

Risk Information for Ringkjøbing Landbobank A/S

Statement on the rest of the risk information

(as of 3 February 2010)

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

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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).

Disclaimer:

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

1. Objectives and risk policies, point 1

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 payment obligations owed to the bank are judged not to be collectable because of either lack of ability or lack of will to pay at the agreed time.

The market risk is defined as the risk that the market value of the bank's assets and liabilities will change because of changes in market conditions. The bank's total market risk is comprised of interest rate risk, foreign exchange risk, share risk and property risk.

The liquidity risk is defined as the risk that the bank's payment obligations will not be able to be honored under the bank's liquidity preparedness.

And the operational risk is defined as the risk of direct or indirect financial losses because of faults in internal processes and systems, human errors or external events.

The bank's general policy with respect to assumption of risks is that the bank only assumes risks which are in accordance with the business principles under which the bank is operated, and which the bank possesses the competence to manage.

The general policy for management and monitoring of the various risks is that there must be both central control and central monitoring as well as reporting to the bank's board of managers and board of directors. The management function and the control and reporting functions are separate, and the tasks in question are performed by different departments in the bank's central staff functions.

When the Basle II rules on capital adequacy were implemented in Danish law, Danish banks were also required to disclose certain information relating to risks (commonly also called pillar 3 information). The required information on risks is given in this statement.

Further information on the various types of risk is provided below.

Credit risks loans

Ringkjøbing Landbobank has grown and developed over the last 10-15 years to the point where it is now a regional bank in central and western Jutland and a niche bank in 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 an appreciably diversified loans portfolio, including a significant spread in terms of both sector and geography.

Ringkjøbing Landbobank assumes credit risks on the basis of a policy, the objectives of which are to ensure a balance between risks assumed and the return gained by the bank, the maintenance of losses at an acceptable level relative to the Danish financial sector, and the accommodation of actual losses within the bank's results even in extreme situations.

The gearing of loans relative to the capital base in the bank is approx. five, and the bank's objective is realisation of the results with a lower or the same credit gearing as that of Denmark's major banks.

Viewed historically, the bank has always had a healthy and conservative credit policy, and future focus will also be on an effective management and monitoring of the bank's total loans portfolio via its central credit department.

Apart from the normal credit follow-up and management in the bank's central credit department, where there are ongoing reviews and following up on all major engagements, the bank made an extraordinary review in 2009 of all engagements related to agriculture. The bank takes a cautious attitude in the assessment of the agricultural engagements and has made the requisite write-downs on the basis of this attitude.

The bank's central credit department has also made an extraordinary review of the bank's engagements with small and medium-sized enterprises. This review has not led to material changes in the need for write-downs.

Actual net losses

In DKK 1,000		Actual	Loans with	Write-downs		Percentage	Percentage
Year	Actual net losses	net losses after interest	suspended calculation of interest	on loans and provisions for guarantees	Total loans and guarantees etc.	loss before interest *)	loss after interest *)
1987	-6,696	304	10,544	75,000	1,358,464	-0.49%	0.02%
1988	-14,205	-5,205	4,522	93,900	1,408,830	-1.01%	-0.37%
1989	-18,302	-5,302	13,107	117,270	1,468,206	-1.25%	-0.36%
1990	-15,867	-1,867	47,182	147,800	1,555,647	-1.02%	-0.12%
1991	-11,429	3,571	47,626	170,000	1,805,506	-0.63%	0.20%
1992	-32,928	-14,928	43,325	177,900	1,933,081	-1.70%	-0.77%
1993	-27,875	-6,875	30,964	208,700	1,893,098	-1.47%	-0.36%
1994	-14,554	4,446	33,889	223,500	1,938,572	-0.75%	0.23%
1995	-10,806	10,194	27,292	238,800	2,058,561	-0.52%	0.50%
1996	-19,802	-1,802	18,404	233,400	2,588,028	-0.77%	-0.07%
1997	-31,412	-12,412	39,846	236,600	3,261,429	-0.96%	-0.38%
1998	-2,914	18,086	4,905	263,600	3,752,602	-0.08%	0.48%
1999	-442	21,558	18,595	290,450	5,148,190	-0.01%	0.42%
2000	-405	27,595	12,843	316,750	5,377,749	-0.01%	0.51%
2001	-8,038	20,962	14,222	331,950	6,113,523	-0.13%	0.34%
2002	-8,470	20,530	26,290	382,850	7,655,112	-0.11%	0.27%
2003	-22,741	2,259	23,412	394,850	8,497,124	-0.27%	0.03%
2004	-14,554	9,446	18,875	404,855	11,523,143	-0.13%	0.08%
2005	-22,908	192	35,796	357,000	15,522,264	-0.15%	0.00%
2006	-13,531	7,028	20,578	295,000	17,858,787	-0.08%	0.04%
2007	-15,264	4,888	13,190	289,097	19,227,573	-0.08%	0.03%
2008	-34,789	-10,237	22,110	356,083	16,475,975	-0.21%	-0.06%
2009	-73,767	-47,658	62,649	467,025	14,890,027	-0.50%	-0.32%
Average 1987-2009					-0.54%	0.01%	
20-year average (1990-2009)						-0.48%	0.05%
10-year average (2000-2009)						-0.17%	0.09%

*) Actual net losses relative to total loans, guarantees, write-downs on loans and provisions for guarantees.

Explanation: The percentage losses were computed as the actual net losses for the year before and after interest on the written-down part of loans as a percentage of total loans, guarantees and write-downs on loans and provisions for guarantees. A minus sign before a percentage loss indicates a loss, while a positive percentage loss means that the interest on the written-down part of loans was greater than the actual net losses for the year. All the above figures are exclusive amounts regarding the national bank package I etc.

The preceding table documents the bank's healthy credit policy. As will be evident, the bank's average percentage loss after interest over the last 20 years (1990-2009) was +0.05%, with -0.77% (1992) the highest percentage loss, and +0.51% (2000) the most positive figure. The average percentage loss before interest over the last 20 years is -0.48%, with -1.70% (1992) the highest percentage loss and -0.01% (1999 and 2000) the lowest percentage loss. The average percentage loss over the last 10 years (2000-2009) is positive at +0.09%, and the average percentage loss before interest is -0.17%.

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

The most important niches within the bank's niche area are the financing of medical practitioners' purchase of private practices, a private banking department covering affluent private customers and the financing of securities, and loans to finance wind turbines. The financing of wind turbines is made for final Danish investors' purchases of wind turbines erected in Denmark, Germany and France.

An important common denominator in the niche loans is that the bank aims to gain a first priority security, and thus satisfactory security in the pledged assets. This is an important part of the bank's business philosophy (see also below on security).

Concentration of credit

In recent years the bank has focused on reducing the concentration of its credit in order to further reduce the bank's credit risk.

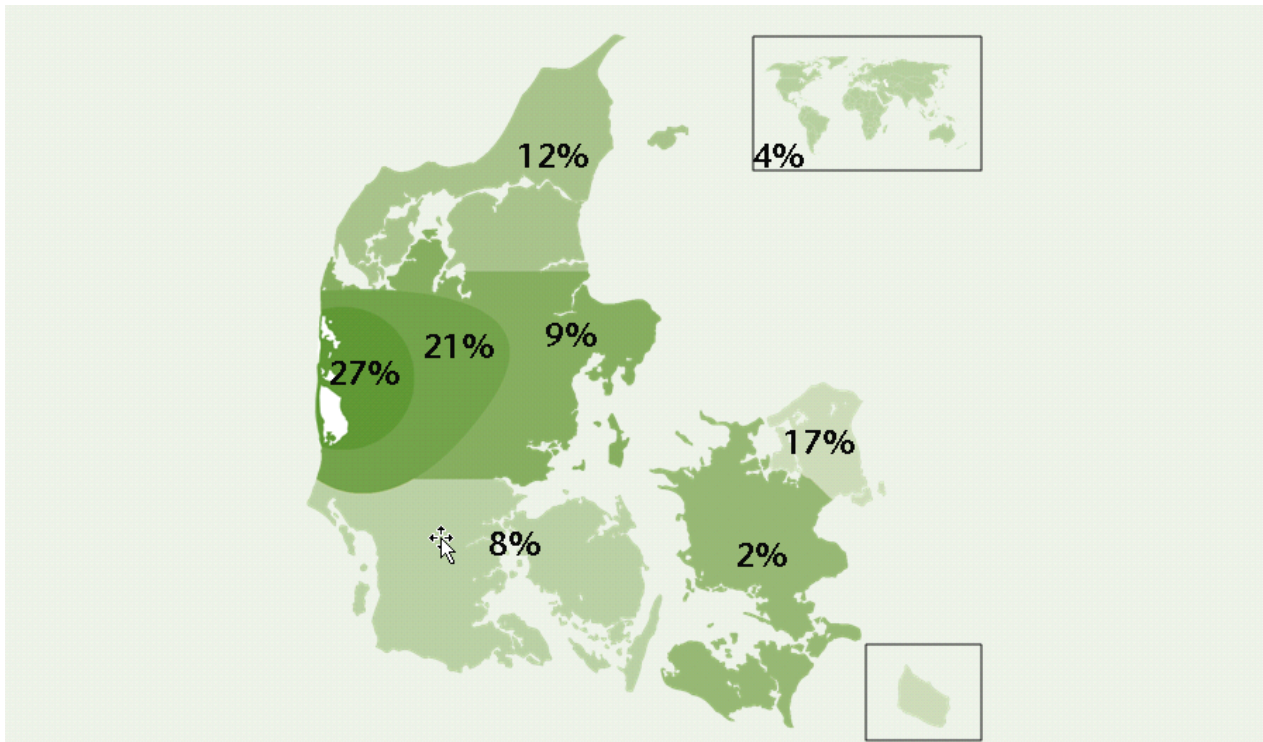
As is evident from the summary below, this focus has resulted in a reduction in total large exposures over the last five years from 73.3% in 2005 to 0.0% in 2009.

Concentration of credit

	2009	2008	2007	2006	2005
Total large exposures	0.0%	12.1%	38.3%	116.1%	73.3%

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

Geographic spread of the bank's loans and guarantee portfolio



Explanation: Overview of the bank's loans and guarantee portfolio before write-downs and provisions by customer addresses.

As will be evident from the figure, a significant geographic spread of the bank's loans and guarantee portfolio has been gained in terms of both the regional part and the niche part of the bank.

Loans made by the bank's niche department have also helped to ensure a significant diversification in the bank's loans portfolio so that the portfolio is not dependent on economic conditions to the same extent as if the bank were operated exclusively as a regional bank.

Securities

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

In connection with the bank's trading in securities, foreign currency and derivative financial instruments, the bank's loans to other banks, the bank's bond portfolio and its arranging of payments exposures incurs in relation to financial counterparties and with that a credit risk, including also a settlement risk. The settlement risk is the risk that the bank will not receive payment or securities in connection with the settling of transactions in securities and/or currency trades which correspond to the securities and/or payments which the bank has made and provided.

The bank's board of directors grants lines of credit to financial counterparties and for settlement risks. When granting lines of credit, account is taken of the individual counterparty's risk profile, rating, size and financial circumstances, and these lines of credit are regularly checked.

The bank's policy with respect to credit risk on financial counterparties is to hold the credit risk at a balanced level relative to the bank's size and in favour of credit institutions of good quality.

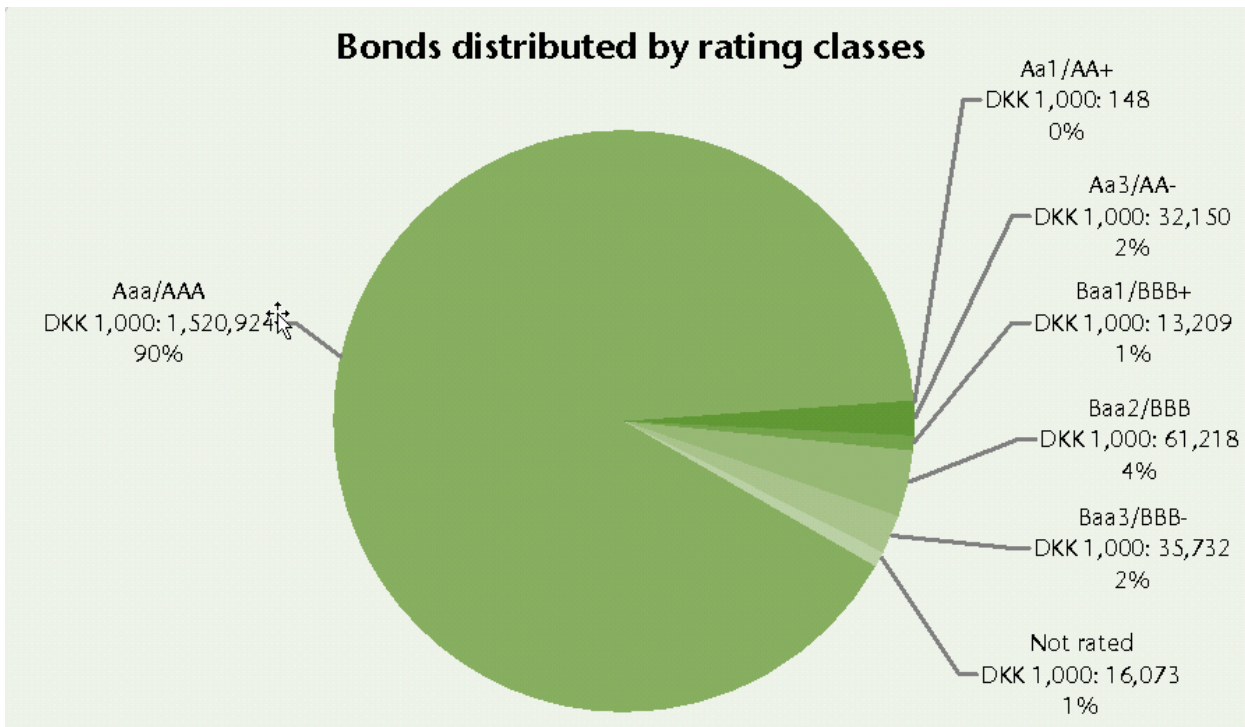
Claims on central banks and credit institutions

One of the two major items with respect to the credit risk on financial counterparties is claims on central banks and credit institutions. The bank has only assumed moderate risks on this item, and of the total claims on central banks and credit institutions, 96% is thus due before 30 September 2010, and thus before expiration of the government guarantee under the national bank package I. Of the remaining 4%, 68% is with a credit institution with a rating of A1 (Moody's rating).

The bond portfolio

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

As will be evident from the figure below, neither has the bank assumed significant risks on this item, and by far the greater part of the bond portfolio thus consists of AAA-rated Danish mortgage credit bonds.



Explanation: The bond portfolio distributed by rating classes. Ratings from the credit rating bureaus Moody’s Investors Service and Standard & Poor’s 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 developed a mathematical/statistical model during 2007 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 figure is calculated for interest rate, foreign exchange and listed share positions, and a total VaR figure 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 figure for the bank's market risks is one of the major advantages of the VaR model compared with more traditional measures of risk. The reader is referred to the following section »Value at Risk« for the specific results etc. under the VaR model.

Interest rate risk

The bank's loan and deposit business and accounts with credit institutions are mostly entered into on a variable basis. The bank's fixed interest financial assets and liabilities are continuously monitored, 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 the interest level.

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 managers and board of directors.



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

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 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 board of managers.

As in previous years, the bank's foreign exchange risk in 2009 was at an insignificant level.

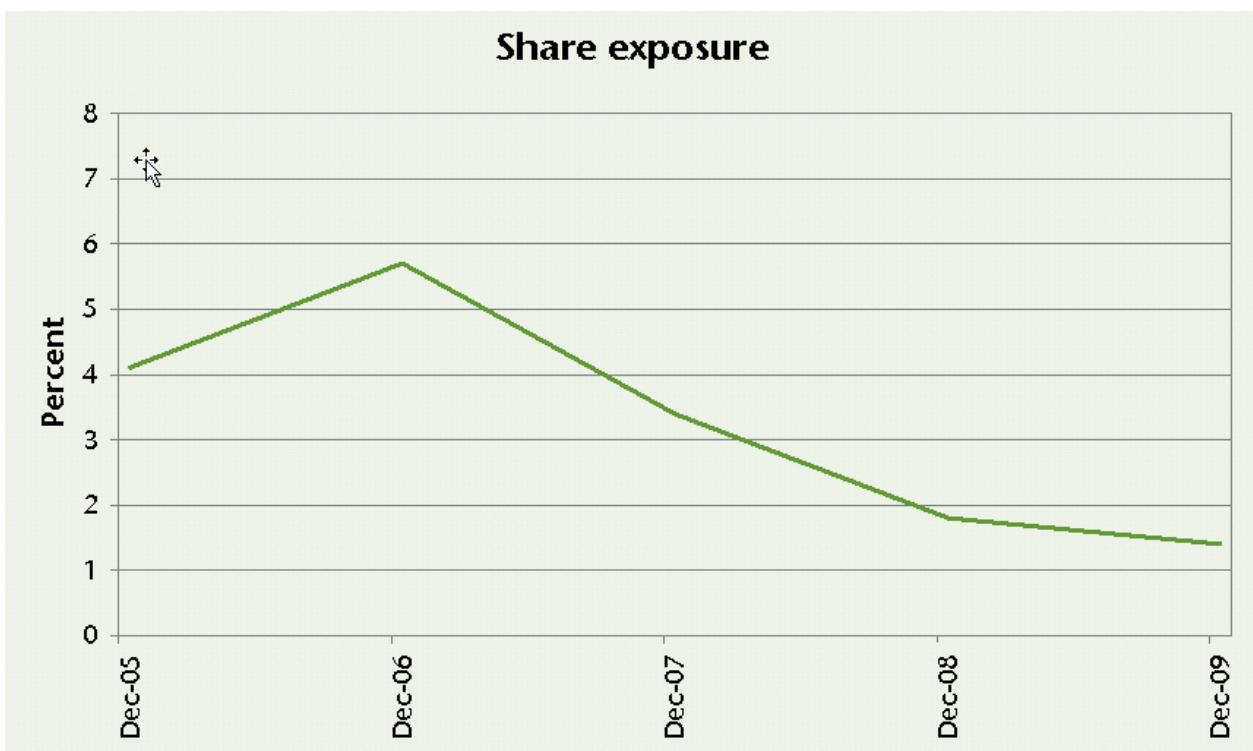
Share risk

The bank co-owns various sector companies via equity interests in DLR Kredit A/S, PRAS A/S, BankInvest Holding A/S, Sparinvest Holding A/S, Egnsinvest Holding A/S, Letpension A/S, PBS Holding A/S, Multidata Holding A/S, Værdipapircentralen A/S and Bankdata. 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 and reporting to the board of managers and the board of directors are performed by the service and support department.

The bank's holding of listed shares etc. amounted to DKK 28.0 million at the end of 2009 against DKK 32.8 million at the end of 2008. The holding of sector shares and other holdings was DKK 228.7 million at the end of 2009 against DKK 214.6 million at the end of 2008.

As will be evident from the figure below, the bank's share exposure (excluding sector shares and others holdings) as a percentage of the shareholders' equity has been modest, thus documenting the bank's objective of maintaining a low share risk.



Explanation: The share exposure is computed as the bank's holding of shares (excluding sector shares and other holdings) as a percentage of the shareholders' 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 2009 was DKK 12.0 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.

VaR summary

In DKK million

Risk	Average VaR figure	Min. VaR figure*	Max. VaR figure*	End of year VaR figure
Interest	17.4	4.8	27.8	11.6
Foreign currency	0.5	0.2	0.3	0.1
Share	5.3	3.2	5.9	6.2
Diversification	-5.7	-2.7	-7.1	-5.9
Total VaR figure	17.5	5.5	26.9	12.0

* Determined by the total VaR figure

As indicated in the table, the bank's total VaR throughout 2009 varied from DKK 5.5 million to DKK 26.9 million. The average VaR figure was DKK 17.5 million. This figure is moderately higher than in 2008, primarily because the bank had a higher interest rate risk throughout much of 2009 than in 2008. The reader is referred to note 42 on page 66 for the VaR figures for the years 2007-2009.

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 indexes, various official interest rates and interest swap rates and different exchange rate indices. By combining the historical knowledge of the covariation on the financial markets with the bank's current positions, the model can calculate a risk of loss for a following ten-day period. All the bank's interest rate positions, foreign currency positions and listed share positions etc. are included in the calculation, while positions in sector shares and unlisted capital shares are not included. The model used in 2009 was unchanged relative to the model adjusted in 2008.

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 have been retained for a ten-day period. A number of stress tests are also carried out to indicate the bank's risk of loss in abnormal market situations. Back tests of the model were performed throughout the year with satisfactory results.

Liquidity risk

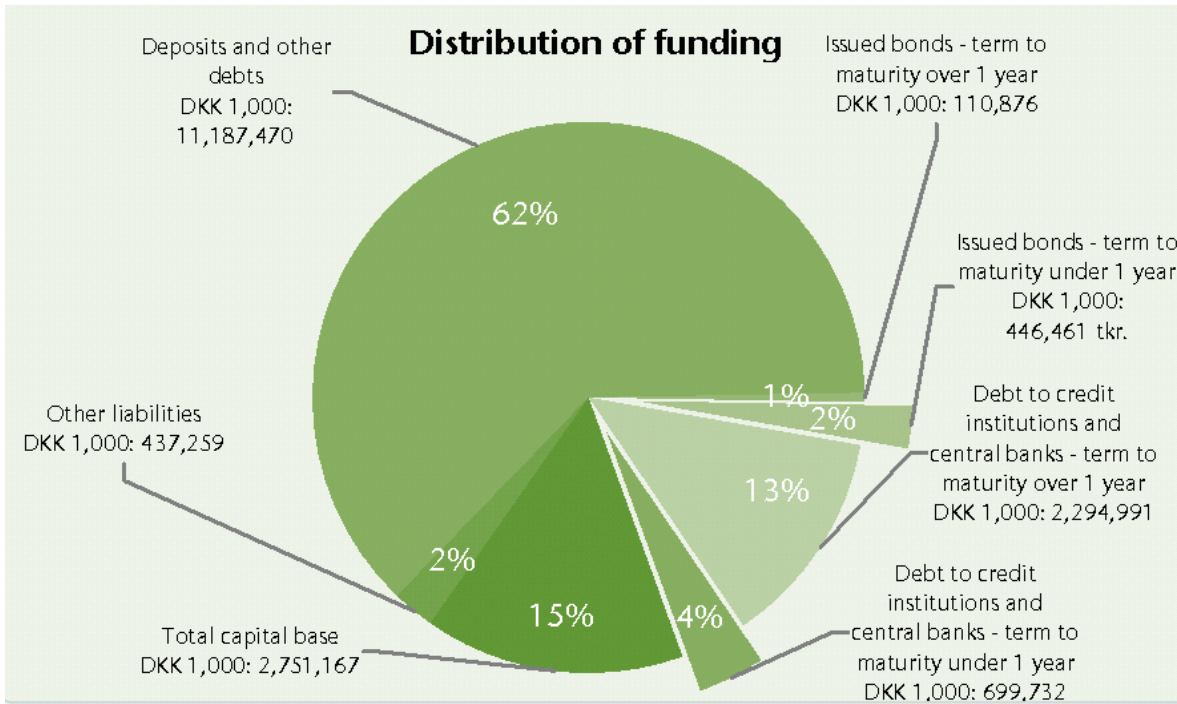
In general with respect to the bank's liquidity management, it is the bank's objective not to have uncovered net funding requirements and not to be dependent on the short-term money market. It is thus the bank's objective that it must not be affected by a total shutdown of the money market for a period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

The bank's loan portfolio is funded primarily via four different sources, namely the bank's deposits, by taking up long-term loans with other credit institutions, via issued bonds, and finally via the subordinated debts taken up by the bank and the bank's equity.

The bank's deposit base consists primarily of core deposits, and the bank does not focus on the receipt of short-term deposits of a more volatile nature.

Ringkjøbing Landbobank has also entered into a number of long-term bilateral loan agreements with various European banks. It should, however, be noted that the funding situation is such that the bank is not dependent on the institutions in a single country or on individual institutions.

Finally the bank has also issued bonds in Norway during 2007 and 2008 to a total for the two years of NOK 600 million.



In DKK 1,000

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

Issued bonds – term to maturity under 1 year	446,461
Debt to credit institutions and central banks – term to maturity under 1 year	699,732
	1,146,193

is covered as follows:

Deposits on demand with central banks - certificates of deposit	649,846
Claims on credit institutions - term to maturity under 1 year	1,751,361
Listed bonds and listed shares etc. at current value	1,707,472
Committed credits facilities (not drawn) - term to maturity over 1 year	769,735
Total	4,878,414

Excess cover	3,732,221
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As will be evident from the above table, the bank's short-term funding (term to maturity under one year) is supported by certificates of deposit with the Central Bank of Denmark, short-term loans to other Danish banks, the bank's holding of liquid securities, and via agreements on committed credit facilities with other banks. The committed credit facilities have been entered into for long-term periods and are not normally used in everyday business. The liquidity excess cover as of the end of 2009 is DKK 3.7 billion, and the equivalent figures at the end of 2008 and 2007 were DKK 2.2 billion respectively DKK 1.8 billion.

In addition to the above liquidity excess cover, the bank was granted a credit facility with the Central Bank of Denmark in October 2008, based on excess statutory solvency. The facility is DKK 800 million and will run until 30 September 2010. The facility has not been used since it was granted in 2008.

The Central Bank of Denmark also introduced a temporary expansion of the basis for borrowing in 2008. The rules for this temporary expansion were subsequently adjusted such that it is currently possible to include listed and certain unlisted shares and loan bills and bank bonds issued by Danish banks under the scheme. The temporary expansion of the basis for borrowing applies until 30 September 2010 for certain of the assets and until 30 December 2013 for other assets.

The bank established an EUR 2 billion EMTN bond programme at the end of 2008. The programme was transferred to the London Stock Exchange in December 2009. The intention is still that the programme will be included in the bank's future funding alternatives in order to ensure adequate diversification in this area. The programme was supplemented in December 2009 with the possibility of issuing guaranteed bonds under the Danish state guarantee scheme until the end of 2013. In December 2009 the bank thus gained approval for and entered into an agreement on a framework of DKK 5 billion with the Financial Stability Company on the possibility of issuing bonds guaranteed by the state.

The bank has also entered into formalised agreements on the provision of mortgage credit loans by issuing specially covered bonds (SDOs) and ordinary mortgage loans via Nykredit/Totalkredit and DLR Kredit to both business and private customers.

Operational risk

The new capital adequacy rules came into force on 1 January 2007. These rules require among other things 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 calculation of an average of the last three financial years' net income is used to quantify an amount which is added to the risk-weighted assets in order 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 the management regularly assess IT security, including with respect to prepared emergency plans, and requirements and levels for accessibility and stability for the IT systems and data used by the bank are then set. 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 2009

	1,000 DKK
1. Core capital	
Share capital	25,200
Reserves	162
Profit or loss carried forward and running profit for the year	2,030,411
2. Primary deductions from core capital	
Proposed dividend etc.	0
Addition to / deduction from core capital	-162
3. Core capital after primary deductions	2,055,611
4. Hybrid core capital	200,000
5. Core capital including hybrid core capital after primary deductions	2,255,611
6. Other deductions	0
7. Core capital including hybrid core capital after deductions	2,255,611
8. Tier 2 capital	
Subordinate loan capital	490,921
9. Included supplementary capital (from point 8)	490,921
10. Capital base before deductions	2,746,532
11. Addition to / deduction from capital base	+162
12. Capital base after deductions	2,746,694

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, Savings Banks and Cooperative Savings Banks in Denmark and the Danish Financial Supervisory Authority's guidelines on an adequate capital base and solvency requirement for banks. The management's assessment is that by using this model and the Financial Supervisory Authority's guidelines as a basis, the bank has been able to calculate a solvency requirement which provides appropriate cover for the bank's risks.

In the method used by Ringkjøbing Landbobank to calculate its solvency requirement, capital is allocated to four risk areas (credit risk, market risk, operational risk and other circumstances).

The first part of the model contains a number of stress tests. The individual accounts items (according to the most recently prepared financial report – either an annual report or a quarterly report converted to an annually result) are “stressed” via a number of variables in these tests.

The bank's stress test in relation to determination of the solvency requirement:

Capital to cover credit risks	Write-downs on loans etc.: 3.69% of total gross loans and guarantees
Capital to cover market risks	Fall in share price: 30%, but only by 15% for shares and capital shares in sector companies. Increase in interest rate: 1.35% on the trading portfolio and 1.0% elsewhere. Foreign exchange risk: <ul style="list-style-type: none"> • EUR: Foreign exchange indicator 1 x 2.25% • Other currencies: Foreign exchange indicator 1 x 12%. Risk on derivative financial instruments: 8% of the positive market value.
Capital to cover other circumstances	General fall in net interest income: 12% General fall in net income from fees: 17% Own properties: 12%

The risks which Ringkjøbing Landbobank should be able to withstand, and therewith the variables and stress levels on which it must be tested, are fixed on the basis of the bank's concrete situation and the requirements in the regulation on capital adequacy and the guidelines on an adequate capital base and solvency requirement for banks. The stress tests are generally an attempt to expose the bank's accounts figures to a number of negative events in order to see how the bank will react in the given scenario.

When calculating the bank's solvency requirement, a scenario of recession is used which is reflected in the selected stress levels as per the table above.

The result of the stress tests is included in the solvency requirement model in that at a minimum, Ringkjøbing Landbobank must possess a level of capital which can cover the result which will occur if the scenario in question is realised. The full impact of the stress test on the solvency requirement is calculated by setting the full impact of the result in relation to the weighted items. The result is a target for the capital required to ensure that the bank can survive the scenario which was tested.

Apart from the risk areas included via stress tests, there is a large number of risk areas which Ringkjøbing Landbobank has found relevant to include in its assessment of the solvency requirement.

Other risk areas assessed in relation to determination of the solvency requirement.

Additional capital to cover credit risks	<u>Including:</u> Customers with financial problems Major commitments Commercial concentration Geographic concentration Concentration of guarantees
Additional capital to cover market risks	
Capital to cover operational risks	
Additional capital to cover other circumstances	<u>Including:</u> Strategic risks Risks to reputation Risks in relation to the bank's size Property risks Procuring of capital Liquidity risks Settlement risks Other matters

The determination of the influence of these areas on the solvency requirement is either calculated directly via supplementary calculations or via an assessment by management of the capital required in these risk areas.

In Ringkjøbing Landbobank's opinion, the risk factors included in the model are adequate to cover all of the risk areas which the law requires the bank's management to take into account in determining the solvency requirement and the risks which management finds that the bank has assumed.

The board of directors and management must also assess whether the capital base is adequate to support any forthcoming activities. In Ringkjøbing Landbobank this determination is a part of the general assessment of the solvency requirement. Management therefore makes an annual assessment of how the expectations regarding growth affect the computation of the 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 2009

1,000 DKK	Risk-weighted exposure	Capital req. (8% of the 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	200,617	16,049
Commercial enterprises etc.	6,969,642	557,571
Retail clients	3,255,394	260,432
Exposures secured by mortgage in real estate	805,862	64,469
Exposures with arrears or overdrafts	71,043	5,683
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	116,701	9,337

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 2009

1,000 DKK	Risk-weighted items	Capital requirement (8% of exposure)
Weighted items with market risk	914,819	73,185
Instruments of debt	806,217	64,497
Shares	21,431	1,714
Collective investment schemes	11,236	899
Exchange rate risk	75,935	6,075
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 2009 was calculated at tDKK 105.830 (8% of tDKK 1,322,788).

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 - derivative financial instruments, 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 2009 - in 1,000 DKK	Positive gross market value of financial contracts after netting
Counterparty with risk weight 20%	179,291
Counterparty with risk weight 75%	39,644
Counterparty with risk wt. 100%	84,897
Counterparty with risk wt. 150%	672

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 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 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 12a

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 definition of claims with reduced value (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.
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with respect to the definition of bad debts 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 12b

The total value of the exposures after write-downs and before taking account of the effects of the credit risk reduction is DKK 21,565 million.

Re point 12c

The bank advises as follows:

Average 2009 - in million DKK	Average weighted amount 2009
Central governments or central banks	
Regional or local authorities	
Public entities	
Multilateral development banks	
International organisations	
Institutions	172
Commercial enterprises etc.	6,981
Retail clients	3,186
Exposures secured by mortgage in real estate	802
Exposures with arrears or overdrafts	386
Covered bonds	
Short-term institutional and commercial exposures etc.	
Collective investment schemes	
Exposures in other items, including assets without counterparties	117
Total	11,644

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 2009 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 investment schemes	Exposures in other items, including assets without counterparties
Public authorities	700						13	15						
Agriculture, hunting, forestry							2,046	626	247	7				
Fishing														
Manufacturing, mining, electricity, gas, water and heating plants							1,846	148	73	1				
Building and construction							182	165	54	2				
Trade, restaurants and hotels							767	307	99	4				
Transport, post and telephone							90	63	18					
Credit and financing and insurance							1,093	80	38					
Credit institutions						1,964								
Property administration and trade, business services							1,416	193	303	6				
Other							972	660	358	8				155
Total business							8,412	2,242	1,190	262				155
Private							1,278	4,569	954	45				
Total	700					1,964	9,703	6,826	2,144	73				155
Total														21,565

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 2009 - million DKK	Demand	0 – 3 months	3 mths – 1 yr	1 – 5 years	Over 5 years	Total
Central governments or central banks	50	650				700
Regional or local authorities						
Public entities						
Multilateral development banks						
International organisations						
Institutions	59	1,281	356	54	214	1,964
Commercial enterprises etc.	2,805	761	2,101	1,706	2,330	9,703
Retail clients	2,419	306	1,198	1,094	1,809	6,826
Exposures secured by mortgage in real estate	392	63	194	692	803	2,144
Exposures with arrears or overdrafts	21	8	19	9	16	73
Covered bonds						
Short-term institutional and commercial exposures etc.						
Collective investment schemes						
Exposures in other items, including assets without counterparties	155					155
Total	5,901	3,069	3,868	3,555	5,172	
Total						21,565

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:

2009 - 1,000 DKK	Bad debts exposure	Loans and guarantee debtors on which write-downs/provisions have been made	Write-downs/provisions at the end of the year	Amounts booked as costs concerning value adjustments and write-downs during the period*
Public authorities				-112
Agriculture, hunting, forestry	7,332	192,279	178,909	122,070
Fishing		17,905	8,951	9,660
Manufacturing, mining, electricity, gas, water and heating plants	1,493	10,591	8,818	597
Building and construction	1,878	19,207	15,108	-2,889
Trade, restaurants and hotels	3,871	68,226	57,354	33,180
Transport, post and telephone	36	15,346	6,429	-1,766
Credit and financing and insurance		40,247	15,806	2687
Property administration and trade, business services	6,032	21,488	12,936	8,120
Other	8,494	69,798	38,083	10,185
Total business	29,136	455,087	342,394	181,844
Private	43,704	216,839	124,631	11,925
Total	72,840	671,926	467,025	193,657
Interest concerning the written down part of loans				26,109
Income on previous written off debtors				8,948
Write-downs on loans and other debtors				158,600

* 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).

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:

2009 - 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	336,820	1,669	17,594			8,828
Events during the year						
1. Foreign exchange adjustment						
2. Write-downs/provisions during the year	195,056	3,822	35,167			36,273
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	53,832	4,115	11,629			
4. Other events						
5. Adjustment to value of assets taken over						
6. Finally lost (written off) previously individually written down/provision made	53,527					
Cumulative write-downs/provisions end of period on loans and guarantee debtors	424,517	1,376	41,132			45,101
Total loans and guarantee debtors on which individual write-downs/provisions were made (computed before write-downs/provisions)	671,925	1,549	12,340,803		0	109,886

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 15a-c and g

Computation of the solvency requirements for the respective risks:

Statement of solvency risks in the market risks area - end 2009	Weighted amount 1,000 DKK	Capital requirement (8% of exposure)
Items with ranking risk: Instruments of debt	806,217	64,497
Shares etc. (including collective investment schemes)	32,667	2,613
Raw materials	0	0
Items with Foreign exchange position	75,935	6,075

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

Re point 15d

Counterparty risk - positive market value tDKK 304,504. The amount is included as a credit risk under the individual commitment classes.

Re point 15e

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

Re point 15f

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 did, however, develop a mathematical/statistical model to compute market risks during 2007. 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 18b-d

The bank advises as follows:

1,000 DKK		
Type	Exposure as of 31 Dec. 2009	Effect on operations in 2009
Sector shares	204,527	219
Other shares	26,472	5,787
Capital shares in associated companies	513	-59

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 2009
Positions	
Balance sheet items (included in the calculation of the interest rate risk)	-1,574
Positions with limited or covered interest rate risk	12,619
Positions with special interest formulas	0
Total outside the trading portfolio	11,045

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

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

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,

NP_(mv) = the market value of the net position on the date of computation, and

V_(mod) = the net position's modified term.

“**0.01**” means that the interest rate risk is calculated for a general change of one percentage point in the rate.

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 2009 - 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.	845,089
Exposures to retail clients	328,535
Exposures secured by mortgage in real estate	260
Exposures with arrears or overdrafts	10,386
Securitisation positions	0
Short-term institutional and commercial exposures etc.	0
Exposures to collective investment schemes	0
Total	1,184,270

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 2009 - 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.	68,275
Exposures to retail clients	8,878
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	77,153

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.