Risk Information for Ringkjøbing Landbobank A/S
Statement on the rest of the risk information

(as of 29 January 2014)

Please note, that this statement is structured so that it follows the respective points in Appendix 20 of the regulation on capital adequacy.

Contents

Attention is drawn to the fact that the bank has prepared two statements concerning risk information, one on the adequate capital base and the individual solvency requirement and one on the rest of the risk information (this statement).

1. Objectives and risk policies

Risks and risk management

Ringkjøbing Landbobank is exposed to various types of risk in connection with its operations: credit risk, market risk, liquidity risk and operational risk. The credit risk is defined as the risk that payments owing to the bank are not judged to be recoverable because of lack of either ability or willingness to make payment at the agreed time. The market risk is defined as the risk that the market value of the bank's assets and liabilities will change as a result of changes in market conditions. The bank's total market risk includes interest rate risks, foreign currency risks, share risks and property risks. The liquidity risk is defined as the risk that the bank's obligations to make payments cannot be honoured under the bank's cash flow position. Finally, the operational risk is defined as the risk of either direct or indirect financial losses as a result of faults in internal processes and systems, human error or external events.

Policy for risk taking and management

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

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

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

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

Credit risks - loans

Over the years, Ringkjøbing Landbobank has developed to its present status as primarily a regional bank in central and western Jutland and a niche bank within selected areas. This development has been a part of the bank's strategy, and the bank's management notes with satisfaction that the bank has achieved a significant diversified portfolio of loans, including a wide geographic distribution of branches. In general, Ringkjøbing Landbobank assumes credit risks on the basis of a policy, the objectives of which are to have a well-balanced relationship between assumed risks and the return gained by the bank, that the bank's losses must be at an acceptable level relative to the Danish financial sector, and finally, losses suffered even in extreme situations must be able to be accommodated within the bank's results. The gearing of loans relative to the bank's subordinated capital is about 5, and the bank's objective is that the results must be achieved with a lesser or the same credit gearing as that of the country's major banks.

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

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

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

Actual net losses

(In DKK 1,000)

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

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

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

The above table documents the bank's healthy credit policy. As will be evident, the bank's average percentage loss after interest over the last 25 years (1989 - 2013) was -0.01%, with -0.77% (1992) the highest loss and +0.51% (2000) the most positive figure. The average percentage loss before interest over the last 25 years is -0.51%, with -1.70 percent (1992) the highest loss and -0.01% (1999 and 2000) the lowest loss. The average percentage loss after interest over the last ten years (2004 - 2014) was -0.13%; the average percentage loss before interest was -0.32%.

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

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

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

Concentration of credit

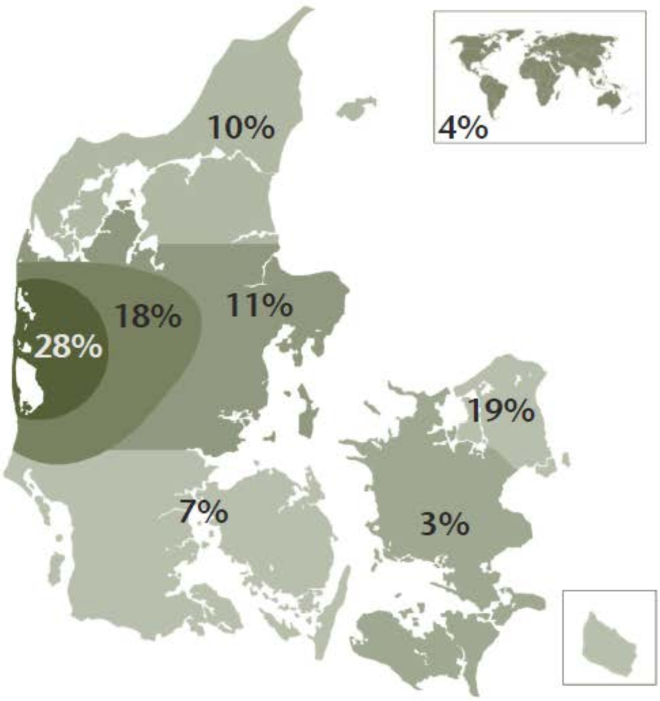
As indicated in the summary below, total large exposures amount to 35%. This figure includes a good quality commitment of 18.2% with adequate security and a commitment with a well-consolidated financial counterparty which will be redeemed in 2013.

Credit concentration

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

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

Geographic spread of the bank's loans and guarantee portfolio



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

As is evident from the figure, a significant geographic diversification of the bank's portfolio of loans and guarantees has been achieved via both the regional section and the niche section. The loans via the bank's niche section have also helped to ensure a major diversification in the bank's loans portfolio, so that this portfolio is not correlated with the economic cycle to the same extent as if the bank were run exclusively as a regional bank.

Security

The bank seeks to ensure that its loans are secured to the greatest possible extent.

The most important types of security for loans to private customers are real estate, securities, cars and guarantees.

The most important types of security for loans to business customers are real estate, securities, wind turbines, guarantees, inventory and debtors.

The above (types of security used for the customer groups "Private" and "Business" can be summed up as follows:

	Private	**Business**
Real estate	X	X
Bank account	X	X
Deposit/securities	X	X
Vehicles	X	X
Operating equipment		X
Surety/guarantee	X	X
Debtors		X

As described above, security is accorded a very high priority within the bank's niche concepts. The most important types of security are mortgage in real estate, securities and wind turbines and guarantees, but other assets are also used as security and assessed on a case-by-case basis.

An IT-based system has been established to monitor securities and follow up on any pledging agreements which may be entered into.

Security in real estate is monitored at a general level by obtaining current public valuations and various statistical material. A more exact valuation of the properties in question is made if this general information indicates that a group of properties can fall in value.

Credit risk on financial counterparties

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

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

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

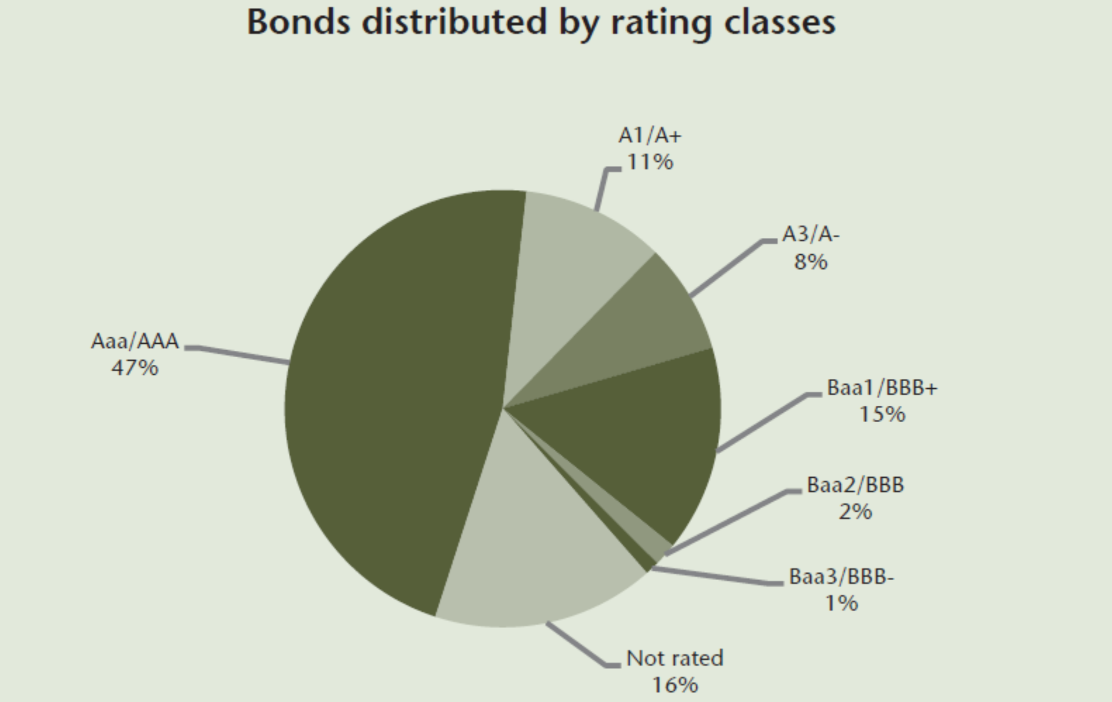
The bank's policy is to keep the credit risk on financial counterparties at a balanced level relative to the bank's size, and against credit institutions with good creditworthiness.

Claims on central banks and credit institutions

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

The bond portfolio

The bank's bond portfolio is the second of the two major items concerning the credit risk against financial counterparties. The bond portfolio consists mainly of AAA-rated Danish mortgage credit bonds and bank bonds. There is also a modest holding of commercial bonds. The portfolio of bank bonds consists mainly of bonds with short terms issued by rated banks. These bonds have a good creditworthiness, but their market value can vary over time in connection with general changes in credit spreads in the market, and company-specific circumstances can also affect the value of these bonds. Given the relatively short term, the risk involved is, however, manageable. The bank's bond portfolio does not involve any exposure to southern European countries.



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

Market risks

The bank's basic policy with respect to market risks is that the bank wishes to keep such risks at a relatively low level. The bank has determined a concrete framework for each type of market risk, and the risk assessment includes the objective that there must be a sensible and balanced relationship between risk and return.

The bank uses derivatives to cover and manage the various market risk types to the extent to which the bank wishes to reduce the extent of, or eliminate, the market risks which the bank has assumed. To supplement the more traditional measures of market risk, the bank has a mathematical/statistical model to compute market risks. The model is used to compute Value at Risk (VaR), which is regularly reported to the bank's management. VaR is a measure of risk which describes the bank's risk under normal market conditions. An isolated VaR is calculated for interest rate, foreign exchange and listed share positions, and a total VaR is also calculated for all of the bank's market risks consisting of interest rate, foreign exchange and listed share positions. This possibility of calculating a total VaR for the bank's market risks is one of the major advantages of the VaR model compared with more traditional measures of risk.

Interest rate risk

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

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

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

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

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

Foreign exchange risk

The bank's principal currency is the Danish krone, but the bank has also entered into loan and deposit arrangements in other currencies. The bank's policy is to maintain a minimal foreign exchange risk, and the bank thus reduces on-going positions in foreign currencies via hedging.

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

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

Share risk

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

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

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

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

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

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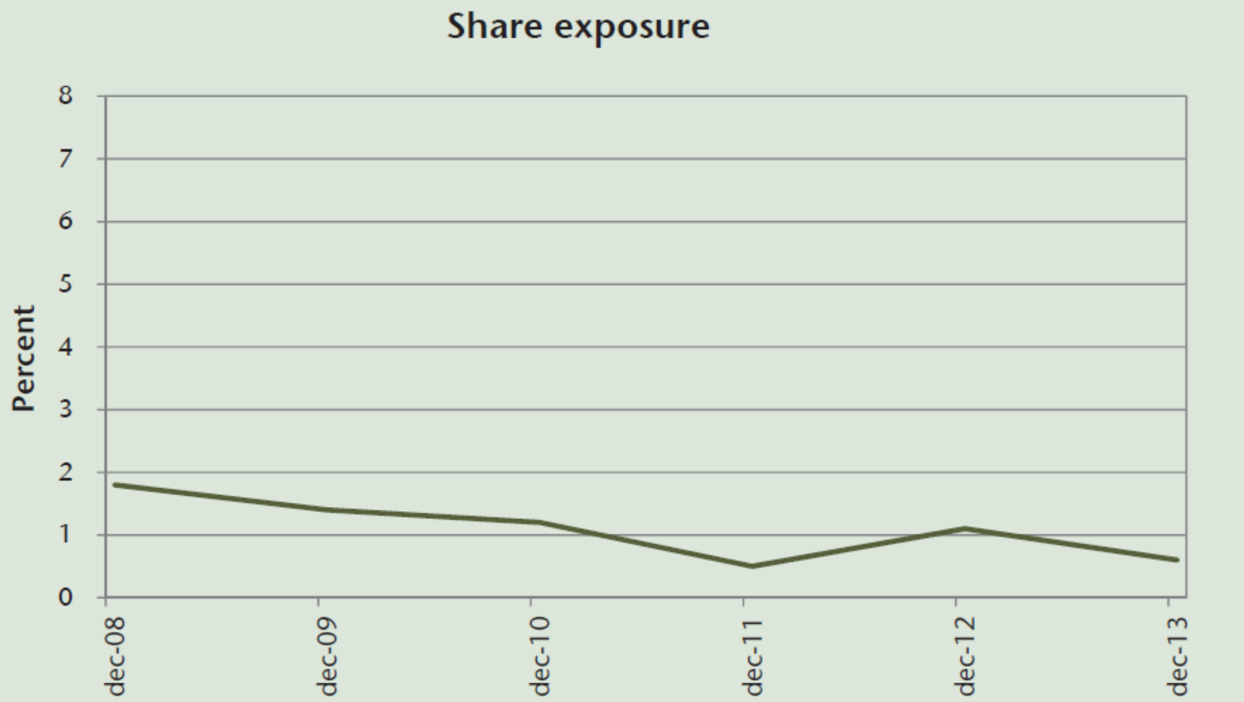
The bank's policy is to maintain a minimal foreign exchange risk, and the bank thus reduces ongoing positions in foreign currencies via hedging. The bank's positions in foreign exchange are managed daily by the foreign department, while the bank's service and support department monitors maintenance of lines and reports to the board of directors and management. As in previous years, the bank's foreign exchange risk in 2011 was at an insignificant level.

Ringkjøbing Landbobank



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

Property risk

The bank primarily wishes to possess only properties for use in banking operations, and also to maintain minimal property risks. The bank's portfolio of both domicile and investment properties is thus quite modest relative to the bank's balance sheet total.

Value at Risk

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

Value at Risk summary

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

** Based on the total VaR figure.*

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

The model in brief

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

Back tests and stress tests

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

Liquidity risk

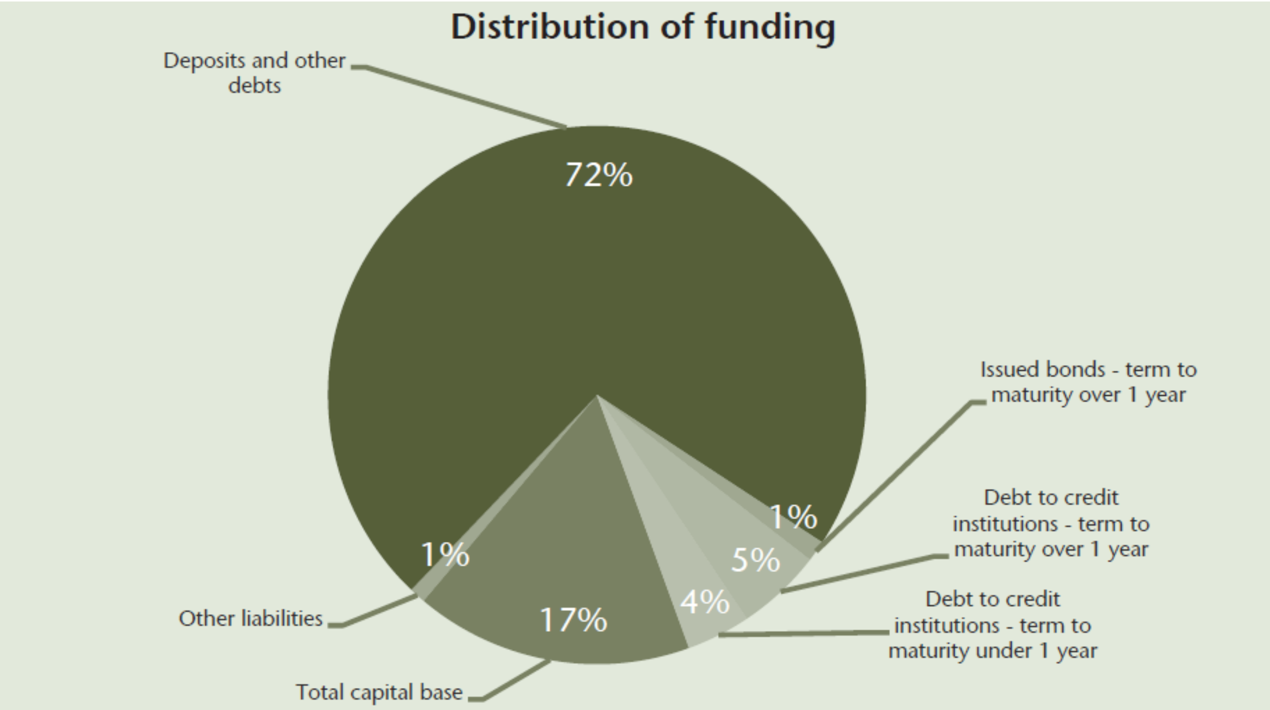
In general with respect to the bank's liquidity management, it is the bank's objective not to have uncovered net funding requirements and not to be dependent on the shortterm money market. An objective is thus that the bank may not be affected by a total shutdown of the money market for a period of 12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

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

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

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

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



	(DKK 1,000)
The short-term funding (term to maturity under 1 year):	
Issued bonds - term to maturity under 1 year	3,727
Debt to credit institutions and central banks - term to maturity under 1 year	750,834
Total	**754,561**
Is covered as follows:	
Cash in hand and claims at call on the Danish National Bank	63,064
Claims on credit institutions - term to maturity under 1 year	214,032
Listed bonds and listed shares at current value	4,685,432
Total	**4,962,528**
Excess cover	**4,207,967**

As will be evident from the above, the short-term funding (time to maturity less than one year) is supported via the bank’s portfolio demand deposits with the Danish National Bank, short-term loan arrangements with other banks, and the bank’s portfolio of liquid securities. The excess liquidity

cover at the end of 2013 thus was DKK 4.2 billion, while the corresponding figures at the end of 2012 and 2011 were DKK 3.9 billion and DKK 3.7 billion respectively.
To ensure diversification in funding, the bank established an EMTN bond programme of EUR 2 billion in 2008. The programme helps to ensure alternative funding sources for the bank. The bank has made issues under the programme in 2010 and 2011 and 2013.
As a whole, the bank has entered into long-term funding agreements with its partners during 2013 to the equivalent value of a total of DKK 1.1 billion DKK with an average term of 5.1 year.

Operational risk

The capital adequacy rules require the banks to quantify and include an amount for operational risks when computing their capital adequacy. The bank uses the so-called basic indicator method where, on the basis of calculation of an average of the most recent three financial years' net incomes, a sum is quantified and ascribed to the risk-weighted items to cover the bank's operational risks.
The bank regularly produces reports on the losses and events which are judged to be attributable to operational risks. An assessment is made on the basis of the reports of whether procedures etc. can be adjusted and improved in order to avoid or minimise any operational risks, and the bank's procedures are also regularly reviewed and assessed by the bank's internal and external auditors.
An important area in assessment of the bank's operational risks is IT. The bank's IT organisation and management are always concerned about IT security, including preparation of IT emergency plans, in connection with which the bank specifies requirements and levels for availability and stability of the IT systems and data used by the bank. These requirements apply to both the bank's internal IT organisation and its external IT supplier Bankdata, which the bank owns together with a number of other banks.

2. Application, point 2

The duty of disclosure covers only the company Ringkjøbing Landbobank A/S as the bank does not have any subsidiaries.

3. Capital base, point 3

The individual elements in the bank's capital base are given in the table below:

Computation of capital base as of 31 December 2013	1,000 DKK
1. Core capital	
Shareholders' equity	2,901,100
2. Primary deductions from core capital	
Proposed dividend etc.	-121,500
Deductions from core capital	-189
3. Core capital after primary deductions	2,779,411
4. Hybrid core capital	164,500
5. Deduction for equity investments etc. above 10%	-19,963
Deduction for the sum of equity investments etc. above 10%	-63,503
6. Core capital including hybrid core capital after deductions	2,860,445
7. Tier 2 capital	
Subordinate loan capital	201,428
8. Reserve for net revaluation	189
Deduction for equity investments etc. above 10%	-19,963
Deduction for the sum of equity investments etc. above 10%	-63,503
9. **Capital base after deductions**	**2,978,596**

Subordinated debt – conditions:

Subordinated loan capital

- Nominal EUR 27 million taken up on 30 June 2008, thirteen-year term - maturity 30 June 2021, with the option of early redemption from 30 June 2018, subject to approval by the Danish Financial Supervisory Authority.
- The interest rate will change on 30 June 2018 to a quarterly variable rate equivalent to the EURIBOR rate for a term of three months plus 3.50% p.a.

Hybrid core capital

- Nominal DKK 200 million taken up on 2 March 2005, indefinite term, with the option of early redemption from 2 March 2015, subject to approval by the Danish Financial Supervisory Authority.
- As a consequence of a buy back of 35.5 million DKK of this capital only 164.5 million DKK is reported in the table above.
- The interest rate will change on 2 March 2015 to a quarterly variable coupon rate equivalent to the CIBOR rate published by the Central Bank of Denmark for a term of three months plus 2.16% p.a.

4. Capital adequacy requirement and adequate capital, point 4

Re point 4a

When calculating the bank's solvency requirement, the bank's management has elected to base the calculation on a template prepared by the Association of Local Banks in Denmark and the Danish Financial Supervisory Authority's guidelines on an adequate capital base and solvency requirement for banks. Both the FSA's guideline and the Local Banks Association's solvency requirement model, on which Ringkjøbing Landbobank basis its calculations, are based on the 8+ method, where the basis is a minimum requirement of 8% of the risk-weighted items (the column I requirement) with a supplement for risks and circumstances which are not fully reflected in the calculation of the risk-weighted items.

The FSA's guideline also sets out benchmarks for when the FSA judges that in principle, column I is not adequate within the individual risk areas, such that the solvency requirement must be supplemented. Methods are also set up to a high degree to calculate the amount of the supplement within the individual risk areas.

Although the FSA sets up benchmarks in most areas, Ringkjøbing Landbobank assesses whether the specified benchmarks take account of the bank's risks to an adequate degree in all areas, and the bank has made individual adaptations to the requisite extent.

Ringkjøbing Landbobank follows the template below when calculating its solvency requirement:

	DKK 1,000	%
1) The column I requirement (8% of the risk-weighted items)		8
+2) Earnings (capital for risk cover because of weak earnings)		
+3) Growth in loans (capital to cover organic growth in the volume of business)		
+4) Credit risks, of which 4a) Credit risks on major customers (>2% of the capital base) with financial problems 4b) Other credit risks 4c) Concentration risk on individual commitments 4d) Concentration risk on sectors		
+5) Market risks, of which 5a) Interest risks 5b) Share risks 5c) Exchange rate risks		
+6) Liquidity risks (capital to cover costlier liquidity)		
+7) Operational risks (capital to cover operational risks over and above column I)		
+8) Possible supplement under statutory requirements		

Ringkjøbing Landbobank believes that the risk factors included in the model are adequate for all the risk areas required by law which the bank's management must take into account when fixing the solvency requirement and the risks which management finds that Ringkjøbing Landbobank has assumed.

The board of directors and management must also assess whether the capital base is adequate to support forthcoming activities. This assessment is a part of Ringkjøbing Landbobank's general determination of its solvency requirement.

Re point 4b
The table below shows the bank's risk-weighted assets and capital required for each individual exposure category.

Risk-weighted exposures as of 31 December 2013

1,000 DKK	Risk-weighted exposure	Capital req. (8% of the Risk weighted exposure)
Central governments or central banks	0	0
Regional or local authorities	0	0
Public entities	0	0
Multilateral development banks	0	0
International organisations	0	0
Institutions	212,305	16,984
Commercial enterprises etc.	8,090,581	647,246
Retail clients	3,121,660	249,733
Exposures secured by mortgage in real estate	624,421	49,954
Exposures with arrears or overdrafts	154,525	12,362
Covered bonds	0	0
Short-term institutional and commercial exposures etc.	0	0
Collective investment schemes	0	0
Exposures in other items, including assets without counterparties	144,786	11,583

Re point 4c
Ringkjøbing Landbobank does not use an internal model to compute the credit risk. The disclosure requirement therefore does not apply to the bank.

Re point 4d

The table below shows the bank's capital adequacy requirement with respect to market risk

Risk-weighted items with market risk as of 31 December 2013

1,000 DKK	Risk-weighted Items	Capital requirement (8% of Risk weighted exposure)
Weighted items with market risk	1,110,690	88,855
Instruments of debt	1,085,210	86,817
Shares	8,003	640
Collective investment schemes	17,477	1,398
Exchange rate risk	0	0
Commodity risk	0	0
Internal models	0	0

Re point 4e

The bank uses the basic indicator method to compute its capital adequacy requirement with respect to the operational risk. The capital adequacy requirement with respect to the operational risk as of 31 December 2013 was calculated at tDKK 121,825 (8% of tDKK 1,522,813).

5. Adequate capital base and individual solvency requirement, points 5-10

Regarding a statement on the adequate capital base and the individual solvency requirement please be referred to a separate prepared statement, which also can be found on this web page.

6. Counterparty risk – derivatives, point 11

Re point 11a

Ringkjøbing Landbobank uses the mark-to-market (market value) method for counterparty risk to compute the bank's exposure for derivatives covered by the definition in Annex 17 of the capital adequacy regulation and for credit derivatives within the trading portfolio.

Determination of the value of the exposure by the market value method for counterparty risk is derived from the procedure below:

1) Contracts are computed at market value to find the actual cost of re-acquisition for all contracts with a positive value.
2) The contracts' nominal principals or the underlying values are multiplied by percentages fixed by the Danish Financial Supervisory Authority to obtain a figure for the potential future credit exposure. Swaps based on two variable interest rates in the same currency are excepted, as only the current cost of re-acquisition needs to be calculated.
3) The exposure value is the sum of the current costs of re-acquisition and the potential future credit exposures.

Capital equivalent to 8% of the positive market value of the derivatives is held in connection with the bank's determination of the adequate capital base.

Account is taken of the calculated exposure value in the bank's granting process and in the ordinary monitoring of its commitments in order to ensure that this value does not exceed the credit limit granted to the counterparty.

Re point 11b

Frameworks for financial contracts are handled and granted under the bank's normal credit assessment principles with respect to commitments with clients in classes G and H (commercial enterprises and retail clients).

Re point 11c

The bank does not use internal models to compute the counterparty risk (EPE models). The disclosure requirement therefore does not apply to the bank.

Re point 11d

The information is not judged to be relevant to Ringkjøbing Landbobank. Information on these points is therefore not given.

Re points 11e-f

The bank advises as follows:

End 2013 - in 1,000 DKK	Positive gross market value of financial contracts after netting
Counterparty with risk weight 20%	92,674
Counterparty with risk weight 75%	39,859
Counterparty with risk wt. 100%	59,473
Counterparty with risk wt. 150%	408

Re point 11g

The bank does not use credit derivatives to cover that part of the credit risk which concerns the counterparty. Information on this point is therefore not given.

Re point 11h

The bank advises as follows:

Overview of credit derivates End 2013 in 1.000 DKK kroner	Bought insurance	Sold insurance
Credit Default Swaps (CDS)	0	74,603

Re point 11i

Ringkjøbing Landbobank does not have permission to use internal models to compute the counterparty risk. Information on this point is therefore not given.

7. Credit risk and risk of dilution, point 12

Re point 6a

With respect to point 12a of Annex 20 of the capital adequacy regulation and given that Ringkjøbing Landbobank follows the regulation on financial reports for credit institutions and stockbrokers etc. (the accounts regulation), reference is made to

with respect to the <u>definition of claims with reduced value</u> (debtors on which individual write-downs have been made, including debtors removed from a group and individually assessed and written down), to Section 52(3) of the accounts regulation:

Section 52(3)	If there is an objective indication of reduction in value under subparagraph 2 and the events in question have an effect on the size of the expected future payments from the loan or debt which can be measured reliably, the loan or debt shall be written down by the difference between the book value before the write-down and the current value of the expected future payments from the loan or debt.

with respect to the <u>definition of bad debts</u> under point 12g(1), reference is made to points 20 and 21 (items in arrears) of Annex 3 of the capital adequacy regulation.

20. "Arrears" shall be understood to mean that a counterparty has been in arrears or overdrawn by an amount which is deemed to be significant for over 90 days. Arrears exist when the counterparty fails to make payments as they fall due or to discharge its debt at the agreed time, or when a notified credit limit for overdrafts and similar is exceeded.
21. Arrears shall be significant when the total amount in arrears on the counterparty's commitment under Section 5(1:16) of the finance act exceeds DKK 1,000 to the company, its parent company and its subsidiaries.

Re point 6b

The total value of the exposures after write-downs and before taking account of the effects of the credit risk reduction is DKK 21,865 million.

Re point 6c

The bank advises as follows:

Average 2013 - in million DKK	**Average weighted amount 2013**
Central governments or central banks	
Regional or local authorities	
Public entities	
Multilateral development banks	
International organisations	
Institutions	423
Commercial enterprises etc.	8,119
Retail clients	3,042
Exposures secured by mortgage in real estate	681
Exposures with arrears or overdrafts	218
Covered bonds	
Short-term institutional and commercial exposures etc.	
Collective investment schemes	
Exposures in other items, including assets without counterparties	293
Total	**12,776**

Re point 12d

As the bank has 95% or more of its exposures in Denmark, the information in question is omitted.

Re point 12e

The bank advises as follows with respect to the classification of credit categories by sector (before weighting and deduction for securities, which lower the weighting):

End 2013 In million DKK	Central governments or central banks	Regional or local authorities	Public entities	Multilateral development banks	International organisations	Institutions	Commercial enterprises etc.	Retail clients	Exposures secured by mortgage in real estate	Exposures with arrears or overdrafts	Covered Bonds	Short-term institutional and commercial exposures etc.	Collective invest-ment schemes	Exposures in other items, including assets without counterparties
Public authorities	52													
Agriculture, hunting, forestry and Fishing							1,717	797	214	7				
Industry and raw materials extraction							502	120	18	2				
Building and construction							145	179	37	8				
Energy supply							3,246	130	26	1				
Trade							504	279	60	43				
Transport, hotels and restaurants							112	68	27	5				
Information and communication							11	35	3	1				
Financing and insurance						619	1,659	111	75	6				771
Credit institutions														
Real estate						12	970	334	335	11				
Other							1,043	844	167	32				-8
Total business						631	9,909	2,897	962	116				763
Private						5	1,470	4,359	674	27				0
Total	**772**					**636**	**11,379**	**7,256**	**1,636**	**143**				**763**
Total														**21,865**

It should be noted that the figures in the above table cannot be immediately derived from the bank's annual report as components other than the bank's loans and guarantee portfolio are included in the above summary.

Re point 12f

The bank advises as follows with respect to the classification of the credit exposures' terms to maturity (before weighting and deduction for securities, which lower the weighting):

End 2013 - million DKK	Demand	0 – 3 months	3 mths – 1 yr	1 – 5 years	Over 5 years	Total
Central governments or central banks	52					**52**
Regional or local authorities						
Public entities						
Multilateral development banks						
International organisations						
Institutions	423	93	29	3	88	**636**
Commercial enterprises etc.	2,222	500	1,714	2,047	4,896	**11,379**
Retail clients	2,341	262	849	1,507	2,297	**7,256**
Exposures secured by mortgage in real estate	189	19	140	555	733	**1,636**
Exposures with arrears or overdrafts	20	39	14	23	47	**143**
Covered bonds						
Short-term institutional and commercial exposures etc.						
Collective investment schemes						
Exposures in other items, including assets without counterparties	180		508	75		**763**
Total	**5,427**	**913**	**3,254**	**4,210**	**8,061**	
Total						**21,865**

It should be noted that the figures in the above table cannot be immediately derived from the bank's annual report as components other than the bank's loans and guarantee portfolio are included in the above summary.

Re point 12g

The bank advises as follows with respect to claims with reduced value and write-downs by sector:

2013 - 1,000 DKK	Bad debts exposure (above 90 days)	Loans and guarantee debtors on which write-downs/provisions have been made	Write-downs/ provisions at the end of the year (individual)	Amounts booked as costs concerning value adjustments and write-downs during the period*
Public authorities				
Agriculture, hunting, forestry and fishing	7,084	464,408	332,099	52,639
Industry and raw materials extraction	2,010	18,473	13,370	5,389
Energy supply	525	7,875	5,899	4,895
Building and construction	7,818	21,306	17,541	1,285
Trade	43,501	28,645	17,756	4,512
Transport, hotels and restaurants	4,893	25,261	19,394	5,239
Information and communication	644	740	745	378
Financing and insurance	6,273	5,996	3,740	-1,478
Real estate	11,151	174,455	74,317	35,742
Other	31,822	83,395	51,009	6,182
Total business	115,721	830,554	535,870	114,783
Private	27,553	355,889	204,899	58,417
Total	**143,274**	**1,186,443**	**740,769**	**173,200**
Interest concerning the written down part of loans				-43,913
Income on previous written off debtors				-9,112
Write-downs on loans and other debtors				**120,175**

* Amounts booked as costs calculated as: write-downs/provisions end of year (current year) less write-downs/provisions end of year (previous year) plus finally lost (written off)

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Specification of write-downs for agriculture, hunting, forestry and fishing.

2013 - 1,000 DKK	**Group write-downs**	**Individual**	**Total**
Cattle farming etc.	8,914	163,568	172,482
Pig farming etc.	8,103	93,000	101,103
Other agriculture, hunting and forestry	14,873	49,600	64,473
Fishing	4,791	24,168	28,958
Mink production	2,715	1,764	4,479
Total	**39,396**	**332,099**	**371,495**

Re point 12h

As the bank has 95% or more of its exposures in Denmark, the information in question is omitted.

Re point 12i

Movements on claims with reduced value consequent upon value adjustments and write-downs are as follows:

2013 - 1,000 DKK	**Individual write-downs/provisions**		**Group-wise write-downs/provisions**		**Write-downs/provisions on moneys owed by credit institutions and other items with credit risk**	
	Loans	Guarantee debtors	Loans	Guarantee debtors	Loans	Guarantee debtors
Cumulative write-downs/provisions beginning of period on loans and guarantee debtors	632,529	10,958	114,876			0
Events during the year						
1. Foreign exchange adjustment						
2. Write-downs/provisions during the year	255,157	3,282	-2,224			0
3. Reversal of write-downs/provisions made in previous financial years where there is no longer an objective indication of reduction in value or the reduction in value was reduced	90,895	9,245	0			
4. Other events						
5. Adjustment to value of assets taken over						
6. Finally lost (written off) previously individually written down/provision made	60,278	739				0
Cumulative write-downs/provisions end of period on loans and guarantee debtors	736,513	4,256	112,652			0
Total loans and guarantee debtors on which individual write-downs/provisions were made (computed before write-downs/provisions)	1,186,443	2,948	12,996,640			0

8. Credit rating agencies, point 13

Data from credit rating agencies is not currently used. The requirement therefore does not apply to the bank.

9. Information on computation of credit risk under the IRB method, point 14

Ringkjøbing Landbobank uses the standard method. The requirement therefore does not apply to the bank.

10. Market risk / Risks related to the trading portfolio, point 15

Re points 10a-c and f

Computation of the solvency requirements for the respective risks:

Statement of solvency risks in the market risks area - end 2013		**Weighted amount 1,000 DKK**	**Capital requirement (8% of exposure)**
Items with ranking risk:	Instruments of debt	1,085,210	86,817
	Shares etc. (including collective investment schemes)	25,480	2,038
	Raw materials	0	0
Items with	Foreign exchange position	44,392	0

The individual amounts are weighted with the percentage weights specified in the tables.

Re point 10d

Counterparty risk - positive market value tDKK 192,413. The amount is included as a credit risk under the individual commitment classes.

Re point 10e

The bank has no items with delivery risk etc. The requirement therefore does not apply to the bank

Re point 10g

Not relevant.

11. Information on internal models (VaR models), point 16

Ringkjøbing Landbobank does NOT use internal models (VaR models) to compute risks in the bank's trading portfolio and therewith in the bank's capital adequacy computation.

To supplement the bank's internal management of market risks, the bank has a mathematical/statistical model to compute market. The model is used to compute Value at Risk (VaR), which is regularly reported to the bank's management.

12. Operational risk, point 17

Banks are required under the Capital Adequacy Regulation to cover operational risks with respect to capital. The capital requirement for the operational risks must cover: "Risk of loss resulting from inappropriate or defective internal procedures, human error and systematic errors or resulting from external events, including legal risks".

Ringkjøbing Landbobank uses the basic indicator method as per Annex 18 of the Capital Adequacy Regulation to compute the capital required for the operational risks. The capital required for the operational risks is thus computed at: 15% of the average "basic income" over the last three years. The basic income is the sum of net interest income and non-interest-related net income.

Ringkjøbing Landbobank does, however, regularly assess the capital required for the operational risks. If the capital required is judged to be higher than specified above, due account will be taken under the bank's computation of its capital adequacy requirement.

13. Exposures in shares etc. not included in the trading portfolio, point 18

In cooperation with other banks, Ringkjøbing Landbobank has acquired shares in a number of sector companies. The object of these companies is to support the bank's business within mortgage credit, transaction of payments, IT, investment activities etc. Ringkjøbing Landbobank does not intend to sell these shares as participation in these companies is considered necessary to operate a local bank. The shares are therefore deemed not to be included in the trading portfolio.

The shares in several of the sector companies are redistributed such that the banks' ownership interests always reflect the individual bank's volume of business with the sector company. Redistribution is typically based on the sector company's intrinsic value. Ringkjøbing Landbobank regulates the book value of these shares on this basis quarterly, half-yearly or annually, depending on the frequency of new information from the individual company. The ongoing regulation is booked in accordance with the rules on the profit and loss account.

The shares in other sector companies are not redistributed but valued, typically on the basis of the latest known trade, or the value is calculated on the basis of a recognised method of valuation. Adjustments to the book value of the shares in these companies are also made in the profit and loss account.

Re points 18 b-d

The bank advises as follows:

1,000 DKK		
Type	**Exposure as of 31 Dec. 2013**	**Effect on operations in 2013**
Sector shares	208,697	22,089

14. Exposures to interest risk in positions outside the trading portfolio, point 19

Re points 19a-b
The bank advises as follows:

1,000 DKK	**Interest rate risk - end 2013**
Positions	
Balance sheet items (included in the calculation of the interest rate risk)	781
Positions with limited or covered interest rate risk	1,951
Positions with special interest formulas	0
Total outside the trading portfolio	2,732

The bank advises as follows on the computation of the interest rate risk:

The risk is computed for each *instrument of debt* as per the Capital Adequacy Regulation as

$$\mathbf{RR = NP_{(mv)} * \ V_{(mod)}}$$

where

RR = the interest rate risk expressed as the change in the market value of the net position resulting from a one percentage point increase in the interest rate,

$\mathbf{NP_{(mv)}}$ = the market value of the net position on the date of computation, and

$\mathbf{V_{(mod)}}$ = the net position's modified term.

15. Information on securitisations, point 20

Ringkjøbing Landbobank does not use securitisations. The requirement therefore does not apply to the bank.

16. Information on computation of credit risk in IRB institutions, point 21

Ringkjøbing Landbobank uses the standard method. The requirement therefore does not apply to the bank.

17. Information on the credit risk-reducing methods, point 22

Re point 22a

Ringkjøbing Landbobank uses neither balance sheet netting nor netting after balance sheet date.

Re point 22b

Via its policies and procedures on guarantees, Ringkjøbing Landbobank has prioritised receipt of financial security within the following main areas/categories:

- Deposit funds
- Bonds/instruments of debt - issued by states and by rated and non-rated credit institutions etc.
- Shares - within and outside a main index
- Investment association certificates.

The bank's procedures ensure ongoing daily monitoring of the guarantees' realisation values. The monitoring is IT-based and thus automatic. The bank's agreements with customers on guarantees in securities ensure that the bank will be able to realise the securities if it so wishes.

The bank thus has fixed procedures for management and valuation of the financial guarantees. The bank thus has responsible protection of its loans. The procedures in question are an integral part of the ordinary monitoring of risk undertaken by the bank's credit department.

Re point 22c

Ringkjøbing Landbobank uses the financial collateral comprehensive method as a credit risk-reducing technique. The bank can thus reduce the impact of a commitment on capital when a pledge is taken in certain financial securities.

Annex 7, points 57-60 of the Capital Adequacy Regulation specify the financial securities which banks can use under the financial collateral comprehensive method as credit risk-reducing method. It should be noted that the Regulation requires that the financial securities used must be issued by a company or country with a particularly good rating.

With respect to the delimitations in Annex 7 of the Capital Adequacy Regulation, the financial security which the bank normally receives can be divided into the following main categories:

- Deposit funds
- Bonds/instruments of debt - issued by states and by rated and non-rated credit institutions etc.
- Shares - within and outside a main index
- Investment association certificates.

Re point 22d
The bank uses guarantees issued by the following types of counterparties to a modest extent as credit risk-reducing means:

- Central governments
- Regional and local authorities
- Credit institutions

The bank does not use credit derivatives to reduce risks.

Re point 22e
The bank's policies etc. for investment credits apply certain requirements regarding the spread of its investments. There will thus also be a spread in the credit risk concentration concerning financial securities.

Re point 22f
In accordance with the rules in the Capital Adequacy Regulation, the bank uses financial securities to cover its credit risk.

For each individual exposure category, the table below shows the cover provided by the security, i.e. the fully adjusted size of the securities within each individual exposure category:

End 2013 - 1,000 DKK	**Exposure**
Exposures to central governments or central banks	0
Exposures to regional or local authorities	0
Exposures to public entities	0
Exposures to multilateral development banks	0
Exposures to international organisations	0
Exposures to institutions	**0**
Exposures to commercial enterprises etc.	**1,218,058**
Exposures to retail clients	**459,671**
Exposures secured by mortgage in real estate	**1,319**
Exposures with arrears or overdrafts	**12,828**
Securitisation positions	0
Short-term institutional and commercial exposures etc.	0
Exposures to collective investment schemes	0
Total	**1,691,876**

Re point 22g

In accordance with the rules in the Capital Adequacy Regulation, the bank uses guarantees and credit derivatives to cover its credit risk.

The table below shows the total exposure covered by guarantees or credit derivatives within each exposure category.

End 2013 - 1,000 DKK	**Exposure**
Exposures to central governments or central banks	0
Exposures to regional or local authorities	0
Exposures to public entities	0
Exposures to multilateral development banks	0
Exposures to international organisations	0
Exposures to institutions	0
Exposures to commercial enterprises etc.	34,133
Exposures to retail clients	11,037
Exposures secured by mortgage in real estate	0
Exposures with arrears or overdrafts	0
Securitisation positions	0
Short-term institutional and commercial exposures etc.	0
Exposures to collective investment schemes	0
Total	**45,170**

18. Information on advanced methods of measurement to compute operational risk, point 23

The bank uses the basic indicator method to compute operational risk. The requirement therefore does not apply to the bank.