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31 January 2017

Ringkjøbing Landbobank's announcement of the annual accounts 2016 - The best profit in the bank's history

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

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

(Million DKK)	2016	2015	2014	2013	2012
Total core income	983	954	907	844	823
Total expenses and depreciation	-318	-306	-298	-273	-265
Core earnings before impairments	665	648	609	571	558
Impairment charges for loans etc.	-48	-60	-87	-120	-157
Core earnings	617	588	522	451	401
Result for the portfolio etc.	+44	0	+65	+21	+47
Profit before tax	661	588	587	472	448

2016 in headlines:

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

Please do not hesitate to contact the bank's management if you have any questions.

Yours sincerely,

Ringkjøbing Landbobank

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Management's review

Core income

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

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

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

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

Costs and depreciation

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

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

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

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

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

Impairment charges for loans

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

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

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

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

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

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

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

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

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

On the basis of the quality of the bank's loans portfolio and prospects for economic development in the coming year, the bank expects total impairment charges in 2017 to be lower than in 2016.

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

Core earnings

(Million DKK)	2016	2015	2014	2013	2012
Total core income	983	954	907	844	823
Total expenses and depreciation	-318	-306	-298	-273	-265
Core earnings before impairment charges	665	648	609	571	558
Impairment charges for loans etc.	-48	-60	-87	-120	-157
Core earnings	617	588	522	451	401

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

Result for the portfolio and market risk

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

Shares etc. at the end of the year amounted to DKK 531 million, DKK 22 million of which was in listed shares, DKK 147 million in investment fund certificates and DKK 362 million in sector shares etc. The bond portfolio amounted to DKK 3,443 million, and the majority of the portfolio consists of AAA-rated Danish government and mortgage credit bonds.

The total interest rate risk - calculated as the impact on profit of a 1 percentage point change in the interest level - was 1.8% of the bank's tier 1 capital at the end of the year.

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

The bank's risk of losses calculated on the basis of a Value at Risk model (computed with a 10-day horizon and 99% probability) was as follows in 2016:

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

Net profit for the year

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

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

Balance sheet

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

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

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

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

Liquidity

The bank's liquidity situation is good. The bank's short-term funding with term to maturity of less than 12 months amounts to DKK 0.4 billion, balanced by DKK 5.8 billion primarily in short-term investments in the Danish central bank and in liquid securities.

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

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

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

In terms of liquidity, the bank must comply with the LCR (Liquidity Coverage Ratio) requirement. This key ratio expresses the ability of banks to honour their payment obligations for a 30-day period without access to market funds. The LCR figure is computed as the ratio of the bank's cash and cash equivalents / liquid assets to its payment obligations for the next 30 days as computed in accordance with specific rules.

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

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

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

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

Capital reduction, dividends and share buy-back programme

The annual general meeting in February 2016 authorised the bank's board of directors to buy shares for up to DKK 140 million for cancellation at a future general meeting.

On completion of the share buy-back programme, the following were reserved on 7 December 2016:

	Number of shares	Average purchase price - in DKK	Transaction value - in DKK 1,000
Reserved as of 9 March 2016	20,000	1,403.53	28,071
Reserved as of 1 June 2016	29,000	1,371.46	39,772
Reserved as of 14 September 2016	23,000	1,429.02	32,867
Reserved as of 7 December 2016	28,000	1,415.85	39,644
Total as of 7 December 2016	100,000		140,354

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

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

A proposal will also be made to the general meeting that a new share buy-back programme be established, under which shares for up to DKK 170 million can be bought for cancellation at a future general meeting.

The total pay-out ratio increases from 61% in 2015 to 62% in 2016 on the basis of the above proposals.

Capital structure

Equity at the beginning of 2016 was DKK 3,296 million. To this must be added the net profit for the year, while the dividend paid and the value of the bank's own shares bought must be subtracted, after which the equity at the end of the year was DKK 3,555 million, an increase of 8%.

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

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

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

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

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

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

High levels of customer satisfaction and willingness to give referrals

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

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

Good increase in customer numbers

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

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

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

Expected results and plans for 2017

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

The bank's general goal continues to be a growth-oriented strategy with the wish to attract new customers and gain market shares.

Ringkjøbing Landbobank's market share is about 50% in that part of West Jutland where the bank's old branches are located. The bank also has well-established branches in Herning, Holstebro and Viborg, which are continuing to operate positively. The bank's goal for 2017 is to retain and develop this portion of the customer portfolio with sound and competitive products, focus on employee expertise, and work in providing skilled advice to customers on the financial products. An additional goal is an inflow of new customers to the bank's branches in Central and West Jutland, deriving from its long-term outreach marketing and market position in general.

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

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

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

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

Disclaimer:

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

Main and key figures

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

Statements of income and comprehensive income

Note		1.1-31.12 2016 DKK 1,000	1.1-31.12 2015 DKK 1,000
1	Interest income	749,021	736,995
2	Interest expenses	69,743	91,165
	Net interest income	679,278	645,830
3	Dividends from shares etc.	18,995	13,010
4	Fee and commission income	297,328	301,076
4	Fee and commission expenses	42,417	41,687
	Net interest and fee income	953,184	918,229
5	Value adjustments	+63,784	+29,583
	Other operating income	7,560	4,964
6,7	Staff and administration costs	306,670	281,634
	Amortisation, depreciation and write-downs on intangible and tangible assets	8,638	7,351
	Other operating expenses		
	Miscellaneous other operating expenses	26	68
	Costs Guarantee Fund and Resolution Fund	2,292	17,233
8	Impairment charges for loans and other receivables etc.	-48,378	-60,367
	Results from investments in associated companies	+2,842	+2,137
	Profit before tax	661,366	588,260
9	Tax	121,868	129,595
	Net profit for the year	539,498	458,665
	Other comprehensive income	0	0
	Total comprehensive income for the year	539,498	458,665

Proposed distribution of profit

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

Core earnings

Note		1.1-31.12 2016 DKK 1,000	1.1-31.12 2015 DKK 1,000
	Net interest income	665,312	637,960
4	Net fee and commission income excl. trading income	214,415	211,541
	Income from sector shares etc.	38,611	36,413
4	Foreign exchange income	16,396	15,812
	Other operating income	7,560	4,964
	Total core income excl. trade income	942,294	906,690
4	Trading income	40,496	47,848
	Total core income	982,790	954,538
6	Staff and administration costs	306,670	281,634
	Amortisation, depreciation and write-downs on intangible and tangible assets	8,638	7,351
	Other operating expenses	2,318	17,301
	Total expenses etc.	317,626	306,286
	Core earnings before impairment charges for loans	665,164	648,252
8	Impairment charges for loans and other receivables etc.	-48,378	-60,367
	Core earnings	616,786	587,885
	Result for the portfolio	+44,580	+375
	Profit before tax	661,366	588,260
9	Tax	121,868	129,595
	Net profit for the year	539,498	458,665

Balance sheet

Note		31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
	Assets		
	Cash in hand and demand deposits with central banks	284,139	331,563
10	Receivables from credit institutions and central banks	2,077,096	717,602
	Receivables with notice from central banks	1,572,198	130,019
	Money market operations and bilateral loans - term to maturity less than 1 year	355,898	262,583
	Bilateral loans - term to maturity more than 1 year	149,000	325,000
11,12,13	Loans and other receivables at amortised cost	17,481,838	17,299,920
	Loans and other receivables at amortised cost	17,481,838	17,016,732
	Loans and other receivables at amortised cost	16,472,015	15,914,993
	Wind turbine loans with direct funding	1,009,823	1,101,739
	Collateralised repurchase agreements / reverse repo transactions	0	283,188
14	Bonds at fair value	3,443,359	3,114,721
15	Shares etc.	530,503	467,049
	Investments in associated companies	509	2,667
	Land and buildings, total	56,177	64,287
	Investment properties	3,561	6,056
	Domicile properties	52,616	58,231
	Other tangible assets	18,874	4,206
	Current tax assets	20,444	71,624
	Deferred tax assets	8,153	0
	Temporary assets	5,200	5,200
	Other assets	323,848	296,871
	Prepayments	7,997	7,970
	Total assets	24,258,137	22,383,680

Balance sheet

Note		31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
	Liabilities and equity		
16	Debt to credit institutions and central banks	1,457,792	1,502,586
	Money market operations and bilateral credits - term to maturity less than 1 year	280,698	344,879
	Bilateral credits - term to maturity more than 1 year	167,271	55,968
	Bilateral credits from KfW Bankengruppe	1,009,823	1,101,739
17	Deposits and other debt	18,314,427	16,986,543
18	Issued bonds at amortised cost	297,370	0
	Other liabilities	254,062	208,988
	Deferred income	2,449	1,130
	Total debt	20,326,100	18,699,247
	Provisions for deferred tax	0	10,579
12	Provisions for losses on guarantees	6,287	5,478
	Total provisions for liabilities	6,287	16,057
	Tier 2 capital	371,095	372,278
19	Total subordinated debt	371,095	372,278
20	Share capital	22,850	23,350
	Net revaluation reserve under the equity method	158	2,317
	Retained earnings	3,366,627	3,129,831
	Proposed dividend etc.	165,020	140,600
	Total shareholders' equity	3,554,655	3,296,098
	Total liabilities and equity	24,258,137	22,383,680
21	Own shares		
22	Contingent liabilities etc.		
23	Assets furnished as security		
24	The supervisory diamond		
25	Miscellaneous comments		

Statement of changes in equity

2015					
DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total shareholders' equity
Shareholders' equity at the end of the previous financial year	23,900	178	2,949,750	124,780	3,098,608
Reduction of share capital	-550		550		0
Dividend etc. paid				-124,780	-124,780
Dividend received on own shares			3,385		3,385
Shareholders' equity after distribution of dividend etc.	23,350	178	2,953,685	0	2,977,213
Purchase of own shares			-640.370		-640.370
Sale of own shares			500.590		500.590
Total comprehensive income for the year		2,139	315,926	140,600	458,665
Shareholders' equity on the balance sheet date	23,350	2,317	3,129,831	140,600	3,296,098

2016					
DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total shareholders' equity
Shareholders' equity at the end of the previous financial year	23,350	2,317	3,129,831	140,600	3,296,098
Reduction of share capital	-500		500		0
Dividend etc. paid				-140,600	-140,600
Dividend received on own shares			3,344		3,344
Shareholders' equity after distribution of dividend etc.	22,850	2,317	3,133,675	0	3,158,842
Purchase of own shares			-481.310		-481.310
Sale of own shares			337.625		337.625
Total comprehensive income for the year		-2,159	376,637	165,020	539,498
Shareholders' equity on the balance sheet date	22,850	158	3,366,627	165,020	3,554,655

Statement of capital

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

Notes

Note	1.1-31.12 2016 DKK 1,000	1.1-31.12 2015 DKK 1,000
1 Interest income		
Receivables from credit institutions and central banks	13,428	15,990
Loans and other receivables	724,694	700,503
Loans - interest on the impaired part of loans	-32,466	-38,435
Reverse loans	4	5,094
Bonds	42,400	54,379
Total derivative financial instruments	-1,605	-4,281
Of which currency contracts	1,407	1,166
Of which interest-rate contracts	-3,012	-5,447
Other interest income	2,566	3,745
Total interest income	749,021	736,995
2 Interest expenses		
Credit institutions and central banks	22,949	24,354
Deposits and other debt	40,572	54,268
Repo deposits	0	66
Issued bonds	31	3,679
Subordinated debt	6,132	8,790
Other interest expenses	59	8
Total interest expenses	69,743	91,165
3 Dividends from shares etc.		
Shares	18,995	13,010
Total dividends from shares etc.	18,995	13,010
4 Gross fee and commission income		
Securities trading	51,754	58,631
Asset management and custody accounts	104,141	111,887
Payment handling	29,816	26,357
Loan fees	8,951	15,879
Guarantee commission and mortgage credit commission	64,450	56,362
Other fees and commission	38,216	31,960
Total gross fee and commission income	297,328	301,076
Net fee and commission income		
Securities trading	40,496	47,848
Asset management and custody accounts	97,170	105,496
Payment handling	20,317	17,384
Loan fees	6,306	13,242
Guarantee commission and mortgage credit commission	64,450	56,362
Other fees and commission	26,172	19,057
Total net fee and commission income	254,911	259,389
Foreign exchange income	16,396	15,812
Total net fee, commission and foreign exchange income	271,307	275,201

Notes

Note		1.1-31.12 2016 DKK 1,000	1.1-31.12 2015 DKK 1,000
5	Value adjustments		
	Loans and other receivables, fair value adjustment	-58	9,249
	Bonds	33,900	-29,648
	Shares etc.	22,499	34,659
	Investment properties	-2,495	0
	Foreign exchange	16,396	15,812
	Total derivative financial instruments	-6,458	-489
	Of which currency contracts	-2,930	-1,230
	Of which interest-rate contracts	-4,169	-420
	Of which share contracts	641	1,161
	Total value adjustments	63,784	29,583
6	Staff and administration costs		
	Payments to general management, board of directors and shareholders' committee		
	General management	7,018	5,108
	Board of directors	1,718	1,633
	Shareholders' committee	451	415
	Total	9,187	7,156
	Staff costs		
	Salaries	131,890	130,169
	Pensions	14,072	13,872
	Social security expenses	2,198	2,301
	Costs depending on number of staff	20,538	18,525
	Total	168,698	164,867
	Other administration costs	128,785	109,611
	Total staff and administration costs	306,670	281,634
7	Number of full-time employees		
	Average number of employees during the year converted into full-time employees	271	269
8	Impairment charges for loans and other receivables etc.		
	Net changes in impairment charges on loans and other receivables etc. and provisions for losses on guarantees	-5,822	11,552
	Actual realised net losses	86,666	87,250
	Interest on the impaired part of loans	-32,466	-38,435
	Total impairment charges for loans and other receivables etc.	48,378	60,367

Notes

Note	1.1-31.12 2016 DKK 1,000	1,1-31,12 2015 DKK 1,000
9 Tax		
Tax calculated on income for the year	140,413	133,489
Adjustment of deferred tax	-18,732	-2,973
Adjustment of deferred tax due to change in tax rate	0	-924
Adjustment of tax calculated for previous years	187	3
Total tax	121,868	129,595
Effective tax rate (%):		
Tax rate currently paid by the bank	22.0	23.5
Permanent deviations	-3.6	-1.3
Adjustment of deferred tax due to change in tax rate	0.0	-0.2
Adjustment of tax calculated for previous years	0.0	0.0
Total effective tax rate	18.4	22.0

Note	31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
10 Receivables from credit institutions and central banks		
Demand	185,618	98,583
Up to and including 3 months	1,572,198	230,019
More than 3 months and up to and including 1 year	170,000	64,000
More than 1 year and up to and including 5 years	99,280	320,000
More than 5 years	50,000	5,000
Total receivables from credit institutions and central banks	2,077,096	717,602
11 Loans and other receivables at amortised cost		
Demand	1,712,434	2,055,385
Up to and including 3 months	688,316	1,054,786
More than 3 months and up to and including 1 year	2,317,908	2,273,914
More than 1 year and up to and including 5 years	6,244,242	5,849,053
More than 5 years	6,518,938	6,066,782
Total loans and other receivables at amortised cost	17,481,838	17,299,920
Of which collateralised repurchase agreements / reverse repo transactions	0	283,188

Notes

Note		31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
12	Impairment charges for loans and other receivables and provisions for losses on guarantees		
	Individual impairment charges		
	Cumulative individual impairment charges for loans and other receivables at the end of the previous financial year	664,550	701,131
	Impairment charges / value adjustments during the year	114,618	149,057
	Reversal of impairment charges made in previous financial years	-106,360	-121,034
	Recognised as a loss, covered by impairment charges	-83,424	-64,604
	Cumulative individual impairment charges for loans and other receivables on the balance sheet date	589,384	664,550
	Collective impairment charges		
	Cumulative collective impairment charges for loans and other receivables at the end of the previous financial year	272,922	226,272
	Impairment charges / value adjustments during the year	68,535	46,650
	Cumulative collective impairment charges for loans and other receivables on the balance sheet date	341,457	272,922
	Total cumulative impairment charges for loans and other receivables on the balance sheet date	930,841	937,472
	Provisions for losses on guarantees		
	Cumulative individual provisions for losses on guarantees at the end of the previous financial year	5,478	3,995
	Provisions / value adjustments during the year	5,048	5,152
	Reversal of impairment charges made in previous financial years	-4,085	-3,586
	Recognised as a loss, covered by provisions	-154	-83
	Cumulative individual provisions for losses on guarantees on the balance sheet date	6,287	5,478
	Total cumulative impairment charges for loans and other receivables and provisions for losses on guarantees on the balance sheet date	937,128	942,950
13	Suspended calculation of interest		
	Loans and other receivables with suspended calculation of interest on the balance sheet date	59,904	74,220
14	Bonds at fair value		
	Listed on the stock exchange	3,443,359	3,114,721
	Total bonds at fair value	3,443,359	3,114,721
15	Shares etc.		
	Listed on Nasdaq Copenhagen	21,382	11,492
	Investment fund certificates	147,277	196,590
	Unlisted shares at fair value	1,428	1,450
	Sector shares at fair value	360,416	257,517
	Total shares etc.	530,503	467,049

Notes

Note	31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
16 Debt to credit institutions and central banks		
Demand	280,698	268,254
Up to and including 3 months	60,254	55,023
More than 3 months and up to and including 1 year	101,966	171,936
More than 1 year and up to and including 5 years	659,525	593,775
More than 5 years	355,349	413,598
Total debt to credit institutions and central banks	1,457,792	1,502,586
17 Deposits and other debt		
Demand	11,952,063	11,182,881
Deposits and other debts with notice:		
Up to and including 3 months	2,204,934	1,891,994
More than 3 months and up to and including 1 year	1,297,037	667,677
More than 1 year and up to and including 5 years	1,192,377	966,866
More than 5 years	1,668,016	2,277,125
Total deposits and other debt	18,314,427	16,986,543
Distributed as follows:	11,750,246	10,912,726
Demand	357,633	327,306
With notice	3,136,479	2,352,697
Time deposits	1,769,783	2,192,532
Long-term deposit agreements	1,300,286	1,201,282
Special types of deposits	18,314,427	16,986,543
18 Issued bonds at amortised cost		
More than 1 year and up to and including 5 years	297,370	0
Total issued bonds at amortised cost	297,370	0
Distributed as follows:		
Issues in euros		
Nom. EUR 40 million	297,370	0
	297,370	0
19 Subordinated debt		
Tier 2 capital:		
Floating rate loan, principal EUR 50 million, due date 20 May 2025	371,713	373,125
Adjustment to amortised cost	-618	-847
Total subordinated debt	371,095	372,278

Notes

Note	31 Dec. 2016 DKK 1,000	31 Dec. 2015 DKK 1,000
20 Share capital		
Number of DKK 5 shares:		
Beginning of year	4,670,000	4,780,000
Cancellation during the year	-100,000	-110,000
End of year	4,570,000	4,670,000
Reserved for subsequent cancellation	100,000	100,000
Total share capital	22,850	23,350
21 Own shares		
Own shares included in the balance sheet at	0	0
The market value is	150,949	151,226
Number of own shares:		
Beginning of year	100,817	113,525
Purchase during the year	342,282	347,731
Sale during the year	-239,921	-250,439
Cancellation during the year	-100,000	-110,000
End of year	103,178	100,817
Reserved for subsequent cancellation	100,000	100,000
Nominal value of holding of own shares, end of year	516	504
Own shares' proportion of share capital, end of year (%)	2.3	2.2
22 Contingent liabilities etc.		
Contingent liabilities		
Finance guarantees	1,219,287	1,112,688
Guarantees against losses on mortgage credit loans	119,288	80,981
Guarantee against losses, Totalkredit	109,019	116,104
Registration and refinancing guarantees	642,705	641,756
Sector guarantees	39,453	45,321
Other contingent liabilities	329,757	237,531
Total contingent liabilities	2,459,509	2,234,381
Other contractual obligations		
Irrevocable credit commitments	516,724	0
Total other contractual obligations	516,724	0
23 Assets furnished as security		
First-mortgage loans are provided for German wind turbine projects. The loans are funded directly by KfW Bankengruppe, to which security in the associated loans has been provided. Each reduction of the first-mortgage loans is deducted directly from the funding at KfW Bankengruppe. The balance sheet item is	1,009,823	1,101,739
As security for clearing etc., the bank has pledged securities from its holding to the central bank of Denmark to a total market price of	380,459	231,505
Collateral under CSA agreements	38,784	66,251

Notes

Note		31 Dec. 2016	31 Dec. 2015
24	The supervisory diamond (Danish Financial Supervisory Authority limits) Stable funding (funding ratio) (< 1) Excess liquidity (> 50%) Total large exposures (< 125%) Growth in loans (< 20%) Real property exposure (< 25%)	 0.7 139.6% 29.5% 2.7% 14.8%	 0.8 99.7% 63.4% 14.0% 14.1%
25	Miscellaneous comments: Main and key figures <ul style="list-style-type: none"> Loans on page 9 are stated exclusive of reverse repo transactions etc. Return on equity at the beginning of the year before and after tax are computed after allocation of dividend etc., net. Key figures per DKK 5 share are calculated on the basis of respectively 2016: 4,470,000 shares, 2015: 4,570,000 shares, 2014: 4,670,000 shares, 2013: 4,780,000 shares and 2012: 4,840,000 shares. Accounting policies The accounting policies are changed in one minor area relative to those of the submitted and audited financial statements for 2015: the classification of collateral under CSA agreements. The accounting policies are otherwise unchanged since last year.		

Quarterly overview

(Million DKK)	4 th qtr. 2016	3 rd qtr. 2016	2 nd qtr. 2016	1 st qtr. 2016	4 th qtr. 2015	3 rd qtr. 2015	2 nd qtr. 2015	1 st qtr. 2015	4 th qtr. 2014	3 rd qtr. 2014	2 nd qtr. 2014	1 st qtr. 2014
Net interest income	165	169	165	166	163	160	154	161	160	158	159	158
Net fee and commission income excl. trading Income	70	44	52	48	55	45	61	51	60	37	51	45
Income from sector shares etc.	9	4	15	11	8	7	11	10	4	4	2	16
Foreign exchange income	4	4	4	4	5	4	4	3	2	4	4	3
Other operating income	4	2	1	1	2	1	1	1	1	1	1	1
Total core income excl. trading income	252	223	237	230	233	217	231	226	227	204	217	223
Trading income	10	11	11	9	12	11	13	12	10	7	8	11
Total core income	262	234	248	239	245	228	244	238	237	211	225	234
Staff and administration costs	92	72	74	69	78	65	74	65	79	62	68	62
Amortisation, deprecia- tion and write-downs on intangible and tangible assets	2	2	4	1	4	1	1	1	7	1	3	1
Other operating expenses	0	1	0	1	3	6	4	4	3	4	4	4
Total expenses etc.	94	75	78	71	85	72	79	70	89	67	75	67
Core earnings before impairments for loans	168	159	170	168	160	156	165	168	148	144	150	167
Impairment charges for loans and other receiva- bles etc.	-12	-12	-13	-11	-16	-15	-14	-15	-24	-23	-25	-15
Core earnings	156	147	157	157	144	141	151	153	124	121	125	152
Result for the portfolio	+8	+23	+11	+2	-1	-14	-8	+23	+9	+12	+20	+24
Profit before tax	164	170	168	159	143	127	143	176	133	133	145	176
Tax	31	33	30	28	31	29	31	39	33	32	36	40
Net profit for the year	133	137	138	131	112	98	112	137	100	101	109	136

Danish Financial Supervisory Authority key figures for Danish banks etc.

		2016	2015	2014	2013	2012
Capital ratios:						
Total capital ratio	%	18.3	18.8	17.5	20.0	22.4
Tier 1 capital ratio	%	16.9	17.1	17.5	19.2	20.9
Individual solvency requirement	%	9.0	9.0	8.9	8.9	8.0
Earnings:						
Return on equity before tax	%	19.3	18.4	19.6	16.9	17.4
Return on equity after tax	%	15.8	14.3	14.9	12.8	12.7
Income / cost ratio	DKK	2.81	2.60	2.52	2.19	2.06
Return on assets	%	2.2	2.1	2.1	1.8	1.9
Market risk:						
Interest rate risk	%	1.8	2.2	1.2	0.6	0.6
Foreign exchange position	%	0.6	0.8	0.4	1.6	0.6
Foreign exchange risk	%	0.0	0.0	0.0	0.0	0.0
Liquidity risk:						
Liquidity Coverage Ratio (LCR)	%	185	106	-	-	-
Excess cover relative to statutory liquidity requirement	%	139.6	99.7	140.7	166.2	185.5
Loans and impairments thereon relative to deposits	%	100.5	107.4	106.4	104.1	102.4
Credit risk:						
Loans relative to shareholders' equity		4.9	5.2	5.0	4.8	4.6
Growth in loans for the year	%	2.7	14.0	12.0	11.5	-2.5
Total large exposures	%	29.5	63.4	47.8	35.0	27.2
Cumulative impairment ratio	%	4.5	4.6	5.0	5.1	5.1
Impairment ratio for the year	%	0.23	0.29	0.47	0.72	1.06
Proportion of receivables at reduced interest	%	0.3	0.4	0.3	0.5	0.8
Share return:						
Earnings per share*/***	DKK	2,335.5	1,941.4	1,853.9	1,462.8	1,314.6
Book value per share**/**	DKK	15,916	14,428	13,280	12,145	11,049
Dividend per share*	DKK	720	600	520	500	280
Market price relative to earnings per share*/***		12.5	15.5	12.4	15.0	11.7
Market price relative to book value per share*/**		1.84	2.08	1.73	1.81	1.39
* Calculated on the basis of a denomination of DKK 100 per share.						
** Calculated on the basis of number of shares in circulation at the end of the year.						
*** Calculated on the basis of the average number of shares. The average number of shares is calculated as a simple average of the shares at the beginning of the year and at the end of the year.						