank have to be rated non-recoverable because of a lack of either ability or willingness to pay at the agreed time.

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

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

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

Policies on risk-taking and management

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

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

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

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

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

Credit risks

Credit risks, loans

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

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

In general, Ringkjøbing Landbobank assumes credit risks on the basis of a policy, the objectives of which are to strike the right balance between assumed risks and the return gained by the bank and keep the bank's losses at a relatively lower level than the losses in the Danish financial sector.

Historically, the bank has always operated a sound credit policy, and its focus will remain on ensuring efficient management and monitoring of its total portfolio of loans via its central credit function.

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

The personal customer models (for personal customers and small business customers) are based on information on the customer's assets, debt gearing and disposable amount as well as a range of behavioural data.

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

Using these models, the bank's opinion is that the credit quality for those of the bank's loans and guarantees which have not been impaired is on a par with last year for the total portfolio. This reflects a marginally better credit quality for the exposures in the "old" Ringkjøbing Landbobank and the "old" Nordjyske Bank. However, a considerable number of the customers with high credit quality in the "old" Ringkjøbing Landbobank were related to the bank's niche areas. After the merger, they carry less weight in the total portfolio. Although the underlying trend in the portfolio's credit quality is positive, the changed weighting therefore resulted in a total credit quality in 2018 on a par with 2017. We also refer to note 48 on page 100.

Actual net losses

Year	Actual net losses	Actual net losses after interest	Loans and other receivables with suspended calculation of interest	Impairments for loans etc.	Total loans and guarantees etc.	Percentage loss before interest*	Percentage loss after interest*
(DKK 1,000)							
1987	-6,696	304	10,544	75,000	1,358,464	-0.49%	0.02%
1988	-14,205	-5,205	4,522	93,900	1,408,830	-1.01%	-0.37%
1989	-18,302	-5,302	13,107	117,270	1,468,206	-1.25%	-0.36%
1990	-15,867	-1,867	47,182	147,800	1,555,647	-1.02%	-0.12%
1991	-11,429	3,571	47,626	170,000	1,805,506	-0.63%	0.20%
1992	-32,928	-14,928	43,325	177,900	1,933,081	**-1.70%**	**-0.77%**
1993	-27,875	-6,875	30,964	208,700	1,893,098	-1.47%	-0.36%
1994	-14,554	4,446	33,889	223,500	1,938,572	-0.75%	0.23%
1995	-10,806	10,194	27,292	238,800	2,058,561	-0.52%	0.50%
1996	-19,802	-1,802	18,404	233,400	2,588,028	-0.77%	-0.07%
1997	-31,412	-12,412	39,846	236,600	3,261,429	-0.96%	-0.38%
1998	-2,914	18,086	4,905	263,600	3,752,602	-0.08%	0.48%
1999	-442	21,558	18,595	290,450	5,148,190	**-0.01%**	0.42%
2000	-405	27,595	12,843	316,750	5,377,749	**-0.01%**	**0.51%**
2001	-8,038	20,962	14,222	331,950	6,113,523	-0.13%	0.34%
2002	-8,470	20,530	26,290	382,850	7,655,112	-0.11%	0.27%
2003	-22,741	2,259	23,412	394,850	8,497,124	-0.27%	0.03%
2004	-14,554	9,446	18,875	404,855	11,523,143	-0.13%	0.08%
2005	-22,908	192	35,796	357,000	15,522,264	-0.15%	0.00%
2006	-13,531	7,028	20,578	295,000	17,858,787	-0.08%	0.04%
2007	-15,264	4,888	13,190	289,097	19,227,573	-0.08%	0.03%
2008	-34,789	-10,237	22,110	356,083	16,475,975	-0.21%	-0.06%
2009	-73,767	-47,658	62,649	467,025	14,890,027	-0.50%	-0.32%
2010	-69,428	-40,207	66,237	565,035	14,758,234	-0.47%	-0.27%
2011	-78,813	-43,073	61,419	649,856	14,448,638	-0.55%	-0.30%
2012	-90,022	-48,337	113,312	758,363	14,849,602	-0.61%	-0.33%
2013	-69,030	-25,117	85,258	853,421	16,604,640	-0.42%	-0.15%
2014	-53,427	-9,206	58,244	931,398	18,073,200	-0.30%	-0.05%
2015	-87,250	-48,815	74,220	942,950	20,194,063	-0.43%	-0.24%
2016	-86,666	-54,200	59,904	937,128	20,878,475	-0.42%	-0.26%
2017	-45,769	-16,414	24,995	931,035	23,465,775	-0.20%	-0.07%
2018	-251,451	-200,376	209,642	2,040,407	43,220,158	**-0.58%**	**-0.46%**
30-year average (1989 - 2018)						**-0.49%**	**-0.05%**
10-year average (2009 - 2018)						**-0.45%**	**-0.25%**

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

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

The 10-year average and the 30-year average are calculated as simple averages.

The above table documents the track record on the bank's sound credit policy. In connection with the merger, the two banks' policies on loss write-offs were harmonised in 2018. As a result, losses on exposures taken over from Nordjyske Bank were written off in 2018.

The local section of the bank is run partly via branches in the bank’s core areas in North, Central and West Jutland.

The most important areas within the bank's niche section are a Private Banking concept covering asset management for affluent personal customers, medical practitioners' and dentists' purchases of private practices, loans for the financing of renewable energy, including wind turbines, biogas and solar cell systems, and selected wholesale loans, including real property financing.

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

Credit concentration

The definition of large exposures was changed with effect from 1 January 2018. From that date it must be calculated as the sum of the bank's 20 largest exposures relative to its common equity tier 1 capital.

The credit quality of the bank's 20 largest exposures is generally very high. Only one exposure shows objective evidence of credit impairment, while none of the other exposures show any material signs of weakness.

Credit concentration

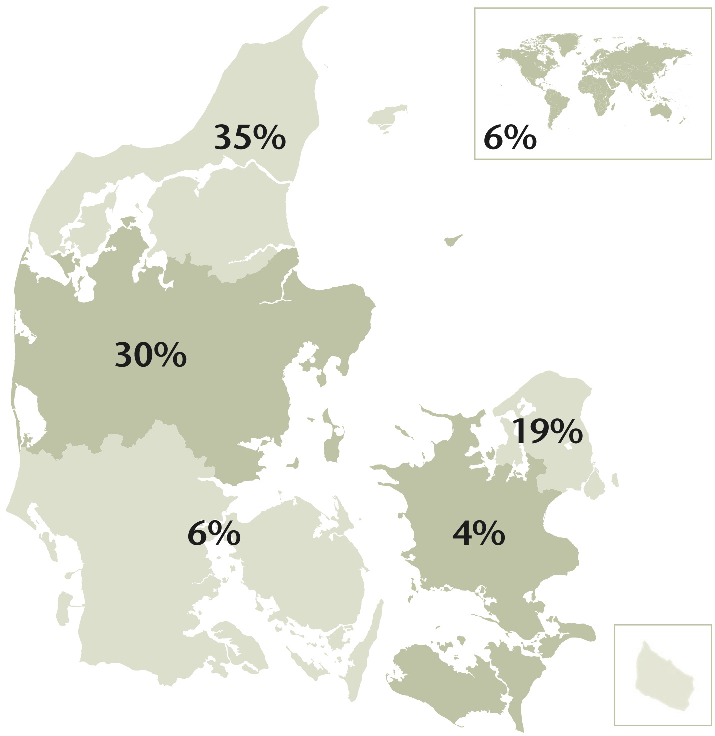
	2018	2017
Total large exposures	106.0%	136.1%

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

Geographic spread of the bank's loans and guarantee portfolio

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

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



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

Credit risks on financial counterparties

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

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

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

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

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

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

Receivables from central banks and credit institutions

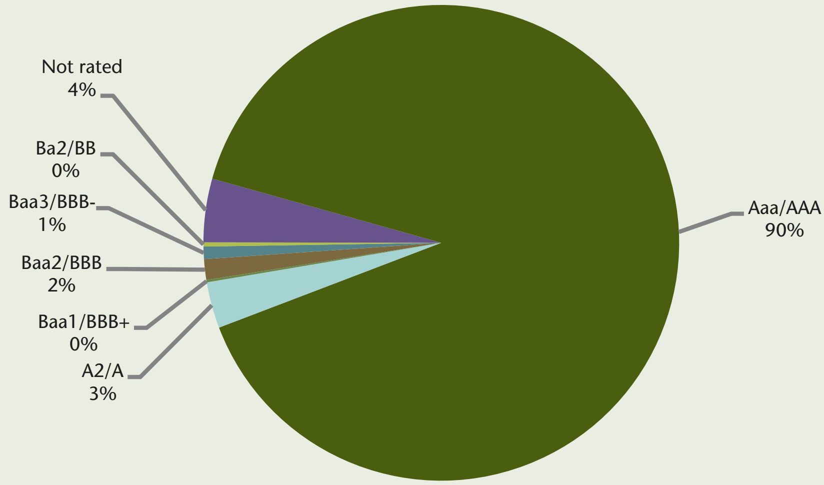
One of the major items of credit risk exposure to financial counterparties is receivables from central banks and credit institutions. The bank has assumed only a moderate risk on this item and, of the total receivables from central banks and credit institutions, 98% is thus due within three months.

The bond portfolio

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

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

Bonds distributed by rating classes



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

Market risks

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

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

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

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

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

Interest rate risk

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

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

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

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

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

Foreign exchange risk

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

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

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

As in previous years, the bank's foreign exchange risk in 2018 was at an insignificant level.

Share price risk

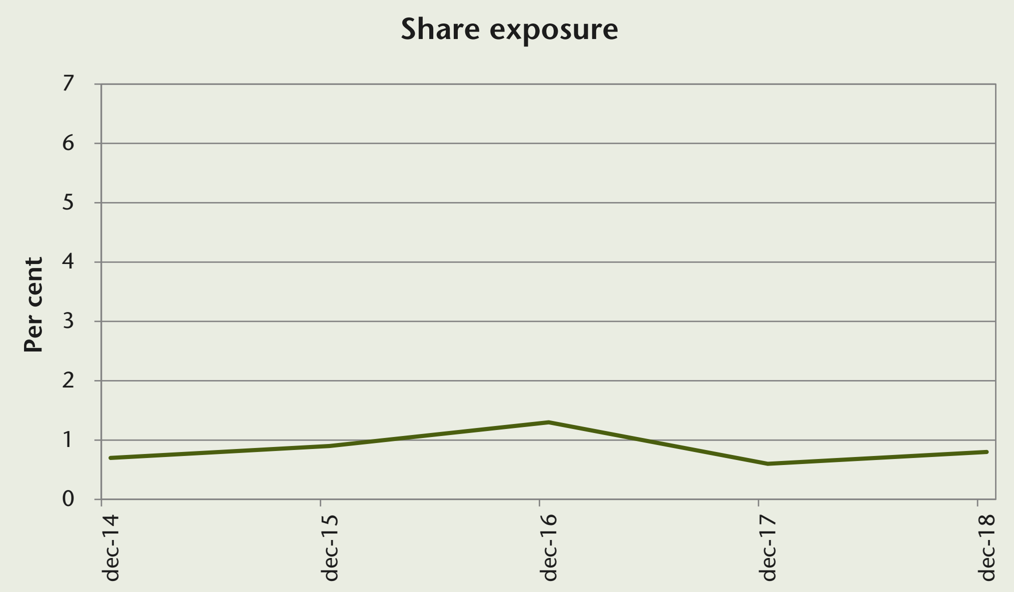
The bank is co-owner of various sector companies via equity interests in BankInvest Holding A/S, Bokis A/S, DLR Kredit A/S, Letpension Holding A/S, PRAS A/S, Sparinvest Holdings SE, Stonehenge Fondsmæglerselskab A/S, Swift, VP Securities A/S and others.

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

The holding of shares etc. amounted to DKK 1,467 million at the end of the year, with DKK 43 million in listed shares and investment fund certificates and DKK 1,424 million in sector shares etc.

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

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



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

Property risk

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

The bank's portfolio mainly consists of domicile properties to which should be added investment properties that are relatively modest relative to both the bank's balance sheet total and equity.

Value at Risk

The bank's total VaR was DKK 15.4 million at the end of 2018. 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 ten days.

Value at Risk summary

(DKK million) Risk	Average VaR figure	Min. VaR figure*	Max. VaR figure*	End of year VaR figure
Interest	7.7	1.2	15.7	15.0
Foreign currency	0.2	0.3	0.1	0.2
Share	3.3	2.8	4.6	4.8
Diversification	-2.7	-1.3	-4.5	-4.6
Total VaR figure	**8.5**	**3.0**	**15.9**	**15.4**

** Determined by the total VaR figure.*

As indicated in the table, the bank's total VaR throughout 2018 varied from DKK 3.0 million to DKK 15.9 million. The average VaR figure was DKK 8.5 million, which is lower than last year.

Reference is made to note 51 on page 103 for the development in VaR figures for the years 2014 - 2018.

The model in brief

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

Back tests and stress tests

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

Liquidity risk

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

In terms of liquidity coverage ratio (LCR), the bank must comply with the statutory requirement of at least 100%.

This key ratio expresses the ability of banks to honour their payment obligations for a 30-day period without access to market funds. The LCR figure is computed as the ratio of the bank's cash and cash equivalents / liquid assets to its payment obligations for the next 30 days as computed in accordance with specific rules.

On 31 December 2018, the bank's LCR was 183%, which thus met the statutory requirement by a good margin.

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

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

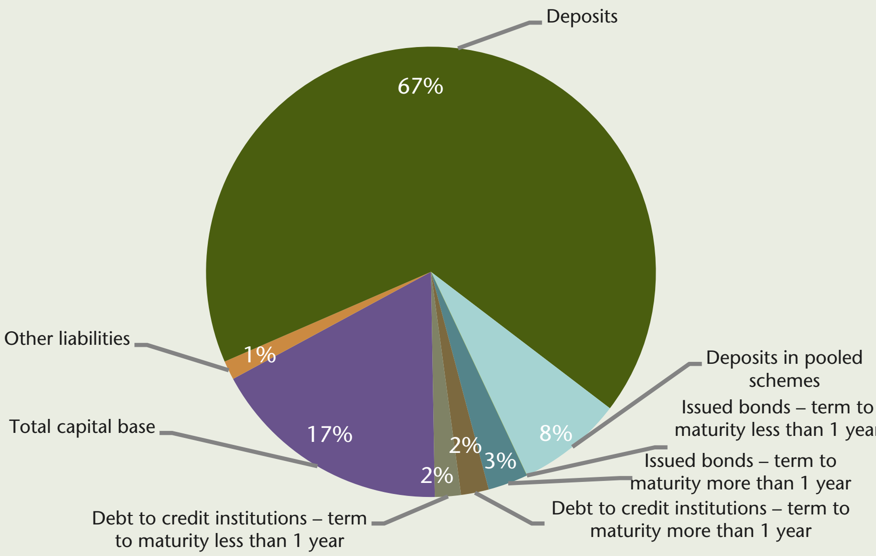
The composition of the bank's funding situation does not leave the bank dependent on individual business partners or partners in a single country.

To ensure diversification in funding, the bank also has an EMTN bond programme of EUR 2 billion. The programme helps to ensure alternative funding sources for the bank. Funds were also raised under the programme in 2018.

The bank issued non-preferred senior capital for the first time in 2018. The issue was a private placement of DKK 300 million with a term of five years under the bank's EMTN programme.

The bank also has a joint funding agreement with Totalkredit / Nykredit. The agreement means that the bank can procure liquidity by letting Totalkredit / Nykredit issue SDO bonds against security in the loans which the bank has provided to customers with security in real property.

Distribution of funding



	(DKK 1,000)
The short-term funding (term to maturity less than 1 year):	
Debt to credit institutions and central banks	
- term to maturity less than 1 year	923,078
Total	**923,078**
Covered as follows:	
Cash in hand and demand deposits with the central bank of Denmark	657,913
Receivables with notice from central banks - certificates of deposit	2,929,159
Receivables from credit institutions - term to maturity less than 1 year	181,788
Listed bonds, shares and investment fund certificates at fair value	5,469,887
Total	**9,238,747**
Excess cover	**8,315,669**

As evident from the above, the short-term funding (time to maturity less than one year) is supported via the bank's cash in hand and demand deposits with the central bank of Denmark, certificates of deposit, short-term placings with other credit institutions etc., and the bank's own portfolio of liquid securities. Excess liquidity at the end of 2018 was DKK 8.3 billion, while the corresponding figure at the end of 2017 was DKK 4.5 billion.

Operational risk

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

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

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

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

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

Another important area in relation to operational risks is the risk that the bank could be abused for money laundering or financing of terrorism. The bank wants to contribute to combating any form of money laundering and financing of terrorism etc.

The bank is required to maintain high standards for combating money laundering and financing of terrorism and to monitor and comply with financial sanctions. This role is an important part of banking in a globalised world.

The bank has implemented internal procedures, controls etc. to help comply with applicable rules in the area. The bank also regularly provides in-service training in combating money laundering and financing of terrorism for its employees.

Further information on the bank's risks

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

Statement on corporate governance

Goal

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

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

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

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

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

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

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

Codes of management

As a listed financial institution and member of Finance Denmark, the bank is covered by a number of codes.

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

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

The Recommendations on Corporate Governance

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

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

The Committee on Corporate Governance issued the edition of the recommendations applicable to the 2018 annual report in 2017. The number of recommendations is 47, and the Committee on Corporate Governance revised them in the latest edition, given that several elements of the recommendations from 2013 required updating.

Based on experience from dialogues with companies and stakeholders, the Committee on Corporate Governance has simplified the recommendations as requested so that, as far as possible, they do not include parts that appear directly in legislation or are already largely incorporated into corporate practice.

When preparing the 2018 annual report, under the "comply or explain" principle, the bank's board of directors and general management have re-assessed the bank's positions and actions on the recommendations.

The bank's management supports the efforts in the area of corporate governance, and the general management and board of directors have adopted almost all of the recommendations in this area. In a small number of areas, the bank's management has, however, elected either not to follow the recommendations or to follow them only in part. The bank thus follows 42 of the total of 47 recommendations.

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

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

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

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

When preparing the 2018 annual report, the bank's board of directors and general management also specified how they view the Corporate Governance Code of the Danish Bankers Association.

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

Stewardship Code

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

In addition to providing its position on the Recommendations on corporate governance and the Corporate Governance Code of the Danish Bankers Association when preparing the annual report for 2018, the bank's management has also considered and assessed whether the bank is covered by the Stewardship Code.

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

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

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

The process is arranged in order to ensure that the annual report is presented in accordance with statutory requirements and that it is free of material 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 complete statement on corporate governance describes in detail various matters including processes, internal systems, recognition and measurement, the control environment, risk assessment, control activities, monitoring and reporting.

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

Complete statement

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

Diversity in the board of directors

The bank's nomination committee has adopted a policy on diversity on the board of directors. The board of directors assessed the policy in December 2018 and found no need for changes.

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

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

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

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

The under-represented gender

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

In connection with the annual review in December 2018, the board's nomination committee adopted a few adjustments to the "Policy to increase the percentage of the under-represented gender at the bank's other management levels".

The statement specifies that, the target figure for the proportion of board members of the under-represented gender should be at least 16.7% to 33.3% (provided that the number of board members is twelve).

Figures on the date of closing the accounts were:

- 16.7% women
- 83.3% men

The bank thus meets the target.

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

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

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

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

At the end of 2018, the gender distribution at the bank's other management levels was as follows:

- 22.9% women
- 77.1% men

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

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

Communication with the bank's stakeholders

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

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

Investor Relations Policy

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

The bank's goal is thus to give

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

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

The board of directors assessed the policy in December 2018 and found no need for changes.

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

Code of conduct

In December 2014, the bank’s board of directors for the first time adopted a code of conduct which designates guidelines for the bank’s employees (including the bank's board of directors and general management) concerning the conduct which is expected of them, i.e. their conduct towards stakeholders, such as customers, suppliers and authorities. The board of directors adopted an update to the code of conduct in December 2018. In connection with the annual assessment of the need for updates, a paragraph was added concerning “Combating money laundering and financing of terrorism”, which formalised what already applied in the bank.

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

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

Remuneration policy

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

The board of directors and the remuneration committee have subsequently reviewed the remuneration policy each year to assess whether updating was required. In January 2017 the board of directors and the remuneration committee found that updating was required. The updated policy was submitted to and approved by the bank’s annual general meeting in February 2017.

The board of directors and the remuneration committee again assessed the need for updates in late 2018, and found that none was required.

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

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

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

Information on listed companies

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

The bank's share capital on 31 December 2018 was DKK 30,994,258 in 30,994,258 nom. DKK 1 shares.

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

Nykredit Realkredit, of Copenhagen, Denmark, and ATP, of Hillerød, Denmark, have advised that they own more than 5% of the bank's share capital. Both shareholders have 3,000 votes each.

With respect to the exercising of voting rights, each nom. DKK 1 share carries 1 vote when the share is recorded in the company's register of shareholders, or when the shareholder has reported and documented his or her right. However, a shareholder may cast no more than 3,000 votes.

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

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

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

The board of directors is authorised to increase the share capital, by cash payment of up to nom. DKK 14,210,980, to nom. DKK 45,205,238 in one or more new issues for which the board of directors will determine the price. The capital increase must be fully paid. The authorisation is valid until 27 February 2023. A capital increase will take place with pre-emption for existing shareholders.

The board of directors is authorised to increase the share capital by payment of values other than cash of up to nom. DKK 14,210,980 to nom. DKK 45,205,238 in one or more new issues, for which the board of directors will determine the price, as payment for the bank's takeover of an existing business or specific asset values corresponding to the value of the shares issued. The capital increase must be fully paid. The authorisation is valid until 27 February 2023. The capital increase will take place without pre-emption for existing shareholders.

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

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

The bank’s annual general meeting of 28 February 2018 has authorised the board of directors, before the next annual general meeting and in accordance with applicable law, to permit the bank to acquire its own shares to a total nominal value of 10% of the bank’s share capital, so that the shares can be acquired at the current listed price +/-10%.

At the annual general meeting, the board was also authorised to buy back the bank's own shares under a separate buy-back programme up to a market value of DKK 170 million, but with a maximum of 1,000,000 nom. DKK 1 shares, and set them aside for later cancellation. This authority was exercised as at 9 July 2018 to the sum of DKK 170 million, the equivalent of 463,875 nom. DKK 1 shares, which are recommended to be cancelled at the bank’s annual general meeting in March 2019.

At the extraordinary general meeting held on 7 June 2018, the board was also authorised to buy back the bank's own shares under a separate buy-back programme up to a market value of DKK 300 million, but with a maximum of 1,800,000 nom. DKK 1 shares, and set them aside for later cancellation. This authority was exercised as at 20 February 2019 to the sum of DKK 299.8 million, the equivalent of 868,587 nom. DKK 1 shares, which are also recommended to be cancelled at the bank’s annual general meeting in March 2019.

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

Corporate social responsibility

Ringkjøbing Landbobank wants to be a socially responsible and value-creating bank. We work to create the best results for our shareholders, customers and employees, our environment, our local communities and Danish society.

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

On the basis of this goal and the bank's deep roots in Denmark and the local communities where we are represented, the board of directors has prepared and adopted a corporate social responsibility (CSR) policy.

The bank's CSR policy is divided to focus specifically on the five stakeholder groups: customers, employees, the environment, the local communities and Danish society.

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

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

STATEMENT AND REPORTS

Management statement

The board of directors and the general management have today discussed and approved the annual report of Ringkjøbing Landbobank A/S for the financial year 1 January to 31 December 2018.

The annual report was prepared in accordance with the provisions of the Danish Financial Business Act. We consider the chosen accounting policies to be appropriate and the estimates made responsible, so that the financial statements provide a true and fair view of the bank's assets, liabilities and financial position as of 31 December 2018 and of the result of the bank's activities for the financial year 1 January to 31 December 2018. We also believe that the management's review contains a true and fair account of the development in the bank's activities and financial circumstances as well as a description of the most important risks and uncertainties which can affect the bank.

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

Ringkøbing, 26 February 2019

General management:

John Fisker
CEO

Claus Andersen
General Manager

Jørn Nielsen
General Manager

Carl Pedersen
General Manager

Ringkøbing, 26 February 2019

Board of directors:

Martin Krogh Pedersen
Chairman

Mads Hvolby
Deputy chairman

Jens Møller Nielsen
Deputy chairman

Morten Jensen

Jon Steingrim Johnsen

Jacob Møller

Lone Rejkjær Söllmann

Sten Uggerhøj

Dan Junker Astrup
Employee representative

Gitte E. S. H. Vigsø
Employee representative

Arne Ugilt
Employee representative

Finn Aaen
Employee representative

Internal auditor's report

To the shareholders of Ringkjøbing Landbobank A/S

Opinion

In my opinion, the financial statements for Ringkjøbing Landbobank A/S give a true and fair view of the bank's assets, liabilities and financial position at 31 December 2018, and of the results of the bank operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Business Act.

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

The audit

I have audited the financial statements for Ringkjøbing Landbobank A/S for the financial year 1 January to 31 December 2018, which comprise income statement and statement of comprehensive income, core earnings, balance sheet, statement of changes in equity, statement of capital and notes, including accounting policies, and five-year main and key figures. The financial statements were prepared in accordance with the Danish Financial Business Act.

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

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

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

Statement on management review

Management is responsible for the management review.

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

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

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

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

Ringkøbing, 26 February 2019

Henrik Haugaard
Chief internal auditor

Independent auditor's report

To the Shareholders of Ringkjøbing Landbobank A/S

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the bank at 31 December 2018, and of the results of the bank operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Business Act.

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

What we have audited

Ringkjøbing Landbobank A/S's financial statements for the financial year 1 January to 31 December 2018 comprise the income statement and statement of comprehensive income, the core income, the balance sheet, the statement of changes in equity, the statement of capital and notes, including summary of significant accounting policies, and five-year financial highlights ("the financial statements").

Basis for opinion

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

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

Independence

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

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

Appointment

Following the merger between Nordjyske Bank and Ringkjøbing Landbobank, PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab is considered first appointed auditors of Ringkjøbing Landbobank on 8 June 2018 for financial year 2018.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	*How our audit addressed the key audit matters*
Loan impairment charges Loans are measured at amortised cost less impairment charges. As a result of the implementation of IFRS 9, as from 1 January 2018, impairment charges are made on expected credit losses instead of, as previously, only on incurred losses.	We reviewed and assessed the accumulated effect of the bank's impairment charges at 1 January 2018 recognised in equity as well as current impairment charges recognised in the income statement in 2018.

Independent auditor's report - continued

Loan impairment charges - continued

The accumulated effect of the change compared to previous years has been recognised in equity at 1 January 2018, whereas impairment charges for the year 2018 have been currently recognised in the income statement.

Impairment of loans and advances constitutes management's best estimate of expected losses on loans and advances at the balance sheet date in accordance with the provision of IFRS 9 as incorporated in the Danish Executive Order on the Presentation of Financial Statements of Credit Institutions and Stockbroker Companies, etc. We refer to note 1 for a detailed description of the accounting policies applied.

Due to the continuing considerable financial challenges facing the agricultural sector, a material part of the bank's impairment charges relates to this sector. The situation of the agricultural sector implies increased uncertainty with respect to the statement of the required impairment relating to the agricultural sector.

Impairment of loans and advances constitutes a key focus area as management makes material estimates with respect to whether impairment charges are to be recorded on loans and advances as well as the amount of the impairment charges.

The following areas are central to the calculation of loan impairment charges:

- Determination of credit classification on initial and subsequent recognition.
- Model-based impairment charges in stages 1 and 2, including management's determination of model variables adapted to the bank's loan portfolio.
- The bank's procedures to ensure completeness of the registration of credit-impaired loans (stage 3) or loans with significant increase in credit risk (stage 2).
- Most significant assumptions and estimates applied by management in the calculations of impairment charges, including principles for the assessment of various outcome of the customer's financial position (scenarios) and for the assessment of collateral values of e.g. agricultural land and properties included in the calculations of impairment.
- Management's assessment of expected credit losses at the balance sheet date as a result of possible changes in market conditions and which are not included in the model-based calculations or individually assessed impairment charges, including the current and expected earnings of agricultural customers.

We refer to note 2 "Accounting estimates and judgements", note 47 "Risk factors and risk management" and note 48 "Credit risk" to the financial statements which show factors that may affect the impairment of loans and advances.

Our review included an assessment of the impairment model applied prepared by the data centre Bankdata, including division of responsibilities between Bankdata and the bank. Bankdata's independent auditor has provided the model with a reasonable assurance report as to whether the descriptions comply with the interpretation options regarding the impairment principles according to IFRS 9, and whether the model calculates in accordance with the model descriptions. We assessed whether the use of the model took into consideration any comments in the report.

We assessed and tested the bank's calculation of impairment charges in stages 1 and 2, including assessment of management's determination and adaptation of model variables to own issues.

Our assessment and test moreover included the bank's validation of the methods applied for the calculation of expected credit losses as well as the procedures designed to ensure that credit-impaired loans in stage 3 and in stage 2, underperforming, are identified and recorded on a timely basis.

We assessed and tested the principles applied by the bank for the determination of impairment scenarios and for the measurement of collateral values of e.g. agricultural land and properties included in the calculations of impairment of credit-impaired loans and advances, and loans and advances that are significantly underperforming.

We tested a sample of credit-impaired loans in stage 3 and in stage 2, underperforming, by testing the calculations of impairment charges and applied data to underlying documentation.

We tested a sample of other loans by making an assessment ourselves of stage and credit classification. This included more samples of large loans as well as loans relating to segments with generally increased exposure, including the agricultural segment.

We reviewed and challenged management's estimates of expected credit losses not included in the model-based calculations or individually assessed impairment charges based on our knowledge of the portfolio, our trade knowledge and knowledge of current market conditions.

Independent auditor's report - continued

Merger with Nordjyske Bank

At 8 June 2018, the bank merged with Nordjyske Bank. For accounting purposes, the merger is treated as a so-called acquisition under which the activities of Nordjyske Bank are recognised in Ringkjøbing Landbobank with effect as from the date of merger 8 June 2018.

The activities of Nordjyske Bank are recognised at fair value at the date of acquisition. Consequently, the bank has reviewed the assets and liabilities acquired from Nordjyske Bank and has, based on this, calculated the fair value of the acquired net assets.

The merger with Nordjyske Bank constitutes a central focus area as Management has performed material estimates of the fair value of the net assets acquired from Nordjyske Bank, and as the merger has a material effect on the financial statements for 2018.

Central areas relating to the merger are as follows:

- Calculation of the fair value of loans and advances and other significant assets and liabilities acquired, including Management's calculation and assessment of the value of acquired customer relations.
- Incorporation and presentation of the merger in the bank's financial statements.

We refer to note 53 "Merger" to the financial statements, which describes the acquisition for accounting purposes of Nordjyske Bank.

We audited the pre-acquisition balance sheet at 8 June 2018 prepared by the bank.

We assessed whether the principles and methods applied for the calculation and recognition of the net assets acquired in the bank's financial statements are in accordance with the accounting rules.

We tested management's assessment in connection with the bank's calculation of the fair value of the assets and liabilities acquired at 8 June 2018, including testing on a sample basis of particularly large loans and advances acquired as well as the calculation of the value of acquired customer relations.

We examined the presentation of the merger in the bank's financial statements for 2018.

Statement on management's review

Management is responsible for management's review.

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

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

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

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

Management's responsibilities for the financial statements

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

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

Independent auditor's report - continued

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

Ringkøbing, 26 February 2019

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

H. C. Krogh
State Authorised Public Accountant
mne9693

FINANCIAL STATEMENTS

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Note no.		2018 DKK 1,000	2017 DKK 1,000
3	Interest income	996,906	694,136
4	Interest expenses	70,411	53,094
	Net interest income	**926,495**	**641,042**
5	Dividends from shares etc.	27,619	10,258
6	Fee and commission income	538,862	322,717
6	Fee and commission expenses	48,293	42,486
	Net interest and fee income	**1,444,683**	**931,531**
7	Value adjustments	+179,833	+143,225
	Other operating income	5,770	4,979
8,9,10,11	Staff and administration costs	704,778	327,024
12	Amortisation, depreciation and write-downs on intangible and tangible assets	22,690	4,249
	Other operating expenses	2,816	3,174
13	Impairment charges for loans and other receivables etc.	-86,955	-10,320
	Results from investments in associated companies and group undertakings	80	-20
	Profit before tax	**813,127**	**734,948**
14	Tax	149,935	146,308
	Net profit for the year	**663,192**	**588,640**
	Other comprehensive income:		
	Value changes, pension obligations	-335	0
	Total comprehensive income for the year	**662,857**	**588,640**

PROPOSED DISTRIBUTION OF PROFIT

	2018 DKK 1,000	2017 DKK 1,000
Total comprehensive income for the year	662,857	588,640
Total amount available for distribution	**662,857**	**588,640**
Appropriated for ordinary dividend	309,943	201,150
Appropriated for charitable purposes	500	500
Transfer to net revaluation reserve under the equity method	80	-20
Transfer to retained earnings	352,334	387,010
Total distribution of the amount available	**662,857**	**588,640**

CORE EARNINGS

Note no.		2018 DKK 1,000	2017 DKK 1,000
15	Net interest income	936,929	642,707
16	Net fee and commission income excluding trading income	412,288	215,374
17	Income from sector shares etc.	131,106	70,674
	Foreign exchange income	26,408	20,902
	Other operating income	5,770	4,979
	Total core income excluding trading income	**1,512,501**	**954,636**
16	Trading income	78,281	64,857
	Total core income	**1,590,782**	**1,019,493**
18	Staff and administration costs	615,637	327,024
18	Depreciation and write-downs on tangible assets	13,065	4,249
	Other operating expenses	2,816	3,174
18	Total expenses etc.	631,518	334,447
	Core earnings before impairment charges for loans	**959,264**	**685,046**
19	Impairment charges for loans and other receivables etc.	-81,165	-10,320
20	**Core earnings**	**878,099**	**674,726**
20	Result for the portfolio etc.	+33,794	+60,222
	Profit before special costs	**911,893**	**734,948**
18	Amortisation and write-downs on intangible assets	8,417	-
18	Merger and restructuring costs	89,141	-
18	Non-recurring costs	1,208	-
20	**Profit before tax**	**813,127**	**734,948**
	Tax	149,935	146,308
	Net profit for the year	**663,192**	**588,640**

BALANCE SHEET

Note no.	Assets	31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
	Cash in hand and demand deposits with central banks	657,913	308,211
21	Receivables from credit institutions and central banks	3,165,947	1,211,577
22, 23	Total loans and other receivables at amortised cost	33,350,334	19,350,866
	Loans and other receivables at amortised cost	32,384,462	18,374,249
	Wind turbine loans etc. with direct funding	965,872	976,617
24	Bonds at fair value	5,427,138	3,952,614
25	Shares etc.	1,467,313	621,285
	Investments in associated companies	480	489
	Investments in group undertakings	11,811	-
26	Assets linked to pooled schemes	3,786,476	-
27	Intangible assets	1,064,838	-
28	Total land and buildings	241,745	55,647
	Investment properties	27,337	3,561
	Domicile properties	214,408	52,086
29	Other tangible assets	24,520	18,811
	Current tax assets	43,383	20,483
30	Deferred tax assets	7,763	8,719
	Temporary assets	4,643	4,000
31	Other assets	377,836	235,351
	Prepayments	18,388	8,430
	Total assets	**49,650,528**	**25,796,483**

Note no.	Liabilities and equity	31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
32	Debt to credit institutions and central banks	1,916,476	1,599,416
	Total deposits and other debt	36,992,571	19,110,127
33	Deposits and other debt	33,206,095	19,110,127
	Deposits in pooled schemes	3,786,476	-
34	Issued bonds at amortised cost	1,428,024	673,436
	Preferred senior capital	1,129,524	673,436
	Non-preferred senior capital	298,500	-
35	Other liabilities	595,913	210,691
	Deferred income	4,053	3,879
	Total debt	**40,937,037**	**21,597,549**
36	Provisions for pensions and similar liabilities	2,882	-
23	Provisions for losses on guarantees	52,754	10,263
23	Other provisions for liabilities	20,691	-
	Total provisions for liabilities	**76,327**	**10,263**
	Tier 2 capital	1,448,474	371,753
37	**Total subordinated debt**	**1,448,474**	**371,753**
38	Share capital	30,994	22,350
	Net revaluation reserve under the equity method	218	138
	Retained earnings	6,847,035	3,592,780
	Proposed dividend etc.	310,443	201,650
	Total shareholders' equity	**7,188,690**	**3,816,918**
	Total liabilities and equity	**49,650,528**	**25,796,483**

STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total share-holders' equity
2017					
Shareholders' equity at the end of the previous financial year	**22,850**	**158**	**3,366,627**	**165,020**	**3,554,655**
Reduction of share capital	-500		500		0
Dividend etc. paid				-165,020	-165,020
Dividend received on own shares			4,151		4,151
Shareholders' equity after distribution of dividend etc.	**22,350**	**158**	**3,371,278**	**0**	**3,393,786**
Purchase of own shares			-662,983		-662,983
Sale of own shares			494,433		494,433
Other equity transactions			3,042		3,042
Total comprehensive income for the year		-20	387,010	201,650	588,640
Shareholders' equity on the balance sheet date	**22,350**	**138**	**3,592,780**	**201,650**	**3,816,918**
2018					
Shareholders' equity at the end of the previous financial year	**22,350**	**138**	**3,592,780**	**201,650**	**3,816,918**
Changed accounting policy for impairment charges etc. under IFRS 9			-45,836		-45,836
Adjusted shareholders' equity at end of previous financial year	**22,350**	**138**	**3,546,944**	**201,650**	**3,771,082**
Reduction of share capital	-538		538		0
Dividend etc. paid				-201,650	-201,650
Dividend received on own shares			5,112		5,112
Shareholders' equity after distribution of dividend etc.	**21,812**	**138**	**3,552,594**	**0**	**3,574,544**
Share capital issued on merger	9,182		-9,182		0
Costs of share capital issue			-1,943		-1,943
Additions on merger			3,323,144		3,323,144
Received own shares on merger			1,793		1,793
Purchase of own shares			-790,333		-790,333
Sale of own shares			411,287		411,287
Other equity transactions			7,341		7,341
Total comprehensive income for the year		80	352,334	310,443	662,857
Shareholders' equity on the balance sheet date	**30,994**	**218**	**6,847,035**	**310,443**	**7,188,690**

STATEMENT OF CAPITAL

	31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
Credit risk	32,537,543	16,648,306
Market risk	1,584,762	1,169,580
Operational risk	2,262,571	1,890,456
Total risk exposure	**36,384,876**	**19,708,342**
Shareholders' equity	7,188,690	3,816,918
Proposed dividend etc.	-310,443	-201,650
Addition for transition programme concerning IFRS 9	152,730	-
Deduction for the sum of equity investments etc. above 10%	-396,911	-308,194
Deduction for prudent valuation	-13,772	-5,724
Deduction for intangible assets	-1,064,838	-
Deferred tax on intangible assets	31,148	-
Deduction of amounts of share buy-back programmes	-470,000	-
Actual utilisation of amounts of share buy-back programmes	369,878	-
Deduction for trading limit for own shares	-55,000	-55,000
Actual utilisation of the trading limit for own shares	12,849	220
Common equity tier 1	**5,444,331**	**3,246,570**
Tier 1 capital	**5,444,331**	**3,246,570**
Tier 2 capital	1,448,220	372,253
Deduction for the sum of equity investments etc. above 10%	-61,255	-104,494
Total capital	**6,831,296**	**3,514,329**
Contractual senior funding (grandfathered)	2,049,800	-
Non-preferred senior capital	300,000	-
MREL capital	**9,181,096**	-
Common equity tier 1 capital ratio (%)	**15.0**	**16.5**
Tier 1 capital ratio (%)	**15.0**	**16.5**
Total capital ratio (%)	**18.8**	**17.8**
MREL capital ratio (%)	**25.2**	-
Pillar I capital requirements	2,910,790	1,576,667

OVERVIEW OF NOTES

Note no.

1 Accounting policies etc.

General

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

The annual report is presented in DKK.

The accounting policies are changed in the following respects since last financial year.

The accounting standard "IFRS 9 - Financial instruments" entered into force with effect from 1 January 2018. IFRS 9 introduced a new impairment model for financial assets, unutilised credit lines, loan commitments and financial guarantees. The principles for financial liabilities remain unchanged. The general provisions of IFRS 9 have similarly been incorporated into the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. supplemented by special Danish impairment rules in annex 10 of the Executive Order, which details the general principles of IFRS 9. Further details are given below in the section "Model for impairment of expected credit losses on loans and other receivables etc."

IFRS 9 also introduced a new approach to classification of financial assets based on a bank's business model and the asset's underlying cash flows. The bank does not have any financial assets that are covered by the measurement category recognising fair value through other comprehensive income. The bank's bondholding is instead measured at fair value through the income statement, since the bonds are part of the bank's trading portfolio which is based on fair value, and therefore included in the bank's internal management reporting.

The implementation of the new IFRS 9-compatible accounting rules therefore only resulted in changed amounts as a consequence of the changed method of computing impairment charges and provisions for expected credit losses.

In accordance with the transition programme in the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., the bank has not implemented the changed impairment rules retroactively because it was not practically possible to apply the impairment rules to previous financial years without post-rationalising. The cumulative effect of the change is recognised in equity as at 1 January 2018 and the comparative figures for 2017 and previous years have not been adjusted.

The effect on the accounts of the IFRS 9-compatible rules was additional impairment charges and provisions of DKK 59 million at the beginning of 2018; the effect on the bank's equity after tax at the beginning of the year was thus DKK 46 million, equivalent to 1.2% of equity at the beginning of the year.

Furthermore, new accounting policies for items not previously included in the bank's financial statements were established following the merger, i.e. investments in group undertakings, assets linked to pooled schemes, intangible assets, deposits in pooled schemes and provisions for pensions and similar liabilities.

The accounting policies are otherwise unchanged relative to those in the submitted and audited 2017 annual report.

Recognition and measurement - general

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

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

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

Note
no.

1 Accounting policies etc. - continued

Foreign currency

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

Financial instruments - general

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

Derivative financial instruments

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

Hedging transactions which, under the terms of the Danish FSA's Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., are regarded as hedge accounting at fair value, are recognised at fair value on the balance sheet date with respect to both the hedging instrument and the hedged part of the financial instrument.

All value adjustments concerning derivative financial instruments and items subject to hedge accounting are entered under the item "Value adjustments" in the income statement.

Business combination

The acquisition method is used when new businesses are bought. Under the method, the acquired businesses' identifiable assets and liabilities, including any assets and liabilities that have not previously been booked in the acquired business, are measured at fair value on the takeover date.

Any positive difference between the cost price and fair value of the identifiable net assets is recognised as goodwill.

Any negative difference between the cost price and fair value of the identifiable net assets is recognised as badwill under other operating income in the income statement.

As a result of using the acquisition method, the comparative figures for previous years have not been adjusted and therefore only cover Ringkjøbing Landbobank before the merger with Nordjyske Bank in 2018.

Group

The bank owns the entire share capital of Sæbygård Skov A/S, Ringkøbing. Consolidated accounts have not been prepared as the subsidiary's business is insignificant with respect to both balance sheet and activity compared to those of the bank.

The income statement

Interest income

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

On stage 3 loans which have been impaired, the interest income relating to the impaired part is entered under the item "Impairment charges for loans and receivables etc."

Net fee and commission income

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

Note no.

1 Accounting policies etc. - continued

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

Staff and administration costs

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

Other operating expenses

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

Impairment charges for loans and receivables etc.

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

Tax

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

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

The bank is jointly taxed with the group undertaking Sæbygård Skov A/S.

Corporation tax is paid in accordance with the Danish Tax Prepayment Scheme.

Core earnings

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

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

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

“Profit before special costs” shows the profit before subtracting special costs directly attributable to the merger with Nordjyske Bank. Special costs are recognised as expenses under the items “Staff and administration costs” and “Amortisation, depreciation and write-downs on intangible and tangible assets” in the income statement.

A numerical explanation of the correlation between “Profit before tax” and “Core earnings” is given in notes 15 - 20 on page 84.

The balance sheet

Receivables from credit institutions and central banks

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

Loans and other receivables

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

Note
no.

1 **Accounting policies etc. - continued**

accrued over the life of the individual loan.

Leasing

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

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

Income from the lease assets is recognised on the basis of the effective interest agreed in the lease contracts and included under interest income in the income statement.

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

Model for impairment of expected credit losses on loans and other receivables etc.

With the new IFRS 9-compatible impairment rules, all financial assets recognised at amortised cost are impaired by the expected credit losses. Under the same rules, provisions for expected credit losses are made for unutilised credit lines, loan commitments and financial guarantees. The impairment rules use a model based on expectations, which means earlier recognition of impairment charges compared to the previous impairment model under which objective evidence of impairment had to exist before impairment charges could and had to be recognised.

For financial assets recognised at amortised cost, impairment charges for expected credit losses are recognised in the income statement and reduce the value of the asset in the balance sheet. Provisions for losses on unutilised credit facilities, loan commitments and financial guarantees are recognised as liabilities.

The new expected loss impairment rules mean that, on initial recognition, a financial asset etc. must be impaired by the expected credit loss for a twelve-month period (stage 1). If the credit risk for the asset subsequently increases significantly relative to initial recognition, the financial asset must be impaired by the expected credit loss over the asset's remaining life (stage 2). If the instrument is found to be impaired (stage 3), the asset must be impaired by the expected credit loss over its remaining life, and interest income must be recognised in the income statement based on the effective interest method applied to the impaired amount.

The expected loss is calculated as a function of the probability of OEI (objective evidence of impairment), EAD (exposure at default) and LGD (loss given default), into which forward-looking information representing the management's expectations for future development have been incorporated.

The classification in stages and computation of the expected loss are based on the bank's rating models, which were developed by the data centre Bankdata, and the bank's internal credit management. When assessing the development in credit risk, a significant increase in the credit risk compared to initial recognition is presumed to have occurred on a downgrading in the bank's internal rating of the customer corresponding to one rating class in the Danish FSA's recommended rating classification. Payments that are more than 30 days past due are also considered a significant increase in credit risk.

A major downgrading within the Danish FSA's rating class 2b is also considered a significant increase in credit risk. The Danish FSA's rating class 2c in principle always characterises a significant increase in credit risk, regardless of the facility's initial rating. In accordance with the rules, facilities from Nordjyske Bank were considered initial recognitions in connection with the merger and thus classified in stage 1.

If the credit risk on the financial asset is considered low on the balance sheet date, the asset remains in stage 1, which is characterised by no significant increase in credit risk. The bank considers credit risk to be low when the bank's internal rating of the customer corresponds to the Danish FSA's rating class 3 and the best part of 2a. The rest of 2a is only considered low credit risk if payments are not past due.

An exposure is defined as credit-impaired (stage 3) and in default if it meets at least one of

Note no.

1 **Accounting policies etc. - continued**

the following criteria:

- The bank judges that the borrower will fail to honour its obligations as agreed.
- The borrower is in significant financial difficulties or in breach of contract, or the bank has granted the borrower a relaxation of terms as a result of the borrower's financial difficulties, or the borrower is likely to go bankrupt or be subject to other types of financial restructuring.
- The exposure has been in arrears/past due for more than 90 days with an amount judged to be substantial.

However, if the customer is in significant financial difficulties or the financial institution has granted a relaxation of terms because of the customer's financial difficulties, the financial asset remains in stage 2 if no losses are expected in the most probable scenario.

The definition of credit-impaired and default used by the bank when measuring the expected credit loss and for transfers to stage 3 corresponds to the definition used for internal risk management purposes and it is also adjusted to the definition of default in the capital requirements regulation (CCR). This means that an exposure which is considered to be in default for regulatory purposes is always included in stage 3.

The calculation of impairment for exposures in stages 1 and 2, except for exposures in weak stage 2, is on a portfolio-based model, while impairment for the rest of the exposures is based on a manual individual assessment of relevant scenarios and associated probabilities that the scenarios will occur.

All impairment charges are considered individual and under the IFRS 9-compatible impairment rules, the bank has ceased to recognise collective impairment charges.

The portfolio-based calculation model is based on the bank's rating of its customers in different rating classes and an estimation of the risk for the individual classes. Calculations are made in a set-up developed and maintained by the bank's data centre Bankdata, supplemented with a forward-looking macroeconomic module developed and maintained by LOPI, the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, and used as the starting point for incorporating management's expectations for the future.

The macroeconomic module is built around a number of regression models that determine the historical connection between impairment charges for the year in a number of sectors and industries and a number of explanatory macroeconomic variables. The regression models are then supplied with estimates for the macroeconomic variables based on forecasts from consistent sources such as the Danish Economic Council, the central bank of Denmark and others. The forecasts generally cover two years ahead and include variables such as increase in public spending, increase in GDP, interest etc. The expected impairment charges are thereby calculated for up to two years ahead for the individual sectors and industries. For terms of more than two years, the impairment ratio is projected to converge towards a normal level. The forward-looking macroeconomic module generates a number of adjustment factors which are multiplied by the data centre's "raw" estimates, thus adjusting them relative to the starting point.

Practice for derecognising financial assets from the balance sheet

Financial assets measured at amortised costs are derecognised in full or in part from the balance sheet if the bank no longer reasonably expects full or partial cover of the outstanding amount. At the same time, the impairment charge is removed from the statement of cumulative impairment charges.

Sales and repurchase agreements (repo/reverse repo transactions)

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

Securities which have been bought under associated resale agreements are recognised as

Note
no.

1 **Accounting policies etc. - continued**

loans to, or receivables from, credit institutions and the return is recognised under "Interest income".

Bonds and shares

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

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

The management actively considers the fair value computations.

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

Investments in associated companies

Investments in associated companies are measured in the balance sheet by the equity method.

Investments in group undertakings

Investments in group undertakings are measured in the balance sheet by the equity method.

Assets linked to pooled schemes

All pooled assets and deposits are recognised as separate balance sheet items.

Returns on pooled assets and distributions to participants are posted under the item "Value adjustments" in the income statement.

Intangible assets

Goodwill

Goodwill acquired in connection with acquisitions is recognised at cost less cumulative write-downs.

Goodwill is not amortised but the value is impairment tested at least once a year. Goodwill is written down to the recoverable amount through the income statement if the net asset's carrying amount exceeds the higher of net sales price and value in use, which corresponds to the net present value of expected future cash flows.

Customer relationships

The value of customer relationships acquired in connection with acquisitions is recognised at cost and amortised on a straight-line basis over the estimated useful life which will not exceed ten years. The useful life depends on customer loyalty, and is reassessed annually. Changes in amortisation as a result of changes in the useful life are recognised prospectively as a change in accounting estimates.

Customer relationships are impairment tested when there is evidence of impairment. Impairment charges for customer relationships are recognised in the income statement and not subsequently reversed.

Land and buildings

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

Investment properties are included in the balance sheet at fair value, computed by the return method. Ongoing changes in value of investment properties are recognised in the income statement.

Domicile properties are included in the balance sheet at reassessed value, which is the fair

Note no.

1 **Accounting policies etc. - continued**

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

Other tangible assets

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

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

Temporary assets

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

Other assets

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

Tax

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

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

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

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

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

Other liabilities

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

Provisions for liabilities

"Provisions for pensions and similar liabilities", "Provisions for losses on guarantees" and "Other provisions for liabilities" all come under the heading of "Provisions for liabilities".

Unfunded pension liabilities for former management members are itemised in the balance sheet under the item "Provisions for pensions and similar liabilities". The liability is calculated as the capitalised value of the expected future pension payments.

A provision is recognised in respect of financial guarantees and unutilised credit commitments in accordance with the IFRS 9-compatible impairment rules; see the section "Model for impairment of expected credit losses on loans and other receivables etc."

Provisions are also made for other guarantees if it is probable that the guarantee will be called

Note no.

1 **Accounting policies etc. - continued**

and the amount of the liability can be reliably determined.

Contingent liabilities / guarantees

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

Statement of capital

Phasing in IFRS 9 impairment rules concerning capital

The bank has decided to take advantage of the transition programme under the capital requirements regulation (CRR), such that any negative effect of the IFRS 9 impairment rules will not have full effect on total capital until after five years.

Rules that have entered into force after the end of the financial year

The reporting standard "IFRS 16 - Leases" will have entered into force with effect from 1 January 2019 when this annual report is published.

The IFRS 16 rules have been incorporated into the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., which is compatible with IFRS 16.

IFRS 16 / the Executive Order specify rules on the recognition and measurement of lease assets and lease liabilities.

The expected effect of the IFRS 16 rules is a small increase in the bank's tangible assets and debts, since the bank has only entered into a limited number of leasing agreements/leases, mainly for the premises accommodating certain bank branches. The leasing rules in the Executive Order enter into force for reporting periods commencing on or after 1 January 2020, but with the possibility of early implementation, which the bank has chosen not to do.

Information and main and key figures (page 3)

"Main figures for the bank" for 2016, 2017 and 2018 are stated on a pro forma basis.

"Key figures for the bank" for 2016, 2017 and 2018 are calculated on a pro forma basis, although the capital ratios at the end of 2018 are the actual figures. The "Rate of costs" is calculated as "Total expenses etc." in per cent of "Total core income". Both "Total expenses etc." and "Total core income" are shown under "Core earnings" on page 7.

"Key figures per DKK 1 share" for 2016 and 2017 are calculated on the basis of the actual figures for the "old" Ringkjøbing Landbobank. "Key figures per DKK 1 share" for 2018 are calculated on a pro forma basis. "Key figures per DKK 1 share" are calculated on the basis of 2018: 29,906,383 shares, 2017: 21,812,000 shares, and 2016: 22,350,000 shares.

Pay-out ratios

Detailed comments on the pay-out ratios on page 25.

The pay-out ratios in general:

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

Completed share buy-back programmes:

Note
no.

1 Accounting policies etc. - continued

The share buy-back programme adopted at the bank's annual general meeting in February 2018 was fully used at DKK 170 million (the equivalent of 463,875 shares), and it will be recommended at the forthcoming annual general meeting in March 2019 that the 463,875 shares and an additional 868,587 shares acquired under the DKK 300 million share buy-back programme be cancelled in connection with a capital reduction.

The pay-out ratios for 2018:

The pay-out ratios for 2018, calculated on the basis of the pro forma net profit for the year and the actual net profit for the year respectively are the expected pay-out ratios. The percentages were calculated on the basis of the proposed ordinary dividend and the maximum value of the proposed share buy-back programme.

2 Accounting estimates and assessments

General

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

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

The most important estimates concern the following areas:

- Calculation of expected losses on loans and other credit exposures
- Assessment of collateral security
- Fair value of unlisted financial instruments
- Valuation of intangible assets including goodwill
- Fair value of domicile properties

Calculation of expected losses on loans and other credit exposures

The expected losses on loans etc. are calculated to take account of any credit-impairment after initial recognition. Credit-impairment is computed as a combination of individual calculations for credit-impaired facilities and model-based calculations for facilities that are not credit-impaired.

The calculations involve a number of estimates, including which facilities show objective evidence of impairment.

Credit impairment testing of individual facilities involves estimating circumstances which are highly uncertain. The assessment involves estimates of various scenarios of future cash flows which the customer is expected to generate.

Facilities that do not show objective evidence of impairment are included in a portfolio of loans where automated calculations are made on the basis of customer ratings and a number of parametric values.

The parametric values are determined on the basis of historical data, including the risk of loss on different rating classes and the expected percentage loss if a loss arises. Macroeconomic expectations are also taken into account.

Determining the parametric values involves substantial uncertainty.

The reader is referred to note 1 “Accounting policies etc.” under “Model for impairment of expected credit losses on loans and other receivables etc.” for details on expected loss calculation.

Note
no.

2 **Accounting estimates and assessments - continued**

Assessment of collateral security

To reduce the risk of the individual exposures, the bank receives collateral security mainly in the form of physical assets (with real property as the main form), securities etc. Material managerial estimates are involved in valuing the security. A detailed description of security is provided in note 48 “Credit risk”.

Fair value of unlisted financial instruments

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

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

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

Valuation of goodwill

Goodwill is impairment tested annually. This involves a degree of estimation in quantifying the future income and determining a discount rate in line with presumed market expectations.

Reference is made to note 27 “Intangible assets” for further details on the impairment test.

Fair value of domicile properties

The return method is used for measuring domicile properties at fair value. The future cash flows are based on the bank’s best estimate of the future profit or loss from ordinary activities and the required rate of return for each property, taking into account factors such as location and maintenance. A number of these assumptions and estimates significantly influence the calculations. Any changes in these parameters as a result of changes in market conditions affect the expected returns and consequently the domicile properties’ fair values. Please also see the section “Land and buildings” under “Accounting policies etc.” in note 1 and note 28 “Land and buildings”.

Note no.		2018 DKK 1,000	2017 DKK 1,000
3	**Interest income**		
	Receivables from credit institutions and central banks	-13,199	710
	Loans and other receivables	1,014,911	687,492
	Discounts - amortisation concerning loans taken over etc.	5,790	-
	Loans - interest on the impaired part of loans	-51,075	-29,355
	Bonds	20,326	28,291
	Total derivative financial instruments	12,634	2,446
	Of which currency contracts	7,286	2,654
	Of which interest-rate contracts	5,348	-208
	Other interest income	7,519	4,552
	Total interest income	**996,906**	**694,136**
4	**Interest expenses**		
	Credit institutions and central banks	11,228	14,213
	Deposits and other debt	27,107	32,436
	Issued bonds	7,182	766
	Subordinated debt	24,034	5,651
	Other interest expenses	860	28
	Total interest expenses	**70,411**	**53,094**
5	**Dividends from shares etc.**		
	Shares	27,619	10,258
	Total dividends from shares etc.	**27,619**	**10,258**
6	**Fees and commission**		
	Gross fee and commission income		
	Securities trading	88,478	75,038
	Asset management and custody accounts	127,502	93,203
	Payment handling	77,872	32,277
	Loan fees	32,737	10,660
	Guarantee commission and mortgage credit commission etc.	156,986	77,574
	Other fees and commission	55,287	33,965
	Total gross fee and commission income	**538,862**	**322,717**
	Fee and commission expenses		
	Securities trading	10,197	10,181
	Asset management and custody accounts	9,069	8,551
	Payment handling	15,700	10,288
	Loan fees	5,105	3,453
	Guarantee commission and mortgage credit commission etc.	620	0
	Other fees and commission	7,602	10,013
	Total fee and commission expenses	**48,293**	**42,486**
	Net fee and commission income		
	Securities trading	78,281	64,857
	Asset management and custody accounts	118,433	84,652
	Payment handling	62,172	21,989
	Loan fees	27,632	7,207
	Guarantee commission and mortgage credit commission etc.	156,366	77,574
	Other fees and commission	47,685	23,952
	Total net fee and commission income	**490,569**	**280,231**
	Foreign exchange income	26,408	20,902
	Total net fee, commission and foreign exchange income	**516,977**	**301,133**

Note no.		2018 DKK 1,000	2017 DKK 1,000
7	**Value adjustments**		
	Other loans and receivables, fair value adjustment*	2,926	3,879
	Bonds	-17,614	30,502
	Shares etc.	165,402	68,613
	Investment properties	1,494	0
	Foreign exchange	26,408	20,902
	Total derivative financial instruments	15,433	19,329
	Of which currency contracts	11,552	467
	Of which interest-rate contracts	3,410	18,011
	Of which share contracts	471	851
	Assets linked to pooled schemes	-219,637	-
	Deposits in pooled schemes	219,637	-
	Issued bonds	-9,024	-
	Other liabilities	-5,192	-
	Total value adjustments	**179,833**	**143,225**
	* Cf. note 46.		
8	**Staff and administration costs**		
	Payments to general management, board of directors and shareholders' committee:		
	General management:		
	John Bull Fisker	5,365	5,141
	Salary	4,315	4,324
	Pension	1,050	817
	Taxable value of company car: 2018: tDKK 211 / 2017: tDKK 204.		
	Claus Andersen (took office on 7 June 2018)	2,013	-
	Salary	1,814	-
	Pension	199	-
	Taxable value of company car: 2018: tDKK 76.		
	Jørn Nielsen	2,736	2,215
	Salary	2,533	2,215
	Pension	203	0
	Taxable value of company car: 2018: tDKK 78 / 2017: tDKK 93.		
	Carl Pedersen (took office on 7 June 2018)	1,477	-
	Salary	1,331	-
	Pension	146	-
	Taxable value of company car: 2018: tDKK 81.		
	Total payments	11,591	7,356
	The taxable amounts for company cars are not included in the salary amounts stated.		
	Board of directors:		
	Martin Krogh Pedersen, chairman	351	225
	Mads Hvolby, deputy chairman (took office on 7 June 2018)	145	-
	Jens Møller Nielsen, deputy chairman	238	169
	Gert Asmussen (retired on 22 February 2017)	-	42
	Inge Sandgrav Bak (retired on 22 February 2017)	-	42
	Morten Jensen (took office on 7 June 2018)	108	-
	Jon Steingrim Johnsen	186	141
	Jens Lykke Kjeldsen (retired on 28 February 2018)	34	340
	Jacob Møller	186	113
	Jørgen Lund Pedersen (retired on 22 February 2017)	-	42
	Lone Rejkjær Söllmann	186	113
	Sten Uggerhøj (took office on 7 June 2018)	108	-

Note no.		2018 DKK 1,000	2017 DKK 1,000
8	**Staff and administration costs - continued**		
	Board of directors - continued:		
	Dan Junker Astrup	186	169
	Bo Fuglsang Bennedsgaard (retired on 7 June 2018)	78	169
	Gitte E. S. H. Vigsø	186	169
	Arne Ugilt (took office on 7 June 2018)	108	-
	Finn Aaen (took office on 7 June 2018)	108	-
	Total payments	2,208	1,734
	Shareholders' committee		
	Total payments	618	469
	Total	14,417	9,559
	Staff costs:		
	Salaries	274,539	142,368
	Pensions	32,145	14,852
	Social security expenses	5,206	1,812
	Costs depending on number of staff	40,501	22,431
	Total	352,391	181,463
	Other administration costs	337,970	136,002
	Total staff and administration costs	**704,778**	**327,024**
9	**Number of full-time employees**		
	Average number of employees during the financial year converted into full-time employees	**507**	**274**
	Number of full-time employees at end of year	**674**	**276**
10	**Salaries paid to other major risk-takers and employees in control functions**		
	Fixed salary	14,315	12,991
	Variable salary	518	250
	Pension	1,468	1,350
	Total	**16,301**	**14,591**
	Number of full-time employees at end of year	16	16
11	**Fee to the auditor elected by the general meeting**		
	Statutory audit	1,166	562
	Other assurance engagements	1,777	60
	Advice on tax	290	0
	Other services	992	325
	Total fee to the auditor elected by the general meeting	**4,225**	**945**

Fees for other reports, primarily to public authorities, reports issued in connection with the merger and reports relating to the bank's EMTN programme.
Advice on tax concerns advice relating to the merger and various other tax-related advice.
Fees for other services include issue of the comfort letter regarding the bank's EMTN programme, verification of regular recognition of profit in common equity tier 1 and various advice in connection with the merger.

The bank has also an internal audit.

Note no.		2018 DKK 1,000	2017 DKK 1,000
12	**Amortisation, depreciation and write-downs on intangible and tangible assets**		
	Intangible assets		
	Customer relationships, amortisation	8,417	-
	Tangible assets		
	Domicile properties, depreciation	496	530
	Domicile properties, write-downs	5,000	0
	Other tangible assets, depreciation	8,777	3,719
	Total amortisation, depreciation and write-downs on intangible and tangible assets	**22,690**	**4,249**
13	**Impairment charges for loans and other receivables etc.**		
	Net changes in impairment charges for loans and other receivables etc. and provisions for losses on guarantees	-213,688	-6,094
	Stage 1 impairment charges in connection with the merger	100,267	-
	Actual realised net losses	-251,451	45,769
	Interest on the impaired part of loans	-51,075	-29,355
	Total impairment charges for loans and other receivables etc.	**86,955**	**10,320**
14	**Tax**		
	Tax calculated on income for the year	149,885	147,863
	Adjustment of deferred tax	-4,682	-566
	Adjustment of tax calculated for previous years	4,732	-989
	Total tax	**149,935**	**146,308**
	Effective tax rate (%):		
	Tax rate currently paid by the bank	22.0	22.0
	Permanent deviations	-4.2	-2.0
	Adjustment of tax calculated for previous years	0.6	-0.1
	Total effective tax rate	**18.4**	**19.9**

Note no.		2018 DKK 1,000	2017 DKK 1,000
	Explanation of the correlation between profit before tax and core earnings		
15	**Net interest income - correlation**		
	Net interest income - income statement	926,495	641,042
	Discounts - amortisation concerning loans taken over etc.	-5,790	-
	Funding income - own portfolio	40,045	34,005
	Bond yields etc.	-23,821	-32,340
	Net interest income - core earnings	**936,929**	**642,707**
16	**Net fee and commission income excluding trading income - correlation**		
	Fee and commission income - income statement	538,862	322,717
	Fee and commission expenses - income statement	-48,293	-42,486
	Trading income - core earnings	-78,281	-64,857
	Net fee and commission income excluding trading income - core earnings	**412,288**	**215,374**
17	**Income from sector shares etc. - correlation**		
	Market value adjustment of sector shares etc.	105,101	61,131
	Dividends from sector shares	26,005	9,543
	Income from sector shares etc. - core earnings	**131,106**	**70,674**
18	**Total expenses etc. - correlation**		
	Staff and administration costs - income statement	-704,778	-327,024
	Amortisation, depreciation and write-downs on intangible and tangible assets - income statement	-22,690	-4,249
	Other operating expenses - income statement	2,816	-3,174
	Amortisation and write-downs on intangible assets - core earnings	8,417	-
	Merger and restructuring costs - core earnings	89,141	-
	Non-recurring costs - core earnings	1,208	-
	Total expenses etc. - core earnings	**-631,518**	**-334,447**
19	**Impairment charges for loans and other receivables etc. - correlation**		
	Impairment charges for loans and other receivables etc. - income statement	-86,955	-10,320
	Discounts - amortisation concerning loans taken over etc.	5,790	-
	Impairment charges for loans and other receivables etc. - core earnings	**-81,165**	**-10,320**
20	**Profit before tax and core earnings - correlation**		
	Profit before tax	**813,127**	**734,948**
	Value adjustments - income statement	179,833	143,225
	Results from investments in associated companies and group undertakings - income statement	80	-20
	Market value adjustment of sector shares etc.	-105,101	-61,131
	Foreign exchange income - core earnings	-26,408	-20,902
	Funding expenses - own portfolio	-40,045	-34,005
	Bond yields etc.	23,821	32,340
	Dividends - not sector shares	1,614	715
	Result for the portfolio - core earnings	**33,794**	**60,222**
	Special costs - core earnings	-98,766	-
	Core earnings	**878,099**	**674,726**

Note no.		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
21	**Receivables from credit institutions and central banks**		
	Demand	181,788	100,211
	Up to and including 3 months	2,929,159	957,086
	More than 3 months and up to and including 1 year	0	99,280
	More than 1 year and up to and including 5 years	5,000	5,000
	More than 5 years	50,000	50,000
	Total receivables from credit institutions and central banks	**3,165,947**	**1,211,577**
	Distributed as follows:		
	Receivables from central banks	2,929,159	957,086
	Receivables from credit institutions	236,788	254,491
		3,165,947	**1,211,577**
22	**Loans and other receivables at amortised cost***		
	Demand	3,031,844	1,975,218
	Up to and including 3 months	1,183,998	651,025
	More than 3 months and up to and including 1 year	7,633,504	2,568,864
	More than 1 year and up to and including 5 years	9,764,398	6,527,126
	More than 5 years	11,736,590	7,628,633
	Total loans and other receivables at amortised cost	**33,350,334**	**19,350,866**
	** Cf. note 46.*		
23	**Impairment charges for loans and other receivables and provisions for losses on guarantees and unutilised credit facilities***		
	Individual impairment charges		
	Cumulative individual impairment charges for loans and other receivables at the end of the previous financial year	577,490	589,384
	Changed accounting policy for impairment charges	-577,490	-
	Impairment charges / value adjustments during the year	-	179,150
	Reversal of impairment charges made in previous financial years	-	-136,853
	Recognised as a loss, covered by impairment charges	-	-54,191
	Cumulative individual impairment charges for loans and other receivables on the balance sheet date	-	**577,490**
	Collective impairment charges		
	Cumulative collective impairment charges for loans and other receivables at the end of the previous financial year	343,282	341,457
	Changed accounting policy for impairment charges	-343,282	-
	Impairment charges / value adjustments during the year	-	1,825
	Cumulative collective impairment charges for loans and other receivables on the balance sheet date	-	**343,282**
	Stage 1 impairment charges		
	Cumulative stage 1 impairment charges at the end of the previous financial year	-	-
	Changed accounting policy for impairment charges	61,228	-
	Stage 1 impairment charges in connection with the merger	100,267	-
	Stage 1 impairment charges / value adjustment during the year	-5,097	-
	Cumulative stage 1 impairment charges on the balance sheet date	**156,398**	-
	Stage 2 impairment charges		
	Cumulative stage 2 impairment charges at the end of the previous financial year	-	-
	Changed accounting policy for impairment charges	308,912	-
	Stage 2 impairment charges / value adjustment during the year	-45,523	-
	Cumulative stage 2 impairment charges on the balance sheet date	**263,389**	-

Note no.		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
23	**Impairment charges for loans and other receivables and provisions for losses on guarantees and unutilised credit facilities* - continued**		
	Stage 3 impairment charges		
	Cumulative stage 3 impairment charges at the end of the previous financial year	-	-
	Changed accounting policy for impairment charges	575,516	-
	Additions on merger	1,158,075	-
	Stage 3 impairment charges / value adjustment during the year	388,256	-
	Reversal of stage 3 impairment charges during the year	-315,607	-
	Recognised as a loss, covered by stage 3 impairment charges	-259,065	-
	Cumulative stage 3 impairment charges on the balance sheet date	**1,547,175**	-
	Total cumulative impairment charges for loans and other receivables on the balance sheet date	**1,966,962**	**920,772**
	Provisions for losses on guarantees		
	Cumulative individual provisions for losses on guarantees at the end of the previous financial year	10,263	6,287
	Changed accounting policy for provisions for losses on guarantees	20,881	-
	Additions on merger	15,250	-
	Provisions / value adjustments during the year	38,472	7,385
	Reversal of provisions made in previous financial years	-28,342	-2,095
	Recognised as a loss, covered by provisions	-3,770	-1,314
	Cumulative provisions for losses on guarantees on the balance sheet date	**52,754**	**10,263**
	Provisions for losses on unutilised credit facilities		
	Cumulative provisions for losses on unutilised credit facilities at the end of the previous financial year	-	-
	Changed accounting policy for provisions for losses on unutilised credit facilities	12,996	-
	Provisions / value adjustments during the year	7,695	-
	Cumulative provisions for losses on unutilised credit facilities on the balance sheet date	**20,691**	-
	Total cumulative impairment charges for loans and other receivables and provisions for losses on guarantees and unutilised credit facilities on the balance sheet date	**2,040,407**	**931,035**
	** No impairment charges have been recognised for receivables from credit institutions and central banks.*		
	In addition, a discount on loans and guarantees taken over from Nordjyske Bank amounted to	45,691	-
	The above includes the following stage 3 impairment charges and provisions taken over from Nordjyske Bank:		
	Additions on merger	1,173,325	-
	Changes during the year	-333,796	-
	Stage 3 impairment charges and provisions taken over on the balance sheet date	839,529	-

Note no.		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
24	**Bonds at fair value***		
	Listed on the stock exchange**	5,427,138	3,952,614
	Total bonds at fair value	**5,427,138**	**3,952,614**
	** The bank has no held-to-maturity bonds.*		
	*** See page 36 of the management review, where the rating classes are stated.*		
25	**Shares etc.**		
	Listed on Nasdaq Copenhagen	9,183	12,233
	Investment fund certificates	33,566	7,994
	Unlisted shares at fair value	14,891	1,402
	Sector shares at fair value	1,409,673	599,656
	Total shares etc.	**1,467,313**	**621,285**
26	**Assets linked to pooled schemes**		
	Bonds:		
	Index-linked bonds	132,986	-
	Other bonds	1,076,828	-
	Total bonds	1,209,814	-
	Shares:		
	Investment fund certificates	1,964,377	-
	Other shares	612,285	-
	Total shares	2,576,662	-
	Total assets linked to pooled schemes	**3,786,476**	-
27	**Intangible assets**		
	Goodwill		
	Cost at the end of the previous financial year	-	-
	Additions on merger	923,255	-
	Total cost on the balance sheet date	923,255	-
	Write-downs at the end of the previous financial year	-	-
	Write-downs for the year	0	-
	Total write-downs on the balance sheet date	0	-
	Total goodwill on the balance sheet date	**923,255**	-
	Customer relationships		
	Cost at the end of the previous financial year	-	-
	Additions on merger	150,000	-
	Total cost on the balance sheet date	150,000	-
	Amortisation at the end of the previous financial year	-	-
	Amortisation for the year	8,417	-
	Total amortisation on the balance sheet date	8,417	-
	Total customer relationships on the balance sheet date	**141,583**	-
	Total intangible assets on the balance sheet date	**1,064,838**	-

Goodwill was impairment tested at the end of 2018. The merged bank was tested as one unit, since the "old" Nordjyske Bank is financially fully integrated in Ringkjøbing Landbobank. Therefore a true and fair view could not be obtained from a test only of the part that had been taken over. The impairment test did not give rise to any write-downs.

The model used in the impairment test is based on the bank's budget for 2019. "Net profit for the year" is used as the opening value for calculating the sensitivity. The tax rate is expected to be unchanged throughout the period. Using "Net profit for the year" as the opening value in the model makes the test harder than if free cash flows were used. A weighted average cost of capital of 8.5% and an expected annual increase in "Net profit for the year" of 2% were used.

The robustness of the model is tested in sensitivity analyses where required rate of return, changes in growth rate and negative effects of "Result for the portfolio" are tested. The management believes that the model is robust in respect of the relevant scenarios chosen.

Note no.		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
28	**Land and buildings**		
	Investment properties		
	Fair value at the end of the previous financial year	3,561	3,561
	Additions on merger	26,175	-
	Additions during the year, including improvements	0	0
	Disposals during the year	2,399	0
	Value adjustments to fair value for the year	0	0
	Reversal of previous years' write-downs during the year and reversal of total depreciation and write-downs on assets which were disposed of or taken out of operation during the year	0	0
	Fair value on the balance sheet date	**27,337**	**3,561**
	Domicile properties		
	Revalued amount at the end of the previous financial year	52,086	52,616
	Additions on merger	166,894	-
	Additions during the year, including improvements	924	0
	Disposals during the year	0	0
	Depreciation for the year	-496	-530
	Write-downs after revaluation for the year	-5,000	0
	Reversal of previous years' write-downs for the year and reversal of total depreciation and write-downs on assets which were disposed of or taken out of operation during the year	0	0
	Total revalued amount on the balance sheet date	**214,408**	**52,086**
	When measuring investment and domicile properties, a required rate of return between 4% and 10% is applied. No external experts were involved in the measurement of investment and domicile properties.		
29	**Other tangible assets**		
	Cost		
	Cost at the end of the previous financial year without depreciation and write-downs	54,982	52,335
	Additions on merger	10,108	-
	Additions during the year, including improvements	4,395	3,927
	Disposals during the year	-3,566	-1,280
	Total cost on the balance sheet date	**65,919**	**54,982**
	Depreciation and write-downs		
	Depreciation and write-downs at the end of the previous financial year	36,171	33,461
	Depreciation for the year	8,777	3,719
	Reversal of previous years' write-downs for the year and reversal of total depreciation and write-downs on assets which were disposed of or taken out of operation during the year	-3,549	-1,009
	Total depreciation and write-downs on the balance sheet date	**41,399**	**36,171**
	Total other tangible assets on the balance sheet date	**24,520**	**18,811**
30	**Deferred tax assets**		
	The calculated provisions for deferred tax relates to the following:		
	Loans and other receivables	29,066	8,764
	Intangible assets	-31,148	-
	Tangible assets	327	-1,157
	Temporary assets	0	488
	Securities and financial instruments	-8,140	0
	Other balance sheet items	17,658	624
	Total deferred tax assets	**7,763**	**8,719**

Note no.		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
31	**Other assets**		
	Interest and commission receivable	50,790	37,471
	Positive market value of derivative financial instruments	147,162	128,986
	Collateral under CSA agreements	36,377	26,739
	Miscellaneous debtors and other assets	96,101	24,269
	Other deposits	47,406	17,886
	Total other assets	**377,836**	**235,351**
32	**Debt to credit institutions and central banks**		
	Demand	726,673	269,160
	Up to and including 3 months	51,277	240,993
	More than 3 months and up to and including 1 year	145,128	97,329
	More than 1 year and up to and including 5 years	607,107	604,614
	More than 5 years	386,291	387,320
	Total debt to credit institutions and central banks	**1,916,476**	**1,599,416**
	Distributed as follows:		
	Debt to credit institutions	1,916,476	1,599,416
		1,916,476	**1,599,416**
33	**Deposits and other debt**		
	Demand*	26,379,274	12,267,337
	Deposits and other debt with notice:		
	Up to and including 3 months	818,592	2,646,787
	More than 3 months and up to and including 1 year	1,853,305	908,429
	More than 1 year and up to and including 5 years	1,572,923	1,468,246
	More than 5 years	2,582,001	1,819,328
	Total deposits and other debt	**33,206,095**	**19,110,127**
	Of which deposits covered by the Guarantee Fund	60.1%	44.6%
	Distributed as follows:		
	Demand	26,220,891	12,129,959
	With notice	1,891,140	1,785,363
	Time deposits	642,563	1,725,906
	Long-term deposit agreements	1,751,158	2,008,385
	Special types of deposits*	2,700,343	1,460,514
		33,206,095	**19,110,127**
	** Special types of deposits are entered under the item "Demand" pending payment, while in the specification of the different types of deposits, the sum is instead included under "Special types of deposit".*		
34	**Issued bonds at amortised cost***		
	More than 3 months and up to and including 1 year	0	297,802
	More than 1 year and up to and including 5 years	748,100	375,634
	More than 5 years	679,924	0
	Total issued bonds at amortised cost	**1,428,024**	**673,436**
	** Cf. note 46.*		
35	**Other liabilities**		
	Interest and commission payable	28,138	3,627
	Negative market value of derivative financial instruments	114,889	104,539
	Miscellaneous creditors and other liabilities	452,886	102,525
	Total other liabilities	**595,913**	**210,691**

Note no.		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
36	**Provisions for pensions and similar liabilities**		
	Pension liabilities taken over on the merger	2,882	-
	Total provisions for pensions and similar liabilities	**2,882**	-

37 **Subordinated debt***

Type	Interest rate (%)	Foreign ex-change	Mil-lion	Due date	Possible early repayment date	31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
Tier 2 capital							
Bond loan**	Fixed-rate	DKK	275	27 Feb. 2025	27 Feb. 2020	275,000	-
Bond loan***	Floating-rate	EUR	50	20 May 2025	20 May 2020	373,220	372,253
Bond loan****	Fixed-rate	DKK	500	13 June 2028	13 June 2023	500,000	-
Bond loan*****	Floating-rate	DKK	300	13 June 2030	13 June 2025	300,000	-
Total tier 2 capital (included in total capital)						**1,448,220**	**372,253**
Adjustment to amortised cost and fair value adjustment						254	-500
Total subordinated debt						**1,448,474**	**371,753**

* *Cf. note 46.*

** *Issued on 27 February 2015 (taken over on merger). The interest rate is a fixed rate corresponding to a 5-year mid-swap plus 5% p.a., after which the interest rate will be a floating rate corresponding to the Cibor 6M plus 5% p.a. Interest expenses - 2018: tDKK 8,866*

*** *Issued on 20 May 2015. The interest rate is a floating rate corresponding to the Euribor 3M plus 1.80% p.a.*
Interest expenses - 2018: tDKK 5,798, 2017: tDKK 5,651

**** *Issued on 13 June 2018. The interest rate is a fixed rate corresponding to a 5-year mid-swap plus 1.65% p.a., after which the interest rate will be a floating rate corresponding to Cibor 6M plus 1.65% p.a.*
Interest expenses - 2018: tDKK 6,343
Costs of raising loan: tDKK 2,500

***** *Issued on 13 June 2018. The interest rate is a floating rate corresponding to the Cibor 6M plus 1.85% p.a.*
Interest expenses - 2018: tDKK 3,027
Costs of raising loan: tDKK 1,500

Note no.		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
38	**Share capital**		
	Number of DKK 1 shares:		
	Beginning of year	22,350,000	22,850,000
	Cancellation during the year	-538,000	-500,000
	Issue of new shares in connection with the merger	9,182,258	-
	End of year	**30,994,258**	**22,350,000**
	Reserved for subsequent cancellation	1,087,875	538,000
	Total share capital	**30,994**	**22,350**
	The whole share capital has been admitted for listing on Nasdaq Copenhagen.		
39	**Own shares**		
	Own shares included in the balance sheet at	0	0
	Market value	382,726	173,187
	Number of own shares:		
	Beginning of year	538,685	515,890
	Purchase during the year	2,328,984	1,444,027
	Sale during the year	-1,204,003	-921,232
	Cancellation during the year	-538,000	-500,000
	End of year	1,125,666	538,685
	Reserved for subsequent cancellation	1,087,875	538,000

Note no.		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
39	**Own shares - continued**		
	Nominal value of holding of own shares, end of year	1,126	539
	Own shares' proportion of share capital, end of year (%):		
	Beginning of year	1.7	2.3
	Purchase during the year	7.5	6.4
	Sale during the year	-3.9	-4.1
	Cancellation during the year	-1.7	-2.2
	End of year	3.6	2.4
	The purchases and sales of own shares during the year were effected on the basis of the bank's ordinary trading in shares and share buy-back programmes.		
40	**Contingent liabilities etc.**		
	Contingent liabilities		
	Financial guarantees	2,506,093	1,101,189
	Guarantees against losses on mortgage credit loans	2,285,909	633,796
	Registration and refinancing guarantees	2,235,726	969,390
	Sector guarantees	134,604	75,892
	Other contingent liabilities	667,085	403,607
	Total contingent liabilities	**7,829,417**	**3,183,874**
	Other contractual obligations		
	Irrevocable credit commitments etc.	13,531	392,000
	Total other contractual obligations	**13,531**	**392,000**
41	**Assets provided as security**		
	First-mortgage loans are provided for renewable energy projects. The loans are funded directly by KfW Bankengruppe, to which security in the associated loans has been provided. Each reduction of the first-mortgage loans is deducted directly from the funding at KfW Bankengruppe. The balance sheet item is	**965,872**	**976,617**
	As security for clearing etc., the bank has pledged securities from its holding to the central bank of Denmark to a total market price of	**279,570**	**235,418**
	Amount deposited in a cover-for-liabilities account as security for a loss limit towards the Danish Growth Fund as a consequence of Ringkjøbing Landbobank's ownership interest in Landbrugets Finansieringsbank	**418**	**167**
	Collateral under CSA agreements etc.	**42,947**	**31,609**

42 **Contractual obligations**

The following information is provided on material contractual obligations:

The bank is a member of the association Bankdata. If the bank terminates its membership, it is liable to pay an exit charge.

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

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

43 **Legal proceedings etc.**

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

Note no.

44 Related parties

Related parties are the bank's board of directors and general management and their related parties.

Ringkjøbing Landbobank advises that it has no related parties with a controlling interest.

There were no transactions during the year with the board of directors and the general management, apart from payments of salaries and fees etc., securities trading, loans and the provision of collateral security. All transactions performed in 2018 and 2017 with related parties were on market terms or on an at-cost basis.

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

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

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

	31 Dec. 2018 DKK 1,000 / no. of shares	31 Dec. 2017 DKK 1,000 / no. of shares
The amount of loans issued to and mortgages, sureties or guarantees issued for the members of the bank's:		
General management	3,245	3,150
Interest rate	2.75% - 3.67%	2.75%
Board of directors, including members elected by the employees	17,680	5,566
Interest rate	0.37%-12.0%	0.75%-12.0%
New exposures during the year have been granted for a net	0	2,724
Exposures taken over on the merger	13,465	-
All exposures are performed on market terms, including both interest and guarantee commission rates.		
Security provided by members of the bank's:		
General management	0	0
Board of directors, including members elected by the employees	2,369	1,084
The board of directors' and the general management share-holdings* in Ringkjøbing Landbobank at the end of the year		
Board of directors:		
Martin Krogh Pedersen	50,015	50,005
Mads Hvolby (took office on 7 June 2018)	2,693	-
Jens Møller Nielsen	470	470
Morten Jensen (took office on 7 June 2018)	1,100	-
Jon Steingrim Johnsen	0	0
Jens Lykke Kjeldsen (retired on 28 February 2018)	-	35,350
Jacob Møller	785	775
Lone Rejkjær Söllmann	906	844
Sten Uggerhøj (took office on 7 June 2018)	30,122	-
Dan Junker Astrup	1	46
Bo Fuglsang Bennedsgaard (retired on 7 June 2018)	-	2,741
Gitte E. S. H. Vigsø	90	98
Arne Ugilt (took office on 7 June 2018)	1,264	-
Finn Aaen (took office on 7 June 2018)	400	-
General Management:		
John Bull Fisker	76,035	74,970
Claus Andersen (took office on 7 June 2018)	1,456	-
Jørn Nielsen	11,281	10,927
Carl Pedersen (took office on 7 June 2018)	990	-

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

Note no.

45 **Fair value of financial instruments**

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

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

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

Loans are measured in the balance sheet at amortised cost plus any fair value hedging.
The difference from fair values is calculated as fees and commission received, costs paid in the lending activities, and for fixed-interest loans, the value adjustment which is dependent on the interest level, which is calculated by comparing the actual market interest rate with the nominal rate applying to the loans. The stage 1 impairment charges stated on the balance sheet date are also added.

The fair value of receivables from credit institutions and central banks is determined by the same method as for loans.

Issued bonds and subordinated debt are measured at amortised cost plus any fair value hedging, which is estimated to correspond to the fair value.

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

		31 Dec. 2018		31 Dec. 2017
	Book value DKK 1,000	**Fair value** DKK 1,000	**Book value** DKK 1,000	**Fair value** DKK 1,000
Financial assets				
Cash in hand and demand deposits with central banks	657,913	657,913	308,211	308,211
Receivables from credit institutions and central banks*	3,165,947	3,165,947	1,211,577	1,211,577
Loans and other receivables at amortised cost*	33,388,819	33,653,496	19,379,167	19,432,386
Bonds at fair value*	5,438,659	5,438,659	3,960,801	3,960,801
Shares etc.	1,467,313	1,467,313	621,285	621,285
Assets linked to pooled schemes	3,786,476	3,786,476	-	-
Derivative financial instruments	147,162	147,162	128,986	128,986
Total financial assets	**48,052,289**	**48,316,966**	**25,610,027**	**25,663,246**
Financial liabilities				
Debt to credit institutions and central banks*	1,917,010	1,918,836	1,599,505	1,600,038
Deposits and other debt*	33,209,145	33,296,199	19,112,221	19,118,477
Deposits in pooled schemes	3,786,476	3,786,476	-	-
Issued bonds at amortised cost*	1,432,798	1,432,798	673,635	673,635
Derivative financial instruments	114,889	114,889	104,539	104,539
Subordinated debt*	1,467,757	1,467,757	372,392	372,392
Total financial liabilities	**41,928,075**	**42,016,955**	**21,862,292**	**21,869,081**

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

Note no.		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
46	**Hedging***		
	The following are hedged:	Fixed-rate loans, issued bonds and tier 2 capital	Fixed-rate loans
		Floating-rate issued bonds	
	Hedging of:	Interest rate risk Foreign exchange risk	Interest rate risk Foreign exchange risk
	Book values:		
	Loans	288,862	82,484
	Issued bonds	746,440	-
	Tier 2 capital	500,000	-
	Hedging is thus:		
	Interest swaps - total synthetic principal	625,941	67,925
	Currency swaps - total synthetic principal	909,361	14,559
	Total market value	19,299	150

** Fair value hedging only.*

47 Risks and risk management

As described in the section on risk "Risks and risk management" in the management review, Ringkjøbing Landbobank is exposed to various types of risk. See the section on risks on pages 30 - 42 of the management review for a description of financial risks and policies and objectives for the management of these risks:

- Credit risks - page 31
- Market risks - page 36
- Interest rate risk - page 37
- Foreign exchange risk - page 37
- Share price risk - page 38
- Value at Risk - page 39
- Liquidity risk - page 40

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

		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
48	**Credit risk**		
	Maximum credit exposure classified by balance sheet and off-balance sheet items		
	Loans and other receivables at amortised cost	33,350,334	19,350,866
	Guarantees (contingent liabilities)	7,829,417	3,183,874
	Unutilised credit facilities*	14,790,888	7,337,816
	Other exposures, including derivative financial instruments	780,098	914,172
	Total maximum credit exposure	**56,750,737**	**30,786,728**

** The bank has made unutilised credit facilities available to a total of DKK 14.8 billion. Committed credit facilities are DKK 14 million and the bank will be able to terminate the non-committed credit facilities with immediate effect.*

Note
no.

48 Credit risk - continued

Security received for maximum credit exposure	Maximum credit exposure	Loans and guarantees	Security received				
			Real property	Movables	Securities and cash	Other security*	Total
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
2018							
Public authorities	**47,526**	**22,630**	**707**	**1,287**	**784**	**494**	**3,272**
Business customers:							
Agriculture, forestry and fishing	5,717,944	4,385,706	1,469,650	934,473	161,723	1,382,652	**3,948,498**
Industry and raw materials extraction	1,846,753	1,186,008	248,592	341,199	48,807	37,987	**676,585**
Energy supply	4,164,893	2,917,249	109,449	1,817	87,095	2,491,411	**2,689,772**
Building and construction	2,334,193	1,338,540	550,400	168,076	73,569	84,826	**876,871**
Trade	2,649,540	1,546,824	371,860	404,303	49,030	96,973	**922,166**
Transport, hotels and restaurants	844,118	664,777	226,306	120,771	73,857	131,765	**552,699**
Information and communication	246,726	170,899	47,513	37,419	14,686	15,785	**115,403**
Finance and insurance	5,380,034	4,080,803	140,492	322,586	1,902,002	152,290	**2,517,370**
Real property	8,362,351	6,235,393	3,327,931	6,667	340,390	460,116	**4,135,104**
Other business customers	5,047,554	3,231,664	980,628	216,692	548,244	401,434	**2,146,998**
Total business customers	**36,594,106**	**25,757,863**	**7,472,821**	**2,554,003**	**3,299,403**	**5,255,239**	**18,581,466**
Private individuals	**20,109,105**	**15,399,258**	**6,025,854**	**1,578,377**	**674,286**	**1,686,260**	**9,964,777**
Total	**56,750,737**	**41,179,751**	**13,499,382**	**4,133,667**	**3,974,473**	**6,941,993**	**28,549,515**

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

Note no.

48 Credit risk - continued

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

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

Description of security

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

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

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

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

Note
no.

48 **Credit risk - continued**

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

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

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

Distribution by sector and industry

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

	31 Dec. 2018 Per cent	31 Dec. 2017 Per cent
Loans, guarantees and unutilised credit facilities in per cent, end of year, by sector and industry*		
Public authorities	**0.1**	**0.1**
Business customers:		
Agriculture, hunting and forestry		
Cattle farming etc.	1.2	1.6
Pig farming etc.	1.5	1.6
Other agriculture, hunting and forestry	4.5	4.0
Fisheries	2.2	2.2
Mink production	0.7	0.9
Industry and raw materials extraction	3.2	2.1
Energy supply	1.8	1.6
Wind turbines	5.6	10.6
Building and construction	4.2	4.6
Trade	4.6	3.8
Transport, hotels and restaurants	1.5	1.2
Information and communication	0.4	0.4
Finance and insurance	9.4	16.2
Real property		
First mortgage without prior creditors	9.3	11.2
Other real property financing	5.2	2.3
Other business customers	8.8	7.4
Total business customers	**64.1**	**71.7**
Private individuals	**35.8**	**28.2**
Total	**100.0**	**100.0**

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

Note no.		31 Dec. 2018 Per cent	31 Dec. 2017 Per cent
48	**Credit risk - continued**		
	Loans and guarantees in per cent, end of year, by sector and industry*		
	Public authorities	**0.1**	**0.1**
	Business customers:		
	Agriculture, hunting and forestry		
	Cattle farming etc.	1.3	1.7
	Pig farming etc.	1.6	1.7
	Other agriculture, hunting and forestry	4.5	3.9
	Fisheries	2.5	2.4
	Mink production	0.7	1.0
	Industry and raw materials extraction	2.9	1.6
	Energy supply	1.3	1.7
	Wind turbines	5.8	11.0
	Building and construction	3.2	4.3
	Trade	3.8	3.3
	Transport, hotels and restaurants	1.6	1.4
	Information and communication	0.4	0.3
	Finance and insurance	9.9	13.6
	Real property		
	First mortgage without prior creditors	10.6	13.5
	Other real property financing	4.6	2.7
	Other business customers	7.8	7.1
	Total business customers	**62.5**	**71.2**
	Private individuals	**37.4**	**28.7**
	Total	**100.0**	**100.0**

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

Comments on distribution by sector and industry

As a result of the merger with Nordjyske Bank, the tables show considerable changes in the distribution by industry compared to 2017. The figures for 2017 thus reflect the "old" Ringkjøbing Landbobank before the merger, and the figures for 2018 cover the merged bank.

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

Personal customers account for a total of 37.4% of Ringkjøbing Landbobank's total loans and guarantees, which is significantly higher than previous years. The main reason is the merger but also a continued positive development in the segment. The quality of the loans is very good and the development in credit quality remains positive. However, the bank also experiences weak housing markets locally with slow marketability and realisation of properties in some cases resulting in losses for the bank. Collateral received from personal customers consists primarily of mortgages on real property (private homes).

Note
no.

48 Credit risk - continued

The bank has a well-diversified portfolio related to agriculture, with pig farms accounting for 1.6% of the total volume of loans and guarantees, cattle farms accounting for 1.3%, and others for 4.5%. 2018 was a bad year for agriculture in general with poorer crop yields than in a normal year because of the dry spell in the summer and declining prices being paid to producers. The bank considers that the consequences of the present agricultural crisis take the form of the bank's considerable impairment charges for the agricultural sector. Security consists primarily of mortgages on agricultural property (land, buildings and other production facilities on the farms). To this must be added assignment to the bank of subsidies per hectare and other accounts etc.

Real property accounts for a total of 15.2% of the bank's total loans and guarantees. The proportion of this industry was lower in Nordjyske Bank and the percentage is therefore a little lower than last year, but the underlying trend in the segment continues to be positive. The majority of the loans are first mortgages on real property and construction financing without prior creditors.

Financing and insurance comprise a total of 9.9% of the bank's total loans and guarantees and include exposure to well-consolidated financial counterparties and the bank's concept for securities lending. Security in this concept is primarily provided in the form of liquid listed securities. The concept certainly demonstrated its resilience during the extremely volatile periods on the financial markets during the financial crisis.

Note no.

48 Credit risk - continued

Loans, guarantees and unutilised credit facilities by credit quality, sector and industry and IFRS 9 stages (before impairments and provisions)

	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total	Total
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	Per cent
2018						
Credit quality						
High	39,086,748	256,512	0	0	**39,343,260**	**68%**
Medium	9,287,753	1,288,099	0	0	**10,575,852**	**18%**
Low	2,495,893	3,125,186	0	0	**5,621,079**	**10%**
Credit-impaired	0	0	1,000,695	1,396,715	**2,397,410**	**4%**
Total	**50,870,394**	**4,669,797**	**1,000,695**	**1,396,715**	**57,937,601**	**100%**
Impairments etc.	**182,963**	**287,174**	**730,741**	**839,529**	**2,040,407**	

	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total	Total impair-ments etc.
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
2018						
Public authorities	**42,286**	**328**	**459**	**739**	**43,812**	**447**
Business customers:						
Agriculture, forestry and fishing	3,962,670	1,397,778	359,054	781,548	**6,501,050**	**875,971**
Industry and raw materials extraction	1,398,391	369,455	114,934	11,899	**1,894,679**	**116,044**
Energy supply	3,929,958	213,979	30,494	14,526	**4,188,957**	**41,868**
Building and construction	2,128,630	176,293	22,213	49,260	**2,376,396**	**49,238**
Trade	2,328,816	203,373	78,697	94,299	**2,705,185**	**113,575**
Transport, hotels and restaurants	759,751	63,973	31,011	26,051	**880,786**	**41,860**
Information and communication	219,021	29,631	3,132	3,846	**255,630**	**12,020**
Finance and insurance	5,142,464	133,682	1,231	253	**5,277,630**	**18,906**
Real property	7,516,724	589,856	34,711	88,891	**8,230,182**	**133,040**
Other business customers	4,549,330	357,865	82,752	46,893	**5,036,840**	**123,977**
Total business customers	**31,935,755**	**3,535,885**	**758,229**	**1,117,466**	**37,347,335**	**1,526,499**
Private individuals	**18,892,353**	**1,133,584**	**242,007**	**278,510**	**20,546,454**	**513,461**
Total	**50,870,394**	**4,669,797**	**1,000,695**	**1,396,715**	**57,937,601**	**2,040,407**
Total (per cent)	**88%**	**8%**	**2%**	**2%**	**100%**	

Note
no.

48 Credit risk - continued

Loans in stage 3	Loans (gross) with impairment charges	Impairments	Security for impaired loans
	DKK 1,000	DKK 1,000	DKK 1,000
2018			
Public authorities	**1,197**	**384**	**365**
Business customers:			
Agriculture, forestry and fishing	1,129,074	721,577	478,485
Industry and raw materials extraction	122,304	109,630	9,947
Energy supply	42,776	27,110	17,494
Building and construction	63,333	32,563	30,892
Trade	158,055	96,179	61,258
Transport, hotels and restaurants	51,413	36,186	13,384
Information and communication	6,040	5,427	942
Finance and insurance	1,278	1,081	0
Real property	160,794	88,572	58,718
Other business customers	379,027	276,717	87,379
Total business customers	**2,114,094**	**1,395,042**	**758,499**
Private individuals	**238,182**	**151,749**	**61,291**
Total	**2,353,473**	**1,547,175**	**820,155**

Comments on the distribution by credit quality
The quality of the bank's exposures is generally strong. The table shows exposures by high, medium and low credit quality as well as credit-impaired and shows that the credit quality is high for 68% of the bank's exposures. The categories do not translate directly into the Danish FSA's rating classes but, as a principal rule, high credit quality can be viewed as FSA rating classes 3 and 2a, medium credit quality as the best part of FSA rating class 2b, while low credit quality covers the rest of FSA rating classes 2b and 2c. Credit-impaired covers exposures where losses are expected in the most probable scenario.

Comments on the distribution by stages
88% per cent of the bank's exposures are in stage 1 (with no significant increase in credit risk since initial recognition), while 8% are in stage 2 (significant increase in credit risk). The bank's exposures in stage 3 (credit-impaired) account for 4% of total exposures. The group "Credit-impaired on initial recognition" is included as a part of stage 3. The table shows that exposures in agriculture in particular are in stage 3. The principles for classification in stages are described in note 1 "Accounting policies etc." in the section "Model for impairment of expected credit losses on loans and other receivables etc."

Comments on loans in stage 3 / loans with impairment charges
The bank is particularly focused on covering the risk on exposures which have been impaired. Under the bank's credit policy, these exposures must be covered to the greatest possible extent by collateral. When determining the need for an impairment charge, the value of collateral is included at the expected net realisation value in different scenarios. When determining the need for an impairment charge, the bank makes only modest allowance for the ability to make payments over and above the value of collateral.

Note no.		31 Dec. 2018 DKK 1,000	31 Dec. 2017 DKK 1,000
48	**Credit risk - continued**		
	Suspended calculation of interest		
	Loans and other receivables with suspended calculation of interest on the balance sheet date	**209,642**	**24,995**
	Credit risk on derivative financial instruments		
	Positive market value (by counterparty risk) after netting		
	Counterparty risk weighting 20%	126,328	38,307
	Counterparty risk weighting 50%	53,362	28,204
	Counterparty risk weighting 75%	31,481	28,350
	Counterparty risk weighting 100%	86,500	100,319
	Counterparty risk weighting 150%	1,399	4,615
	Total risk weighting	**299,070**	**199,975**
49	**Foreign exchange risk**		
	Total assets in foreign currency	4,698,387	4,007,535
	Total liabilities in foreign currency	5,278,553	4,567,850
	Foreign exchange indicator 1	61,842	34,776
	Foreign exchange indicator 1 in per cent of tier 1 capital (%)	**1.1**	**1.1**
	Foreign exchange indicator 2	196	159
	Foreign exchange indicator 2 in per cent of tier 1 capital (%)	**0.0**	**0.0**
50	**Interest rate risk**		
	Total interest rate risk	**52,103**	**35,374**
	Interest rate risk (%)	**1.0**	**1.1**
	Interest rate risk by foreign currency:		
	DKK	46,598	34,947
	NOK	104	148
	EUR	5,429	-22
	CHF	-160	-162
	USD	57	87
	GBP	-119	134
	SEK	202	250
	Other currencies	-8	-8
	Total	**52,103**	**35,374**

Note no.

51 **Value at Risk / Market risk**

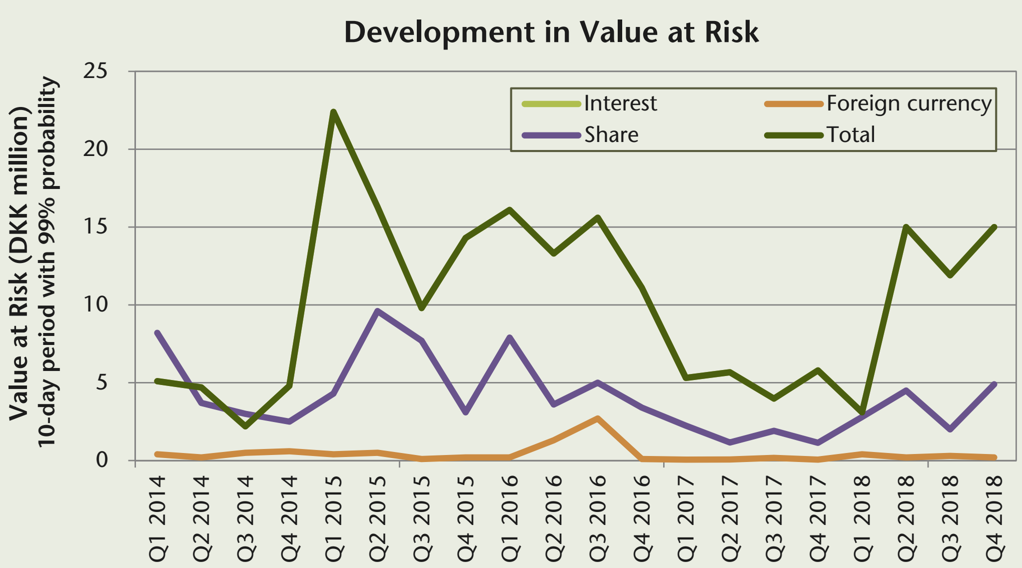
Ringkjøbing Landbobank uses a Value at Risk (VaR) model as a sensitivity analysis for market risks. The model is a parametric VaR model based on a historic analysis of the covariance (the correlations) between the prices of various financial assets etc. The model combines historical knowledge of covariance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

Reference is made to pages 36 and 39 of this annual report for further description of the model etc.

Risk type	**Average VaR figure**	**Minimum VaR figure***	**Maximum VaR figure***	**End of year VaR figure**
(DKK million)				
Interest	7.7	1.2	15.7	15.0
Foreign exchange	0.2	0.3	0.1	0.2
Share price	3.3	2.8	4.6	4.8
Diversification	-2.7	-1.3	-4.5	-1.6
Total VaR figure	**8.5**	**3.0**	**15.9**	**15.4**

** Determined by the total VaR figure.*

Sensitivity analysis of sector shares (DKK 1,000)	
Sector shares cf. note 25	1,409,673
Impact on the profit of a 10% price change	140,967



Note no.

52 Derivative financial instruments

Remaining time to maturity

DKK 1,000	Up to and including 3 months		More than 3 months and up to and including 1 year	
	Nominal value	Net market value	Nominal value	Net market value
Currency contracts				
Spot, purchase	77,740	50		
Spot, sale	41,243	-38		
Forward transactions / futures, purchase	1,885,662	-2,193	512,298	1,958
Forward transactions / futures, sale	1,894,069	11,687	134,605	1,155
Options, acquired	17,580	130		
Options, issued	17,580	-142		
Interest-rate contracts				
Spot, purchase	495,774	-144		
Spot, sale	67,981	3		
Forward transactions / futures, purchase	137	1,458	7	109
Forward transactions / futures, sale	200	-695	18	-147
Swaps	213,474	-1,332	468,245	-781
Options, acquired	2,023	2	15,950	136
Options, issued	2,023	-2	15,950	-136
Share contracts				
Spot, purchase	76,249	358		
Spot, sale	75,672	-243		
Forward transactions / futures, purchase	0	-9		
Forward transactions / futures, sale	0	9		
Options, acquired	1	4		
Options, issued	1	-4		

	More than 1 year and up to and including 5 years		More than 5 years	
	Nominal value	Net market value	Nominal value	Net market value
Currency contracts				
Forward transactions / futures, purchase	208,153	34		
Forward transactions / futures, sale	2,906	-84		
Swaps	584,783	3,156	532,198	13,890
Interest-rate contracts				
Swaps	1,667,634	2,177	1,226,472	1,907
Options, acquired	109,268	2,866	94,861	2,457
Options, issued	109,268	-2,866	94,861	-2,457
Share contracts				
Options, acquired	0	3		
Options, issued	0	-3		

Note
no.

52 Derivative financial instruments - continued

DKK 1,000	Total nominal value		Total net market value	
	2018	2017	2018	2017
Currency contracts				
Spot, purchase	77,740	13,829	50	4
Spot, sale	41,243	26,736	-38	-37
Forward transactions / futures, purchase	2,606,113	1,598,493	-201	2,827
Forward transactions / futures, sale	2,031,580	657,254	12,758	15,622
Swaps	1,116,981	222,826	17,046	-3,436
Options, acquired	17,580	12,683	130	105
Options, issued	17,580	12,683	-142	-98
Interest-rate contracts				
Spot, purchase	495,774	136,373	-144	-247
Spot, sale	67,981	33,151	3	17
Forward transactions / futures, purchase	144	29,057	1,567	167
Forward transactions / futures, sale	218	116,638	-842	-164
Swaps	3,575,825	3,073,552	1,971	9,630
Options, acquired	222,102	204,938	5,461	6,561
Options, issued	222,102	204,938	-5,461	-6,561
Share contracts				
Spot, purchase	76,249	16,185	358	-25
Spot, sale	75,672	16,799	-243	82
Forward transactions / futures, purchase	0	6	-9	-104
Forward transactions / futures, sale	0	6	9	104
Options, acquired	1	1,181	7	1,360
Options, issued	1	1,181	-7	-1,360
Total net market value			**32,273**	**24,447**

Note
no.

52 Derivative financial instruments - continued

DKK 1,000	Market value				Average market value			
	Positive		Negative		Positive		Negative	
	2018	2017	2018	2017	2018	2017	2018	2017
Currency contracts								
Spot, purchase	72	10	22	6	126	56	240	335
Spot, sale	56	26	94	63	161	81	70	114
Forward transactions / futures, purchase	11,720	10,348	11,921	7,521	15,136	10,578	6,803	10,361
Forward transactions / futures, sale	18,382	17,247	5,624	1,625	14,522	16,820	4,246	1,969
Swaps	25,270	1,805	8,224	5,241	17,443	1,413	6,935	3,943
Options, acquired	130	105			230	206		
Options, issued			142	98			233	283
Interest-rate contracts								
Spot, purchase	57	27	201	274	480	153	1,087	183
Spot, sale	47	35	44	18	758	80	227	302
Forward transactions / futures, purchase	1,567	167			1,112	276		1,089
Forward transactions / futures, sale	58	154	900	318	661	1,209	1,261	573
Swaps	83,327	90,032	81,356	80,402	80,189	114,133	75,118	108,594
Options, acquired	5,461	6,561			6,016	8,098		
Options, issued			5,461	6,561			6,016	8,098
Share contracts								
Spot, purchase	664	467	306	492	936	1,954	522	674
Spot, sale	335	538	578	456	552	735	910	1,922
Forward transactions / futures, purchase			9	104	29	68	2	595
Forward transactions / futures, sale	9	104			2	597	29	68
Options, acquired	7	1,360			305	1,041		
Options, issued			7	1,360			305	1,041
Total market value	**147,162**	**128,986**	**114,889**	**104,539**	**138,659**	**157,498**	**104,002**	**140,144**

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

Note no.

53 Merger

Ringkjøbing Landbobank A/S merged with Nordjyske Bank A/S on 8 June 2018 with Ringkjøbing Landbobank A/S as the post-merger entity.

Breakdown of the purchase price for Nordjyske Bank A/S on net assets on 8 June 2018

	8 June 2018 DKK 1,000
Assets	
Cash in hand and demand deposits with central banks	337,381
Receivables from credit institutions and central banks	1,209,353
Loans and other receivables	11,770,671
Bonds at fair value	2,240,865
Shares etc.	650,756
Investments in group undertakings	11,722
Assets linked to pooled schemes	3,657,638
Total land and buildings	193,069
Investment properties	26,175
Domicile properties	166,894
Other tangible assets	10,108
Current tax assets	5,152
Deferred tax assets	27,658
Temporary assets	5,184
Other assets	223,135
Prepayments	15,408
Total assets	**20,358,100**
Liabilities and equity	
Debt to credit institutions and central banks	146,530
Deposits and other debt	13,268,085
Deposits in pooled schemes	3,903,168
Other liabilities	241,702
Deferred income	9,745
Total debt	**17,569,230**
Provisions for pensions and similar liabilities	11,777
Provisions for losses on guarantees	31,547
Other provisions for liabilities	1,903
Total provisions for liabilities	**45,227**
Tier 2 capital	273,236
Total subordinated debt	**273,236**
Total liabilities	**17,887,693**
Net assets taken over	**2,470,407**

Note no.		8 June 2018 DKK 1,000
53	**Merger - continued**	
	Purchase price	
	Net assets taken over	2,470,407
	Goodwill	923,255
	Customer relationships	150,000
	Deferred tax on customer relationships	-33,000
	Total purchase price	**3,510,662**
	Purchase price paid as follows:	
	Issue of 9,182,258 new shares at a price of 364.50	3,346,933
	Internal shareholding, 65,265 new shares at a price of 364.50	-23,789
	Net increase in equity	**3,323,144**
	Cash distribution	166,721
	Shares held by Ringkjøbing Landbobank A/S in Nordjyske Bank A/S etc.	19,004
	Shares held by Nordjyske Bank A/S in Ringkjøbing Landbobank A/S etc.	1,793
	Total purchase price	**3,510,662**

Comments

Net assets taken over included “Loans and other receivables” with a fair value of DKK 11,771 million. The fair value of “Loans and other receivables” was based on an assessment of the market value of the loan portfolio taken over, which was calculated at the present value of the cash flows the bank expects to receive.

Receivables from contracts totalled DKK 12,964 million on 8 June 2018, while impairment charges and adjustments to fair value totalled DKK 1,193 million.

In connection with the merger with Nordjyske Bank, identifiable intangible assets in the form of customer relationships were calculated and recognised in the pre-acquisition balance sheet at fair value. The fair value of customer relationships expresses the value of the customer base taken over from Nordjyske Bank. The value of customer relationships is amortised over a ten-year period in the bank’s income statement.

Goodwill was calculated at DKK 923 million. Goodwill is not amortised but the value is impairment tested in connection with financial reports.

In addition to the net assets taken over, the bank assumed guarantees for DKK 4,589 million.

FIVE-YEAR MAIN FIGURES

Summary (DKK 1,000)	**2018**	**2017**	**2016**	**2015**	**2014**
Income statement					
Interest income	996,906	694,136	749,021	736,995	787,924
Interest expenses	70,411	53,094	69,743	91,165	139,253
Net interest income	**926,495**	**641,042**	**679,278**	**645,830**	**648,671**
Dividends from shares etc.	27,619	10,258	18,995	13,010	7,897
Fee and commission income	538,862	322,717	297,328	301,076	261,082
Fee and commission expenses	48,293	42,486	42,417	41,687	31,701
Net interest and fee income	**1,444,683**	**931,531**	**953,184**	**918,229**	**885,949**
Value adjustments	+179,833	+143,225	+63,784	+29,583	+82,293
Other operating income	5,770	4,979	7,560	4,964	4,001
Staff and administration costs	704,778	327,024	306,670	281,634	270,532
Amortisation, depreciation and write-downs on intangible and tangible assets	22,690	4,249	8,638	7,351	12,192
Other operating expenses	2,816	3,174	2,318	17,301	15,309
Impairment charges for loans and receivables etc.	-86,955	-10,320	-48,378	-60,367	-87,186
Results from investments in associated companies and group undertakings	80	-20	+2,842	+2,137	-11
Profit before tax	**813,127**	**734,948**	**661,366**	**588,260**	**587,013**
Tax	149,935	146,308	121,868	129,595	141,152
Net profit for the year	**663,192**	**588,640**	**539,498**	**458,665**	**445,861**

Summary (DKK 1,000)	**End of 2018**	**End of 2017**	**End of 2016**	**End of 2015**	**End of 2014**
Balance sheet					
Assets					
Cash in hand and deposits with credit institutions and central banks	3,823,860	1,519,788	2,361,235	1,049,165	371,363
Loans and other receivables at amortised cost	33,350,334	19,350,866	17,481,838	17,299,920	15,507,134
Securities	6,906,742	4,574,388	3,974,371	3,584,437	4,943,072
Assets linked to pooled schemes	3,786,476	-	-	-	-
Intangible assets	1,064,838	-	-	-	-
Tangible assets	266,265	74,458	75,051	68,493	71,067
Other assets	452,013	276,983	365,642	315,414	345,272
Total assets	**49,650,528**	**25,796,483**	**24,258,137**	**22,317,429**	**21,237,908**
Liabilities and equity					
Debt to credit institutions and central banks	1,916,476	1,599,416	1,457,792	1,502,586	1,911,215
Deposits and other debt	33,206,095	19,110,127	18,314,427	16,986,543	15,450,273
Deposits in pooled schemes	3,786,476	-	-	-	-
Issued bonds	1,428,024	673,436	297,370	0	236,238
Other liabilities	599,966	214,570	256,511	143,867	157,436
Provisions for liabilities	76,327	10,263	6,287	16,057	18,471
Subordinated debt	1,448,474	371,753	371,095	372,278	365,667
Share capital	30,994	22,350	22,850	23,350	23,900
Reserves	7,157,696	3,794,568	3,531,805	3,272,748	3,074,708
Total shareholders' equity	7,188,690	3,816,918	3,554,655	3,296,098	3,098,608
Total liabilities and equity	**49,650,528**	**25,796,483**	**24,258,137**	**22,317,429**	**21,237,908**
Contingent liabilities etc.					
Contingent liabilities	7,829,417	3,183,874	2,459,509	2,234,381	2,217,810
Irrevocable credit commitments	13,531	392,000	516,724	0	0
Total contingent liabilities etc.	**7,842,948**	**3,575,874**	**2,976,233**	**2,234,381**	**2,217,810**

FIVE-YEAR KEY FIGURES

		2018	2017	2016	2015	2014
Capital ratios:						
Total capital ratio	%	18.8	17.8	18.3	18.8	17.5
Tier 1 capital ratio	%	15.0	16.5	16.9	17.1	17.5
MREL capital ratio	%	25.2	-	-	-	-
Earnings:						
Return on equity before tax	%	14.8	19.9	19.3	18.4	19.6
Return on equity after tax	%	12.1	16.0	15.8	14.3	14.9
Income / cost ratio	DKK	1.99	3.13	2.81	2.60	2.52
Return on assets	%	1.3	2.3	2.2	2.1	2.1
Market risk:						
Interest rate risk	%	1.0	1.1	1.8	2.2	1.2
Foreign exchange position	%	1.1	1.1	0.6	0.8	0.4
Foreign exchange risk	%	0.0	0.0	0.0	0.0	0.0
Liquidity risk:						
Liquidity Coverage Ratio (LCR)	%	183	193	185	106	-
Loans and impairments thereon relative to deposits	%	95.5	106.1	100.5	107.4	106.4
Credit risk:						
Loans relative to shareholders' equity		4.6	5.1	4.9	5.2	5.0
Growth in loans for the year (Pro forma growth in loans in 2018: 7.7%)	%	72.9	10.7	2.7	14.0	7.8
Total large exposures	%	106.0	136.1	-	-	-
Cumulative impairment ratio	%	4.7	4.0	4.5	4.6	5.0
Impairment ratio for the year	%	0.20	0.04	0.23	0.29	0.47
Proportion of receivables at reduced interest	%	0.5	0.1	0.3	0.4	0.3
Share return:						
Earnings per share*/***	DKK	2,486.5	2,604.6	2,335.5	1,941.4	1,853.9
Book value per share*/**	DKK	24,068	17,500	15,916	14,428	13,280
Dividend per share*	DKK	1,000	900	720	600	520
Market price relative to earnings per share*/***		13.7	12.3	12.5	15.5	12.4
Market price relative to book value per share*/**		1.41	1.84	1.84	2.08	1.73

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Total large exposures
The total sum of the 20 largest exposures in per cent of common equity tier 1.

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

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

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

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

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

Dividend per share*
Proposed dividend / share capital.

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

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

*/**/***: See page 112.

OTHER INFORMATION

Shareholders' committee

Name	Position	Home town	Born
Kristian Skannerup chairman of the shareholders' committee	manufacturer	Tim	14 June 1959
Allan Sørensen deputy chairman of the shareholders' committee**	acting High Court judge	Ringkøbing	26 June 1982
Anette Ørbæk Andersen	manager	Skjern	4 March 1963
Hejne Fomsgaard Andersen	manufacturer	Ringkøbing	30 August 1954
Per Lykkegaard Christensen	farmer	Hjallerup	12 December 1959
Claus Dalgaard	vice president	Ringkøbing	28 April 1962
Ole Kirkegård Erlandsen	butcher	Snejbjerg	19 December 1962
Niels Ole Hansen	business consultant	Ringkøbing	1 September 1951
Tonny Hansen	college principal	Ringkøbing	27 May 1958
Leif Haubjerg	farmer	No	18 December 1959
Mads Hvolby*	chartered surveyor	Nørresundby	9 December 1956
Poul Johnsen Høj	fishing boat skipper	Hvide Sande	10 November 1964
Kim Jacobsen	commercial estate agent	Aalborg	25 September 1969
Erik Jensen	manager	Skjern	7 September 1965
Morten Jensen*	attorney-at-law (Supreme Court)	Dronninglund	31 October 1961
Poul Søe Jeppesen	former manager	Aalborg	14 November 1952
Claus Kaj Junge	manager	Filskov	25 May 1968
Toke Kjær Juul	CEO	Herning	15 August 1978
Anne Kaptain	vice president, attorney-at-law (High Court)	Sæby	14 March 1980
Carl Erik Kristensen	manager	Hvide Sande	28 January 1978
Henrik Lintner	pharmacist	Hjørring	7 May 1955
Niels Erik Burgdorf Madsen	manager	Ølgod	25 October 1959
Jacob Møller*	CEO	Ringkøbing	2 August 1969
Lars Møller	municipal chief executive	Holstebro	30 November 1957
Bjarne Bjørnkjær Nielsen	manager	Skjern	11 March 1973
Jens Møller Nielsen*	manager	Ringkøbing	25 August 1956
Ole Nygaard	manager	Frederikshavn	9 June 1964
Bente Skjørbæk Olesen	shop owner	Vemb	16 February 1971
Martin Krogh Pedersen*	CEO	Ringkøbing	7 June 1967
Poul Kjær Poulsgaard	farmer	Madum	21 February 1974

Name	Position	Home town	Born
Karsten Sandal	manager	Ølstrup	25 June 1969
Jens Otto Størup	manager	Tornby	10 August 1967
Lone Rejkjær Söllmann*	finance manager	Tarm	26 January 1968
Egon Sørensen	insurer	Spjald	16 June 1965
Jørgen Kolle Sørensen	car dealer	Hvide Sande	17 September 1970
Peer Buch Sørensen	draper	Frederikshavn	20 May 1967
Lise Kvist Thomsen	manager	Virum	24 May 1984
Sten Uggerhøj*	car dealer	Frederikshavn	6 July 1959
Jens Chr. Aasted	manager	Aalborg	12 February 1961

** Member of the board of directors*
*** Leave*

Board of directors

Martin Krogh Pedersen, CEO, Ringkøbing
Chairman of the board of directors

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

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

Mads Hvolby, chartered surveyor, Nørresundby
Deputy chairman of the board of directors

Born on 9 December 1956
Independent
Member of the board of directors since 7 June 2018
End of current term of office: 2022

Other managerial activities - member of the management of:
- Landinspektørernes Gensidige Erhvervsansvarsforsikring
- Landinspektørfirmaet LE34 A/S
- NB Gruppen Landinspektøraktieselskab

Jens Møller Nielsen, general manager, Ringkøbing
Deputy chairman of the board of directors

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

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

Morten Jensen, attorney-at-law (Supreme Court), Dronninglund

Born on 31 October 1961
Independent
Member of the board of directors since 7 June 2018
End of current term of office: 2022

Other managerial activities - member of the management of:
- Andersen & Aaquist A/S
- Badehotellerne Pepita og Sandvig Havn ApS
- C. Flauenskjold A/S
- Christine og Poul Goos Fond for Fri Forsikring
- Dansk Bilglas A/S
- Dansk Facility Service Holding A/S
- Desmi Contracting A/S
- Ejendomsselskabet Nordtyskland I A/S
- Ejendomsselskabet Nordtyskland II A/S
- Ejendomsselskabet Nordtyskland III A/S
- Ejendomsselskabet Nordtyskland IV A/S
- Ejendomsselskabet Nordtyskland V A/S
- Ejendomsselskabet Nordtyskland VI A/S
- Ejendomsselskabet Nordtyskland VII A/S
- Ejendomsselskabet Nordtyskland VIII A/S
- Ejendomsselskabet Nordtyskland IX A/S
- Ejendomsselskabet Nordtyskland Kommanditaktieselskab
- Ejendomsselskabet Svinkløv Badehotel A/S
- Ergonomic Solutions International Ltd.
- Ergonomic Solutions Manufacturing A/S
- Ergonomic Solutions Nordic A/S
- Felix Arden A/S
- Global Ocean Automation A/S
- Hattemagervej 5 A/S
- Havnens Fiskebod A/S
- JenSchu K/S
- JM Marine Consult A/S
- Komplementaranpartsselskabet Langebjergvej 1
- Lundagergaard Holding ApS
- Madera Holding ApS
- Mesterbyg Klokkerholm A/S
- Micodan A/S
- Micodan Ejendomme A/S
- Micodan Holding A/S
- Micodan Norge AS
- Miljø-Art A/S
- Novagraf A/S
- PM Energi A/S
- PM Parts A/S
- RengøringsCompagniet A/S
- RengøringsCompagniets Fond
- Saga Shipping A/S
- Skandia Kalk Holding ApS
- Skovbakkevej 24 ApS
- Square Holding A/S
- Teglbakken Byggeselskab P/S
- Teglbakken, Niverød P/S
- Tribodan A/S
- Vibeke Emborg Holding ApS
- Vibeke Emborg Invest ApS

BOARD OF DIRECTORS

Jon Steingrim Johnsen, group manager and COO, Humlebæk

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

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

Jacob Møller, CEO, Ringkøbing

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

Other managerial activities - member of the management of:
- Dansk Energi
- Iron Pump A/S
- Iron Pump Ejendomme A/S
- Iron Pump Holding A/S
- Goenergi A/S
- N H Vind 16 ApS
- RAH Fiberbredbånd A/S
- RAH Holding A/S
- RAH Net A/S
- RAH Service A/S
- Scanenergi A/S
- Scanenergi Elsalg A/S
- Scanenergi Holding A/S
- Scanenergi Solutions A/S
- Vestjyske Net 60 KV A/S
- Vestjyske Net Service A/S

Lone Rejkjær Söllmann, finance manager, Tarm

Born on 26 January 1968
Independent
Member of the board of directors since 26 April 2017
End of current term of office: 2022

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

Sten Uggerhøj, car dealer, Frederikshavn

Born on 6 July 1959
Independent
Member of the board of directors since 7 June 2018
End of current term of office: 2022

Other managerial activities - member of the management of:

- A/S Knud Uggerhøj
- Aktieselskabet Trigon
- Atletikvej 1 ApS
- Civilingeniør Bent Bøgh og Hustru Inge Bøgh's Fond
- Ejendomsselskabet Møllehuset A/S
- Ejendomsselskabet Wedellsborgvej 1 A/S
- Fortin Madrejon A/S
- Knud Uggerhøj Kapital ApS
- MAN Nordjylland A/S
- Techno Danmark F.M.B.A.
- Techno Forsikring A/S
- Trigon Holding A/S
- Uggerhøj A/S
- Uggerhøj Ejendomme A/S
- Uggerhøj Erhverv ApS
- Uggerhøj Finans A/S
- Uggerhøj Herning A/S
- Uggerhøj Holding ApS
- Uggerhøj Horsens A/S
- Uggerhøj Nord ApS
- Uggerhøj Aarhus A/S

Dan Junker Astrup, head of credit, Videbæk
Elected by the employees

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

No other managerial activities

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

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

Other managerial activities - member of the management of:
Finansforbundet
The supplementary pension fund for employees of Ringkjøbing Landbobank

Arne Ugilt, credit consultant, Hjørring
Elected by the employees

Born on 6 August 1956
Member of the board of directors since 7 June 2018
End of current term of office: 2019

No other managerial activities

Finn Aaen, business customer advisor, Aalborg
Elected by the employees

Born on 22 April 1970
Member of the board of directors since 7 June 2018
End of current term of office: 2019

No other managerial activities

Board committees

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

Information on the individual board committees is provided below:

Remuneration committee

The following are members of the remuneration committee:

- Martin Krogh Pedersen*, chairman of the committee
- Mads Hvolby*
- Jens Møller Nielsen*
- Gitte E. S. H. Vigsø

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

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

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

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

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

Nomination committee

The following are members of the nomination committee:

- Martin Krogh Pedersen*, chairman of the committee
- Mads Hvolby*
- Morten Jensen*
- Jon Steingrim Johnsen*
- Jacob Møller*
- Jens Møller Nielsen*
- Lone Rejkjær Söllmann*
- Sten Uggerhøj*
- Dan Junker Astrup
- Gitte E. S. H. Vigsø
- Arne Ugilt
- Finn Aaen

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

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

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

Audit committee

The following are members of the audit committee:

- Jens Møller Nielsen*, chairman of the committee
- Mads Hvolby*
- Jacob Møller*
- Martin Krogh Pedersen*

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

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

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

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

Risk committee

The following are members of the risk committee:

- Martin Krogh Pedersen*, chairman of the committee
- Mads Hvolby*
- Morten Jensen*
- Jon Steingrim Johnsen*
- Jacob Møller*
- Jens Møller Nielsen*
- Lone Rejkjær Söllmann*
- Sten Uggerhøj*
- Dan Junker Astrup
- Gitte E. S. H. Vigsø
- Arne Ugilt
- Finn Aaen

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

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

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

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

** Judged to be independent.*

Board of directors - competencies

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

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

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

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

- Martin Krogh Pedersen has special competencies, knowledge and experience within the areas of the business model, credit risks, market risks, liquidity risks, budgets, accounting and auditing, capital structure, insurance risks and general managerial experience.
- Mads Hvolby has special competencies, knowledge and experience within the areas of the business model, credit risks, operational risks, budgets, accounting and auditing, capital structure, insurance risks, risk management, managerial experience from other financial undertakings, general managerial experience and legal insight.
- Jens Møller Nielsen has special competencies, knowledge and experience within the areas of the business model, credit risks, market risks, liquidity risks, operational risks, budgets, accounting and auditing, insurance risks, risk management, general managerial experience and legal insight. As the chairman of the bank's audit committee, Jens Møller Nielsen has competencies within accounting or auditing.
- Morten Jensen has special competencies, knowledge and experience within the areas of credit risks, budgets, accounting and auditing, risk management, general managerial experience and legal insight and within sections of the business model and liquidity risk areas.
- Jon Steingrim Johnsen has special competencies, knowledge and experience within the areas of the business model, market risks, liquidity risks, operational risks, budgets, accounting and auditing, capital structure, insurance risks, risk management, managerial experience from other financial undertakings, general managerial experience and legal insight and within sections of the credit risk area.
- Jacob Møller has special competencies, knowledge and experience within the areas of insurance risks, general managerial experience and legal insight and within sections of the business model, credit risk and market risk areas.
- Lone Rejkjær Söllmann has special competencies, knowledge and experience within sections of the business model and credit risk areas.
- Sten Uggerhøj has special competencies, knowledge and experience within the areas of the business model, credit risks, market risks, liquidity risks, operational risks, budgets, accounting and auditing, capital structure, risk management, general managerial experience and legal insight.

- Dan Junker Astrup has special competencies, knowledge and experience within the areas of the business model, credit risks, budgets, accounting and auditing, and risk management and within sections of the market risk area.
- Gitte E.S.H. Vigsø has special competencies, knowledge and experience within the areas of operational risks and legal insight and within sections of the business model and credit risk areas.
- Arne Ugilt has special competencies, knowledge and experience within sections of the credit risk area.
- Finn Aaen has special competencies, knowledge and experience within sections of the business model and credit risk areas.

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

Reference is made to note 44 on page 92 for information on holdings of Ringkjøbing Landbobank shares by members of the board of directors.

General management

John Bull Fisker, CEO

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

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

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

Claus Andersen, general manager

Born on 19 April 1966
Employed by the bank on 7 June 2018
Member of the general management since 7 June 2018

On the board of directors of the following companies etc.:
- Chairman of Sæbygård Skov A/S, Ringkøbing
- Board member of DLR Kredit A/S, Copenhagen
- Board member of the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, Copenhagen

Jørn Nielsen, general manager

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

No other managerial activities

Carl Pedersen, general manager

Born on 28 December 1962
Employed by the bank on 7 June 2018
Member of the general management since 7 June 2018

On the board of directors of the following company:
    Board member of Vækst-Invest Nordjylland A/S, Aalborg

Holdings of Ringkjøbing Landbobank shares by the general management

Reference is made to note 44 on page 92 for information on holdings of Ringkjøbing Landbobank shares by members of the general management.

Ringkjøbing Landbobank Aktieselskab

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Denmark

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E-mail: post@landbobanken.dk
Website: www.landbobanken.com

CVR no.: 37536814
Sort code: 7670
SWIFT / BIC: RINGDK22
LEI code: 2138002M5U5K4OUMVV62
ISIN: DK0060854669

Share capital

Ringkjøbing Landbobank's share capital is DKK 30,994,258, divided into 30,994,258 nom. DKK 1 shares.

Ownership

On 31 December 2018, Ringkjøbing Landbobank had registered shares of DKK 29,815,621, equivalent to 96.20% of the total share capital.

The number of registered shareholders on 31 December 2018 totalled 53,690.

Major shareholders

Two shareholders have advised that they hold at least 5% of Ringkjøbing Landbobank's share capital:

- Nykredit Realkredit, of Copenhagen, Denmark owned 9.69% of the bank's share capital on 31 December 2018.
- ATP, of Hillerød, Denmark owned 5.89% of the bank's share capital on 31 December 2018.

Both shareholders have 3,000 votes each.

Corporate announcements 2018

Summary of Ringkjøbing Landbobank's corporate announcements to Nasdaq Copenhagen and others in 2018:

31 January 2018	Announcement of the financial statements for 2017
31 January 2018	Annual report 2017
31 January 2018	Notice convening annual general meeting
31 January 2018	Changes in the board of directors
28 February 2018	Minutes of the annual general meeting on 28 February 2018
09 March 2018	Articles of association
21 March 2018	Revaluation of the bank's ownership interest in BI Holding A/S including correction
10 April 2018	Quarterly report 1st quarter 2018
18 April 2018	Merger between Nordjyske Bank and Ringkjøbing Landbobank
18 April 2018	Implementation of share buy-back programme
23 April 2018	Share buy-back programme
25 April 2018	Information relating to the merger between Nordjyske Bank and Ringkjøbing Landbobank
30 April 2018	Share buy-back programme
01 May 2018	Implementation of capital reduction
01 May 2018	Articles of association
07 May 2018	Share buy-back programme
08 May 2018	The merger between Nordjyske Bank and Ringkjøbing Landbobank - various documents relating to company law
08 May 2018	Notice convening extraordinary general meeting
09 May 2018	Jyske Bank supports the merger between Nordjyske Bank and Ringkjøbing Landbobank
14 May 2018	ATP continues as major shareholder
14 May 2018	Share buy-back programme
14 May 2018	Supplementary information concerning the extraordinary general meeting
22 May 2018	Share buy-back programme
23 May 2018	Moody's Investors Service confirms the bank's ratings
28 May 2018	Share buy-back programme
28 May 2018	Approval of the merger received from The Danish Competition and Consumer Authority
31 May 2018	Voting rights and share capital
31 May 2018	Publication of merger document concerning the merger between Ringkjøbing Landbobank and Nordjyske Bank
04 June 2018	Share buy-back programme
04 June 2018	Major shareholder announcement
07 June 2018	Minutes of the extraordinary general meeting on 7 June 2018

07 June 2018	Changes in management following the merger
07 June 2018	Result of the extraordinary general meeting of Nordjyske Bank on 7 June 2018
08 June 2018	Approval of the merger received from the Danish FSA
08 June 2018	Registration of the merger by the Danish Business Authority
08 June 2018	Articles of association
08 June 2018	Share buy-back programme continues
08 June 2018	Tier 2 capital issue
11 June 2018	Share buy-back programme
11 June 2018	Major shareholder announcement
12 June 2018	Major shareholder announcement
13 June 2018	Major shareholder announcement
13 June 2018	Major shareholder announcement
13 June 2018	Major shareholder announcement
13 June 2018	Major shareholder announcement
18 June 2018	Share buy-back programme
25 June 2018	Share buy-back programme
29 June 2018	Updated financial calendar for 2018 etc.
29 June 2018	Voting rights and share capital
02 July 2018	Share buy-back programme
09 July 2018	Share buy-back programme
10 July 2018	Completion of share buy-back programme
15 August 2018	Interim report 2018
15 August 2018	Implementation of share buy-back programme
20 August 2018	Share buy-back programme
27 August 2018	Share buy-back programme week 34
03 September 2018	Share buy-back programme week 35
10 September 2018	Share buy-back programme week 36
17 September 2018	Share buy-back programme week 37
24 September 2018	Share buy-back programme week 38
01 October 2018	Share buy-back programme week 39
08 October 2018	Share buy-back programme week 40
15 October 2018	Share buy-back programme week 41
22 October 2018	Share buy-back programme week 42
29 October 2018	Share buy-back programme week 43
01 November 2018	Completion of share buy-back programme
14 November 2018	Quarterly report 1st-3rd quarters 2018
14 November 2018	Implementation of share buy-back programme
20 November 2018	Share buy-back programme week 46
26 November 2018	Share buy-back programme week 47

03 December 2018	Share buy-back programme week 48
10 December 2018	Share buy-back programme week 49
17 December 2018	Share buy-back programme week 50
19 December 2018	Financial calendar 2019
27 December 2018	Share buy-back programme week 51

Corporate announcements regarding reportable transactions in Ringkjøbing Landbobank shares are not indicated in the summary above.

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

FINANCIAL CALENDAR

Financial calendar 2019

The financial calendar for the upcoming publications is as follows:

20 March 2019	Annual general meeting
01 May 2019	Quarterly report 1st quarter 2019
07 August 2019	Interim report 2019
23 October 2019	Quarterly report 1st-3rd quarters 2019

THE BANK'S BRANCHES

Branch	Adress	Telephone
Ringkøbing, head office	Torvet 1, DK-6950 Ringkøbing	+45 9732 1166
Bangsbostrand	Søndergade 157, DK-9900 Frederikshavn	+45 9633 5160
Brønderslev	Algade 39-41, DK-9700 Brønderslev	+45 9870 4500
Frederikshavn	Jernbanegade 4-8, DK-9900 Frederikshavn	+45 9870 6000
Hasseris	Thulebakken 34, DK-9000 Aalborg	+45 9870 5900
Herning	Torvet 18, DK-7400 Herning	+45 9721 4800
Hirtshals	Jørgen Fibigersgade 16, DK-9850 Hirtshals	+45 9633 5530
Hjallerup	Hjallerup Centret 5, DK-9320 Hjallerup	+45 9870 5100
Hjørring	Østergade 4, DK-9800 Hjørring	+45 9633 5520
Holstebro	Den Røde Plads 2, DK-7500 Holstebro	+45 9610 9500
Holte	Kongevejen 356, DK-2840 Holte	+45 7624 9550
Hvide Sande	Stormgade 10, DK-6960 Hvide Sande	+45 9731 1500
Kastetvej	Kastetvej 87, DK-9000 Aalborg	+45 9870 4100
Copenhagen	Frederiksborggade 1, 1.th., DK-1360 Copenhagen K	+45 9633 5240
Læsø	Byrum Hovedgade 79, DK-9940 Læsø	+45 9633 5480
Løkken	Søndergade 3, DK-9480 Løkken	+45 9870 6150
Nibe	Grønnegade 42, DK-9240 Nibe	+45 9870 6100
Nørresundby	Torvet 4, DK-9400 Nørresundby	+45 9870 3333
Sindal	Nørregade 2, DK-9870 Sindal	+45 9633 5450
Skagen	Sct. Laurentiivej 39 B, DK-9990 Skagen	+45 9633 5210
Strandby	Havnevej 7, DK-9970 Strandby	+45 9633 5430
Sæby	Vestergade 21, DK-9300 Sæby	+45 9633 5320
Tarm	Storegade 6-10, DK-6880 Tarm	+45 9737 1411
Vejgaard	Vejgaard Bymidte 2, DK-9000 Aalborg	+45 9870 4400
Vejle	Lysholt Allé 10, DK-7100 Vejle	+45 7624 9780
Vestbjerg	Bakkelyvej 2 A, DK-9380 Vestbjerg	+45 9870 4900
Viborg	Gravene 18, DK-8800 Viborg	+45 8662 5501
Vildbjerg	Søndergade 6, DK-7480 Vildbjerg	+45 9713 3166
Vodskov	Vodskovvej 43, DK-9310 Vodskov	+45 9870 5500
Aabybro	Østergade 12, DK-9440 Aabybro	+45 9870 5400
Aarhus	Marselis Boulevard 9, DK-8000 Aarhus C	+45 7624 9760

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Ringkjøbing
Landbobank

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