Risk information for Ringkjøbing Landbobank A/S
Statement on adequate capital base and individual solvency requirement

(as of 30 january 2013)

Please note that the statement is structured such that it follows the respective points in Annex 20 of the Capital Adequacy Regulation.

Contents

Page

Please note that the bank has prepared two statements concerning risk information: one on other risk information and one on the adequate capital base and the individual solvency requirement (this statement).

1. Adequate capital base and individual solvency requirement

The statutory information concerning calculation of the adequate capital base and the individual solvency requirement for Ringkjøbing Landbobank are provided below.

2. Description of model of solvency requirement etc., point 5

Re point 5a
At a minimum, the bank's board of directors discusses the determination of the solvency requirement on a quarterly basis. These discussions are based on a memorandum/other documentation which is prepared by the bank's management.

The memorandum/documentation contains proposed solvency requirement, including suggestions for the choice of stress variables, stress levels, possible risk areas and expectations for growth. On the basis of this discussion, the board of directors makes a decision on the calculation of the bank's solvency requirement which should be adequate to cover the bank's risks pursuant to Sections 124(1) and 124(4) of the Danish Act on Financial Activities.

In addition, the board of directors discusses the method of calculating the bank's solvency requirement at least once a year. Discussion points include the risk areas and stress levels which should be taken into account when calculating the solvency requirement.

Re point 5b
The bank's management has elected to base its calculation of the bank's solvency requirement on a template developed by local banks and on the *Vejledning om tilstrækkelig basiskapital og solvensbehov for pengeinstitutter* (Guidelines on adequate capital base and solvency requirement for financial institutions) issued by the Danish Financial Supervisory Authority. The methodology can be characterized as a probability model. From first quarter 2013 the bank will change this methodology to the model called 8+ in line with the updated guidelines issued by the FSA in December 2012.

Management has judged that on the basis of this model and the guidelines published by the Financial Supervisory Authority, the bank's calculated solvency requirement will be adequate to cover its risks.

The method applied by Ringkjøbing Landbobank for its calculation of the solvency requirement reserves capital within four risk areas (credit risks, market risks, operational risks and other matters).

The first part of the model contains a number of stress tests. The individual accounts items (as per the latest financial report – either the annual report or a quarterly report converted into a full year's result) are "stressed" via a number of variables in these tests.

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

Capital to cover credit risks	Write-downs on loans etc.: 3.69% of total loans and guarantees on write-downs and provisions.
Capital to cover market risks	Fall in share price: 30%, but only 15% on shares and capital shares in sector companies. Change in interest rates: 1.35% on items in the trading portfolio and 2.0% on items outside the trading portfolio. Simultaneous movement in the short-term interest rate (under one year) of 0.7 of a percentage point in one direction and movement in the long-term interest rate (over one year) of 0.7 of a percentage point in the opposite direction. Exchange rate risk: • EUR: Exchange rate indicator 1 *2.25% • Other currencies: Exchange rate indicator 1 *12% Risk on derivatives: 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: 18%

The risks which Ringkjøbing Landbobank should be able to cover, and thus also the variables and stress levels which should be used for the tests, are determined on the basis of the bank's current situation, the requirements specified in the Capital Adequacy Regulation, and the Guidelines on adequate capital base and solvency requirement for financial institutions. The stress tests are generally an attempt to expose the bank's accounts figures to a number of negative events in order to determine how the bank will react in the given scenario.

The calculation of the bank's solvency requirement is based on a recession scenario which is reflected *inter alia* in the chosen levels of stress as per the above table.

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 occurs. 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 are numerous other risk areas which Ringkjøbing Landbobank has found relevant to include in its assessment of the solvency requirement.

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

Additional capital to cover credit risks	*Including:* 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 matters	*Including:* Strategic risks Risks to reputation Risks in relation to the size of the bank Property risks Cash flow from operations Liquidity risks Settlement risks Other circumstances

The determination of the influence of these areas on the solvency requirement is either calculated directly via supplementary calculations or via an assessment by the management of the capital requirements 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 bank's management is required by law to take into account in determining the solvency requirement as well as the risks which management finds that the bank has assumed.

In addition, the board of directors and management must assess whether the capital base is adequate to support possible future activities. At Ringkjøbing Landbobank, this assessment is a part of the general determination of the solvency requirement. Management therefore makes an annual assessment of how the expectations for growth affect the calculation of the solvency requirement.

Ringkjøbing Landbobank

3. Solvency requirement classified by risk categories / Comments on solvency requirement / Statutory requirements / Capital adequacy ratio and capital base, points 6 - 9

Ringkjøbing Landbobank's adequate capital base and solvency requirement by risk areas

Risk area	Adequate capital base DKK 1,000	Solvency requirement Percent
Credit risks	1,055,744	7.9%
Market risks	96,629	0,8%
Operational risks	118,680	0.9%
Other circumstances	-380,165	-2.9%
Internal calculation of the bank's solvency requirement	890,888	6.7%
Supplements attributable to statutory requirements	173,497	1.3%
Total	1,064,385	8.0%

Ringkjøbing Landbobank's capital / excess solvency:

Capital base after deductions	DKK 2,979,911
Adequate capital base	DKK 1,064,385
Excess solvency	DKK 1,915,526
Capital adequacy ratio	22.4%
Solvency requirement	8.0%
Excess solvency in percentage points	**14.4%**

Additional comments:

Solvency requirement and excess solvency:
The bank has calculated its internal solvency requirement at 6.7%. Due to statutory requirements the bank has reported the required solvency at 8%, which equals 14.4% excess solvency based on an actual solvency of 22.4%. The excess solvency is regarded as highly satisfactory and it will help to create a solid foundation for the bank's future developments.

Credit risks:
The credit risk is the biggest risk area in the determination of solvency requirement. This is also why the bank focuses strongly on this particular risk area. The greater part of the reserved capital within the credit risk area is attributable to the general stress test and to customers with financial problems.

Market risks:
The capital reserved for market risks relates to share risks, counterparty risks on derivatives and interest rate risks as well as a small amount relating to exchange rate risks.

Operational risks:
Capital in this category has been reserved to cover risks of losses resulting from inappropriate or defective internal procedures, human error and systematic errors, or resulting from external events, including legal risks.

Other circumstances:
Other circumstances are included as a deduction in the solvency requirement. The reason for this is the fact that even under the most stringent stress tests, the bank will still have a significant income from its actual operations. Special attention is drawn to Ringkjøbing Landbobank's low rate of costs. The low rate of costs helps to strengthen the basis for the bank's results, which is also reflected in the calculation of the bank's solvency requirement.

Please see the description of the model used for the solvency requirement (under point 5b) for a more detailed description of the risks which are attributable to the different categories.

Supplements attributable to statutory requirements:
Please note that Ringkjøbing Landbobank is subject to the statutory requirements set forth in Section 124(2:1) of the Danish Act on Financial Activities, i.e. the provision that the solvency must be at least 8%.

4. Internal calculation of solvency requirement, point 10

We advise that the bank's internal solvency requirement before the addition of statutory supplements has been calculated at 6.7%, which is why the bank has reported the statutory 8%.