ANNUAL REPORT 2019

Ringkjøbing
Landbobank

CONTENTS

DEAR SHAREHOLDER

2019 was a really good year for Ringkjøbing Landbobank. The bank's results coincided with an increase in customer numbers, a high degree of customer satisfaction and associated reputational benefits.

2019 was also the first full year after the merger with Nordjyske Bank. We are therefore pleased that we have been able to fully keep the promises we made when we annouced the merger. Our new bank has been well received by our growing numbers of customers.

Lending has also continued to grow in all parts of the bank.

The stock market also responded positively to the results and to the merger, with a 54% return on the bank's share in 2019. This should be seen in the context of a fall in the OMX Copenhagen Banks PI during the year.

Both income and expenses developed better than expected. Total income thus increased by 6% and total expenses decreased by 7%. This means that our rate of costs fell from 43 to 38, which was the long-term goal for the bank when we announced the merger.

The financial statements for 2019 show profit before tax of DKK 1,245 million, which is 31% higher than the previous year. This result is equivalent to a 17% return on equity, which is considered highly satisfactory.

The general meeting is recommended to approve an increase in ordinary dividend to DKK 11 per share. A new DKK 300 million share buy-back programme is also expected to be implemented during 2020. We thus continue our distribution policy of recent years. We will pay 64% of the bank's profit to shareholders, and transfer the rest to equity, to support future growth in the bank's lending.

2019 was also an unusual year because the interest level fell so much that homeowners had the opportunity to participate in the largest refinancing boom in Danish history. Interest on half of all mortgage loans is now negative and long-term interest rates are around 1%. This means that we have helped thousands of our homeowner customers get lower interest rates during the year. Our customers appreciate this proactive approach.

We also take this opportunity to thank our highly skilled employees. They did a fantastic job in an intensive year when we were developing the bank, carrying out an IT conversion, serving our customers and welcoming many new customers. The expertise, stability, loyalty and indomitable spirit of our employees are an unsurpassed combination.

2020 looks set to be a pleasing year. Our main tasks will be to serve our current customers and continue to increase our market share by winning new customers. We are now on one platform and we will use the forthcoming year to streamline the bank. We expect core earnings in the range DKK 1,000 - 1,200 million, to which the result for the securities portfolio will be added.

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

John Bull Fisker
CEO

ANNUAL REPORT – HIGHLIGHTS

- The financial statements show an 11% increase in core earnings and a 31% increase in profit before tax
- The return on equity before tax is 17%
- Income increases by 6% and expenses fall by 7% meaning that the rate of costs falls from 43.3 to 38.0
- Continued big increase in customers and 6% growth in the bank's loans
- Pay-out ratio of 64 with dividend of DKK 11 and a DKK 300 million share buy-back programme in 2020
- Common equity tier 1 capital ratio of 15.0 and MREL capital ratio of 27.5
- Ranking among the best Danish financial institutions by customer satisfaction and image surveys

MAIN AND KEY FIGURES

(2016-2018 pro forma)

	2019	2018	2017	2016
Main figures for the bank (DKK million)				
Total core income	2,116	2,001	1,917	1,861
Total expenses and depreciation	805	866	845	815
Core earnings before impairments	**1,311**	**1,135**	**1,072**	**1,046**
Impairment charges for loans etc.	-100	-43	-70	-211
Core earnings	**1,211**	**1,092**	**1,002**	**835**
Result for the portfolio etc.	+49	+77	+84	+78
Special costs	15	217	22	22
Profit before tax	**1,245**	**952**	**1,064**	**891**
Net profit for the year	**978**	**778**	**848**	**726**
Equity	7,610	7,189	6,769	6,313
Deposits including pooled schemes	38,128	36,993	35,854	34,152
Loans	35,465	33,350	31,173	28,304
Balance sheet total	52,941	49,651	46,324	43,702
Contingent liabilities	9,665	7,829	7,858	6,682
Key figures for the bank (percent)				
Profit before tax as a percentage of average equity, p.a.	16.8	13.8	16.3	14.6
Net profit for the year as a percentage of average equity, p.a.	13.2	11.3	13.0	8.9
Rate of costs	38.0	43.3	44.1	43.8
Common equity tier 1 capital ratio	15.0	15.0	15.8	15.8
Total capital ratio	20.3	18.8	17.3	17.5
MREL capital ratio	27.5	25.2	-	-
Key figures per DKK 1 share (DKK)				
Core earnings	41.4	36.5	30.9	27.6
Profit before tax	42.6	31.8	33.7	29.6
Net profit for the year	33.5	26.0	27.0	24.1
Book value	260.4	240.4	175.0	159.0
Price, end of year	514.0	340.0	321.5	292.6
Dividend	11.0	10.0	9.0	7.2

MANAGEMENT'S REVIEW

Financial review

This annual report for 2019 contains two sets of statements.

One set, from the management's review, contains a statement of the alternative performance measure “Core earnings” for the 2018 and 2019 financial years and quarterly overviews for the 2016, 2017, 2018 and 2019 financial years. The figures for the 2016 - 2018 financial years are pro forma figures. The annual report also contains the official financial statements.

The comments in the financial review below primarily concern the development described in the set of statements appearing in that review. The bank believes that this is the best way to give shareholders a true and fair view of the development in operations from 2018 to 2019.

Core earnings

Note		2019 DKK 1,000	2018 DKK 1,000
	Net interest income	1,173,085	1,147,483
A	Net fee and commission income excluding securities trading	626,349	568,551
	Income from sector shares etc.	144,702	160,316
A	Foreign exchange income	30,749	30,559
	Other operating income	13,582	6,223
	Total core income excluding securities trading	**1,988,467**	**1,913,132**
A	Securities trading	128,192	87,664
	Total core income	**2,116,659**	**2,000,796**
	Staff and administration expenses	778,458	846,507
	Depreciation and write-downs on tangible assets	22,959	15,871
	Other operating expenses	3,934	3,399
	Total expenses etc.	805,351	865,777
	Core earnings before impairment charges for loans	**1,311,308**	**1,135,019**
	Impairment charges for loans and other receivables etc.	-99,876	-43,118
	Core earnings	**1,211,432**	**1,091,901**
	Result for the portfolio etc.	+48,989	+77,267
	Amortisation and write-downs on intangible assets	15,000	25,140
	Merger and restructuring costs	0	121,688
	Non-recurring costs	0	70,362
	Profit before tax	**1,245,421**	**951,978**
	Tax	267,156	173,786
	Net profit for the year	**978,265**	**778,192**

Key figures

	2019	2018
Key figures for the bank (percent)		
Profit before tax as a percentage of average equity, p.a.	16.8	13.8
Net profit for the year as a percentage of average equity, p.a.	13.2	11.3
Rate of costs	38.0	43.3
Common equity tier 1 capital ratio	15.0	15.0
Tier 1 capital ratio	15.0	15.0
Total capital ratio	20.3	18.8
MREL requirement	20.7	19.7
MREL capital ratio	27.5	25.2
Key figures per DKK 1 share (DKK)		
Core earnings	41.4	36.5
Profit before tax	42.6	31.8
Net profit for the year	33.5	26.0
Book value	260.4	240.4
Price, end of year	514.0	340.0
Basis of calculation, number of shares	29,228,321	29,906,383

Note

Note		2019 DKK 1,000	2018 DKK 1,000
A	**Gross fee and commission income**		
	Securities trading	137,452	98,574
	Asset management and custody accounts	160,958	169,097
	Payment handling	113,046	111,601
	Loan fees	115,134	46,641
	Guarantee commission and mortgage credit commission etc.	217,465	215,091
	Other fees and commission	89,027	71,487
	Total gross fee and commission income	**833,082**	**712,491**
	Net fee and commission income		
	Securities trading	128,192	87,664
	Asset management and custody accounts	147,859	159,932
	Payment handling	79,241	91,177
	Loan fees	103,805	40,363
	Guarantee commission and mortgage credit commission etc.	217,465	213,769
	Other fees and commission	77,979	63,310
	Total net fee and commission income	**754,541**	**656,215**
	Foreign exchange income	30,749	30,559
	Total net fee, commission and foreign exchange income	**785,290**	**686,774**

Quarterly overviews

Core earnings

(DKK million)	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	292	294	296	291
Net fee and commission income excluding securities trading	154	163	159	150
Income from sector shares etc.	36	36	36	37
Foreign exchange income	8	9	8	6
Other operating income	5	7	0	1
Total core income excluding securities trading	**495**	**509**	**499**	**485**
Securities trading	35	29	23	41
Total core income	**530**	**538**	**522**	**526**
Staff and administration expenses	202	180	198	198
Depreciation and write-downs on tangible assets	9	8	4	2
Other operating expenses	1	0	2	1
Total expenses etc.	212	188	204	201
Core earnings before impairment charges for loans	**318**	**350**	**318**	**325**
Impairment charges for loans and other receivables etc.	-25	-26	-24	-25
Core earnings	**293**	**324**	**294**	**300**
Result for the portfolio etc.	-4	+20	+7	+26
Amortisation and write-downs on intangible assets	4	3	4	4
Merger and restructuring costs	0	0	0	0
Non-recurring costs	0	0	0	0
Profit before tax	**285**	**341**	**297**	**322**
Tax	62	66	76	63
Net profit for the year	**223**	**275**	**221**	**259**

Quarterly overviews – continued

Core earnings – continued

Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
289	287	284	287	288	277	280	279	283	287	281	285
146	136	141	146	130	128	154	138	163	132	131	122
39	34	49	38	31	30	30	29	20	14	17	20
8	8	9	6	7	8	8	8	7	7	6	7
2	1	2	1	1	2	2	1	5	3	8	4
484	**466**	**485**	**478**	**457**	**445**	**474**	**455**	**478**	**443**	**443**	**438**
17	23	20	28	18	24	20	24	13	15	16	15
501	**489**	**505**	**506**	**475**	**469**	**494**	**479**	**491**	**458**	**459**	**453**
221	203	217	206	225	202	201	201	214	192	195	196
3	3	2	8	3	3	2	3	2	3	6	3
1	0	1	1	2	1	1	1	1	1	1	1
225	206	220	215	230	206	204	205	217	196	202	200
276	**283**	**285**	**291**	**245**	**263**	**290**	**274**	**274**	**262**	**257**	**253**
-25	-20	-11	+13	+3	-17	-23	-33	-60	-44	-53	-54
251	**263**	**274**	**304**	**248**	**246**	**267**	**241**	**214**	**218**	**204**	**199**
-20	+4	+3	+90	-2	+22	+26	+38	+9	+39	+24	+6
4	3	12	6	5	6	5	6	5	6	5	6
26	46	46	4	-	-	-	-	-	-	-	-
1	0	69	0	-	-	-	-	-	-	-	-
200	**218**	**150**	**384**	**241**	**262**	**288**	**273**	**218**	**251**	**223**	**199**
46	37	33	58	47	52	62	55	37	46	46	36
154	**181**	**117**	**326**	**194**	**210**	**226**	**218**	**181**	**205**	**177**	**163**

Quarterly overviews – continued

Balance sheet items and contingent liabilities

(DKK million)	End of Q4 2019	End of Q3 2019	End of Q2 2019	End of Q1 2019
Loans	35,465	34,757	34,528	34,195
Deposits including pooled schemes	38,128	38,554	39,070	37,439
Equity	7,610	7,426	7,231	7,071
Balance sheet total	52,941	53,601	52,426	50,266
Contingent liabilities	9,665	10,836	10,466	7,976

Statement of capital

(DKK million)	End of Q4 2019	End of Q3 2019	End of Q2 2019	End of Q1 2019
Common equity tier 1	6,178	5,731	5,547	5,391
Tier 1 capital	6,178	5,731	5,547	5,391
Total capital	8,350	7,894	6,961	6,775
MREL capital	11,356	10,898	9,659	9,140
Total risk exposure	41,223	39,547	40,106	38,308
(Percent)				
Common equity tier 1 capital ratio	15.0	14.5	13.8	14.1
Tier 1 capital ratio	15.0	14.5	13.8	14.1
Total capital ratio	20.3	20.0	17.4	17.7
MREL capital ratio	27.5	27.6	24.1	23.9

Quarterly overviews – continued

Balance sheet items and contingent liabilities – continued

End of Q4 2018	End of Q3 2018	End of Q2 2018	End of Q1 2018	End of Q4 2017	End of Q3 2017	End of Q2 2017	End of Q1 2017	End of Q4 2016	End of Q3 2016	End of Q2 2016	End of Q1 2016
33,350	32,192	31,970	31,647	31,173	30,368	30,371	29,093	28,304	28,074	28,267	27,578
36,993	36,866	37,313	36,307	35,854	36,065	35,593	34,161	34,152	33,833	32,858	31,766
7,189	7,171	7,066	6,644	6,769	6,609	6,438	6,246	6,313	6,166	6,003	5,865
49,651	49,287	49,859	47,349	46,324	46,500	45,577	43,665	43,702	43,038	42,355	40,740
7,829	8,078	7,809	7,821	7,858	7,382	7,235	6,595	6,682	6,755	5,966	5,528

Statement of capital – continued

End of Q4 2018	End of Q3 2018	End of Q2 2018	End of Q1 2018	End of Q4 2017	End of Q3 2017	End of Q2 2017	End of Q1 2017	End of Q4 2016	End of Q3 2016	End of Q2 2016	End of Q1 2016
5,444	5,213	5,092	5,185	5,381	5,263	5,175	4,909	5,032	4,955	4,863	4,718
5,444	5,213	5,092	5,185	5,381	5,263	5,175	4,909	5,032	4,955	4,863	4,718
6,831	6,586	6,464	5,757	5,921	5,811	5,722	5,442	5,556	5,513	5,431	5,284
9,181	-	-	-	-	-	-	-	-	-	-	-
36,385	34,123	33,784	34,314	34,162	32,618	32,197	31,517	31,772	30,973	30,070	29,744
15.0	15.3	15.1	15.1	15.8	16.1	16.1	15.6	15.8	16.0	16.2	15.9
15.0	15.3	15.1	15.1	15.8	16.1	16.1	15.6	15.8	16.0	16.2	15.9
18.8	19.3	19.1	16.8	17.3	17.8	17.8	17.3	17.5	17.8	18.1	17.8
25.2	-	-	-	-	-	-	-	-	-	-	-

Core earnings

Core income

Interest

Net interest income was DKK 1,173 million in 2019 compared to DKK 1,147 million in 2018, an increase of 2%. The bank is satisfied with this development despite a 6% increase in lending in 2019. Relative to 2018, there were thus new interest expenses for the issued non-preferred senior capital and the subordinated capital issues in June 2018 and August 2019 respectively. Furthermore, the internal funding rate for the bank's own portfolio was cut by 0.25 percentage points twice in 2019, on 1 July 2019 and 1 October 2019.

Stabilisation of the business model

The interest level fell in 2019. The 10-year government bond yield thus fell from plus 0.40% at the beginning of the year to minus 0.15% at the end of the year.

In addition, the European Central Bank launched a range of monetary policy initiatives during 2019 and the central bank of Denmark followed suit by reducing the certificates of deposit rate to minus 0.75%.

The fall in the interest level in 2019 facilitated the largest refinancing boom in Danish history for mortgage loans. This will mean great savings on interest payments for Danish homeowners in the future.

The lower interest rate will of course negatively affect the bank's own holding of investments in government and mortgage credit bonds.

The declining interest level has also put pressure on the bank's lending rates to both personal and business customers.

During the second half of 2019, a number of decisions were made which together are expected to stabilise the business model.

The bank's largest business customers have paid negative interest on deposits for several years. Negative interest of 0.50% for business customers was rolled out to the entire portfolio on 16 October 2019 and 1 November 2019. As of 1 January 2020 the rate was reduced by a further minus 0.25 percentage points to minus 0.75%.

In 2019, the bank also gave notice of a number of interest rate changes for personal customers with effect from 1 January 2020. Thus interest was reduced to 0 on the last categories of account that were still paying a positive interest rate. Finally, the interest rate on cash deposits in pension accounts was reduced to minus 0.75%, and the interest rate on liquid deposited funds was also reduced to minus 0.75% for the amount exceeding DKK 2 million per customer.

Fee, commission and foreign exchange income

Fee, commission and foreign exchange income amounted to DKK 785 million net in 2019, compared to DKK 687 million net in 2018, an increase of 14%.

Relative to 2018, several fee income items developed positively as a result of greater volumes and a high level of activity, in particular the substantial mortgage refinancing activity.

Despite steadily increasing volumes in "Asset management and custody accounts" during the year, the item developed negatively as it was affected by fee reductions in 2019.

The sources of net fee, commission and foreign exchange income were as follows:

(DKK million)	**2019**	**2018**	**2017**	**2016**
Securities trading	128	88	86	59
Asset management and custody accounts	148	160	183	205
Payment handling	79	91	83	85
Loan fees	103	40	31	31
Guarantee commission and mortgage credit commission etc.	217	214	200	175
Other fees and commission	80	63	53	53
Foreign exchange income	30	31	31	26
Total	**785**	**687**	**667**	**634**

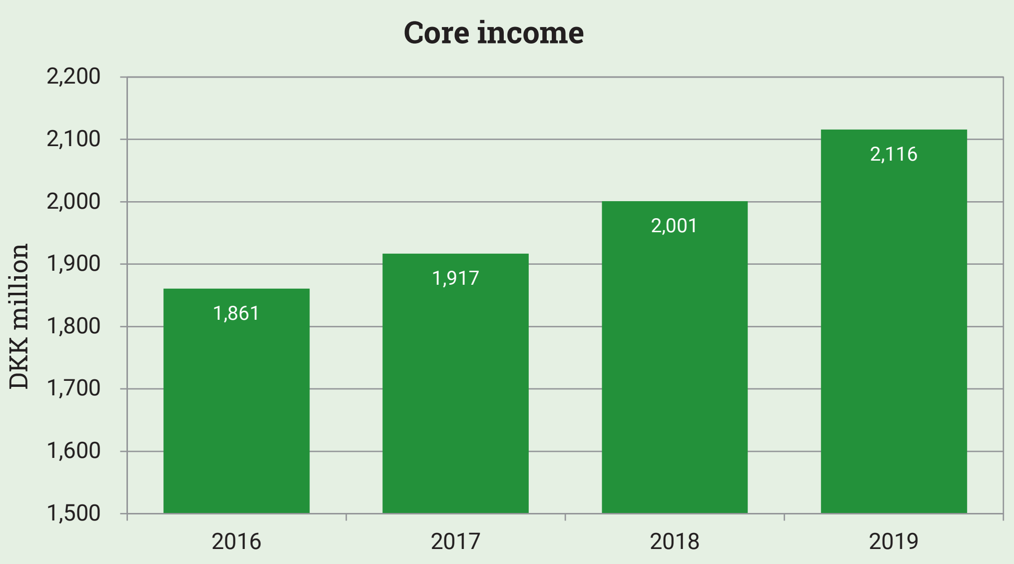
Sector shares and other operating income

Earnings from banking sector shares amounted to DKK 145 million in 2019 compared to DKK 160 million in 2018. The earnings derive primarily from returns on the bank's ownership interests in DLR Kredit, BankInvest (BI Holding) and PRAS.

Core income in 2019 was also positively affected by non-recurrent income totalling DKK 12 million under the item "Other operating income".

Core income

Total core income increased by 6% from DKK 2,001 million in 2018 to DKK 2,116 million in 2019. The bank considers the increase highly satisfactory.



Expenses, depreciation and write-downs

Total costs including depreciation and write-downs on tangible assets were DKK 805 million in 2019 compared to DKK 866 million in 2018, a decrease of 7%. Costs in 2019 were thus marginally lower than the expected decrease originally announced, in the range of 4-6%.

The rate of costs was 38.0 in 2019, compared to 43.3 in 2018.

In connection with the merger, the bank expected the rate of costs to be 40 for 2019, falling to 38 in 2021. The positive development in 2019 was realised through higher than expected earnings and lower than expected expenses.

Impairment charges for loans etc.

Impairment charges for loans represented an expense of DKK 100 million in 2019, compared to an expense of DKK 43 million in 2018. Impairment charges thus amounted to 0.22% of the gross total average of loans and guarantees in 2019, compared to 0.10% in 2018.

The credit quality of the bank's portfolio of loans and guarantees generally developed positively across a broad base in 2019.

For personal customers, 2019 was a year of low unemployment and the largest refinancing boom in Danish history. As a result, many personal customers have used debt refinancing to give themselves more room for manoeuvre financially, ease their interest burden and lock their interest rate, making their personal finances more robust.

In addition, small and medium-sized enterprises generally had a good year with strong financial results.

Agriculture in general also had a good year with the main sectors of farming doing well. Prices paid to pig producers reached historic highs in 2019 and dairy farmers also made good money during the year. Harvest was also good in 2019. The only challenged agricultural sector is mink production. For mink producers, 2019 was yet another lossmaking year, but production capacity was scaled back during the year.

Around three-quarters of impairment charges for the year are based on management estimates. They relate to the fishing segment where impairment charges are recognised for potential risks resulting from Brexit and reduced fishing quotas in the North Sea. In addition, the bank applied a management estimate when calculating the IFRS 9 impairment charges for macroeconomic factors.

In 2019, the total management estimate increased by DKK 74 million from DKK 52 million at the end of 2018 to DKK 126 million at the end of 2019.

Stage 3 impairment charges and provisions were DKK 1,491 million at the end of 2019, while stages 1 and 2 impairment charges and provisions totalled DKK 541 million on 31 December 2019.

The bank's total account for impairment charges and provisions was DKK 2,032 million at the end of the year, equivalent to 4.3% of total loans and guarantees.

The portfolio of loans with suspended calculation of interest amounted to DKK 212 million at the end of the year, equivalent to 0.4% of the bank's total loans and guarantees. The portfolio is thus on a par with the end of 2018, when the amount was DKK 210 million.

Core earnings

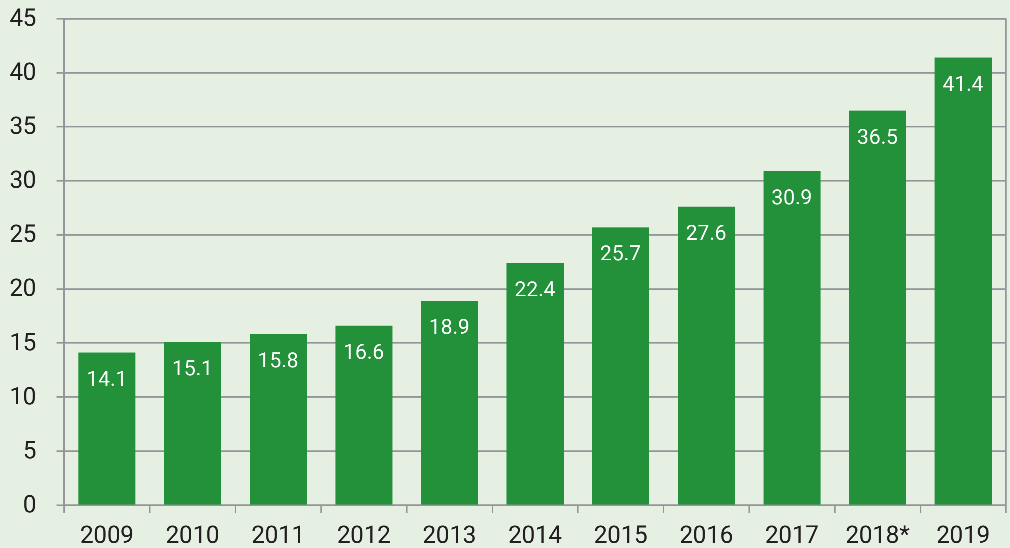
(DKK million)	**2019**	**2018**	**2017**	**2016**
Total core income	2,116	2,001	1,917	1,861
Total expenses and depreciation	805	866	845	815
Core earnings before impairments	1,311	1,135	1,072	1,046
Impairment charges for loans etc.	-100	-43	-70	-211
Core earnings	**1,211**	**1,092**	**1,002**	**835**

Core earnings totalled DKK 1,211 million in 2019 compared to last year's DKK 1,092 million, an increase of 11%.

The bank places great emphasis on the key figure "Core earnings per share" and how it develops, and over the last 10 years, the bank has been able to increase core earnings per share each year.

Core earnings per share were DKK 41.4 in 2019 compared to DKK 36.5 in 2018, an increase of 13%.

Core earnings per DKK 1 share (DKK)



* Pro forma figure

Result for the portfolio etc.

The result for the portfolio etc. for 2019 was positive by DKK 49 million net, including funding costs for the portfolio.

The result for the portfolio in 2019 was positively affected by developments on the financial markets, with falling interest rates and narrowing credit spread. The item also includes a non-recurrent profit of DKK 20 million from the sale of the bank's shares in Sparinvest Holdings SE.

In 2018 the result for the portfolio etc. was positive by DKK 77 million net. The 2018 figure also included a non-recurrent income item of DKK 104 million attributable to the revaluation of the bank's ownership interest in BI Holding.

Special costs

The bank considers amortisation and write-downs on intangible assets to be a special item, as posting amortisation and write-downs to this item contributes to strengthening the quality of equity and reducing the deduction when computing total capital. Amortisation and write-downs on intangible assets amounted to DKK 15 million in 2019, compared to DKK 25 million in 2018.

The payment of merger and restructuring costs as well as non-recurring costs ended in 2018 and there have been no such costs during 2019. A total of DKK 192 million was recognised as expenses on these two items in 2018.

Official financial statements

The income statement

The financial statements contain both an income statement and a statement of the alternative performance measure "Core earnings". The financial figures for 2018 comprise the "old" Ringkjøbing Landbobank for the full year 2018, plus financial figures for the "old" Nordjyske Bank for the period 9 June to 31 December 2018.

Net interest and fee income and staff and administration expenses

Net interest income increased from DKK 926 million in 2018 to DKK 1,168 million in 2019.

Net fee and commission income was DKK 491 million in 2018, increasing to DKK 755 million in 2019.

Total net interest and fee income thus increased from DKK 1,445 million in 2018 to DKK 1,993 million in 2019.

Total staff and administration expenses etc., including amortisation, depreciation and write-downs on intangible and tangible assets, amounted to DKK 730 million in 2018, increasing to DKK 820 million in 2019.

The merger was one factor in the changes in the above items and reference is also made to the above sections of text.

Value adjustments

Value adjustments were DKK 169 million in 2019, while the item was DKK 180 million in 2018. The figure for 2019 includes a DKK 20 million one-off gain from the sale of shares in Sparinvest Holdings SE. The figure for 2018 includes DKK 57 million from a revaluation of the bank's ownership interest in BI Holding deriving from a change in the valuation principles in the first quarter of 2018.

Impairment charges for loans etc.

Impairment charges for loans etc. were DKK 110 million in 2019. The DKK 10 million difference relative to the impairment charges for loans etc. of DKK 100 million that appear from the statement of core earnings is a result of amortisation of the discount on loans etc. taken over.

Profit before and after tax and follow-up on financial expectations for 2019

The profit before tax was DKK 1,245 million, equivalent to a return of 16.8% p.a. on average equity, which is considered highly satisfactory.

The net profit for the year was DKK 978 million, equivalent to a return of 13.2% p.a. on average equity.

On publication of the 2018 annual report, the bank announced its expectations for core earnings for 2019 in the range DKK 950 - 1,150 million and profit before tax in the range DKK 900 - 1,200 million. A company announcement on 3 October 2019 upwardly adjusted these expectations to core earnings in the range DKK 1,125 - 1,225 million and profit before tax in the range DKK 1,125 - 1,275 million. The realised core earnings for 2019 were DKK 1,211 million and the realised profit before tax was DKK 1,245 million.

Balance sheet items and other matters

Balance sheet items and contingent liabilities

The balance sheet total at the end of December 2019 stood at DKK 52,941 million, compared to last year's DKK 49,651 million.

Deposits including pooled schemes increased by 3% in 2019: from DKK 36,993 million at the end of 2018 to DKK 38,128 million at the end of 2019. The bank's loans increased by 6%: from DKK 33,350 million at the end of 2018 to DKK 35,465 million at the end of 2019.

Following the merger the bank is generally subdivided into three areas: retail west, retail north and niches. All three areas developed positively in 2019 with growth in loans. Factors contributing to this positive development include a continued highly satisfactory inflow of new customers and a very low outflow of customers.

Equity increased from DKK 7,189 million at the end of 2018 to DKK 7,610 million at the end of 2019.

The bank's contingent liabilities, including guarantees, at the end of the year amounted to DKK 9,665 million, compared to DKK 7,829 million at the end of 2018. The portfolio of registration and refinancing guarantees was at a higher than normal level in 2019 as a result of the substantial refinancing activity during the year. The portfolio is expected to contract in 2020 as refinancing activities decrease.

Credit intermediation

In addition to the traditional bank loans shown on its balance sheet, the bank also arranges mortgage loans for both Totalkredit and DLR Kredit.

The development in the bank's total credit intermediation during the year is shown in the following summary:

Total credit intermediation (DKK million)	**31 Dec. 2019**	**31 Dec. 2018**
Loans and other receivables at amortised cost	35,465	33,350
Arranged mortgage loans and funded home loans – Totalkredit	36,374	32,905
Arranged mortgage loans – DLR Kredit	9,029	8,693
Total	**80,868**	**74,948**

Securities and market risk

The item "Shares, etc." amounted to DKK 1,291 million at the end of 2019, with DKK 39 million in listed shares and investment fund certificates and DKK 1,252 million in sector shares etc., mainly in the companies DLR Kredit, BI Holding and PRAS. The bank sold shares in DLR Kredit back to DLR Kredit for a total of DKK 214 million during the fourth quarter of 2019.

The bond portfolio amounted to DKK 6,774 million, of which the vast majority consisted of AAA-rated Danish government and mortgage credit bonds.

The total interest rate risk – impact on profit of a 1 percentage point change in the interest level – was computed as 0.9% of the bank's tier 1 capital on 31 December 2019, the equivalent of DKK 54 million.

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

The bank's risk of losses calculated on the basis of a Value at Risk model (computed with a 10-day horizon and 99% probability) was as follows in 2019:

Value at Risk	**Risk in DKK million**	**Risk relative to equity end of year in %**
Highest risk of loss:	29.0	0.38%
Lowest risk of loss:	6.4	0.08%
Average risk of loss:	14.7	0.19%
End of year risk of loss:	10.7	0.14%

Liquidity

The bank's liquidity situation is good. The bank's short-term funding with term to maturity of less than 12 months thus amounts to DKK 1.0 billion, balanced by DKK 10.1 billion, primarily in short-term investments in the Danish central bank and in liquid tradable securities.

The bank's deposits, excluding pooled schemes and equity, exceeded its loans by DKK 6.0 billion and these two items therefore more than fully finance the loan portfolio. In addition, part of the loan portfolio for renewable energy projects is financed back-to-back with KfW Bankengruppe, which means that DKK 1.3 billion can be disregarded in terms of liquidity.

In terms of liquidity coverage ratio (LCR), the bank must comply with the statutory requirement of at least 100%. On 31 December 2019, the bank's LCR was 204%, which thus met the statutory requirement by a good margin.

Rating

The bank was rated for the first time by the international credit rating agency Moody's Investors Service in May 2007.

In April 2019, the outlook for the two ratings "Long Term Bank Deposits" and "Long Term Issuer Rating" was changed to positive.

The most important ratings at the end of 2019 were as follows:

Rating	**Assigned rating**
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Long Term Bank Deposits	A1
Short Term Bank Deposits	P-1
Long Term Issuer Rating	A2
Short Term Issuer Rating	P-1
Outlook	Positive

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

Two share buy-back programmes totalling DKK 190 million were completed during 2019 under the Safe Harbour regulation, and a total of 433,475 shares were purchased.

The development in the bank's share capital in 2019 and the expected development are given below:

	Number of shares
Beginning of 2019	30,994,258
May 2019	
Capital reduction by cancellation of own shares	-1,332,462
End of 2019	29,661,796
DKK 90 million share buy-back programme completed July 2019	-208,475
DKK 100 million share buy-back programme completed December 2019	-225,000
Number of shares following capital reduction	29,228,321

It is proposed to the general meeting that 433,475 shares be finally cancelled in connection with a capital reduction, thus reducing the number of shares in the bank from 29,661,796 to 29,228,321.

The board of directors further proposes to the general meeting that a dividend of DKK 11 per share, equivalent to a total of DKK 326 million, be paid for the 2019 financial year. A dividend of DKK 10 per share was paid for the 2018 financial year, and the dividend thus increases by 10%.

Finally, the board intends to initiate a share buy-back programme totalling DKK 300 million during 2020, with a view to cancelling the shares bought back under the programme at a future general meeting. The first part of the share buy-back programme is expected to be initiated immediately after the annual general meeting, by purchasing shares for a total of DKK 150 million in the period from 6 March to 30 June 2020 provided that the general meeting, as in previous years, authorises the board of directors to acquire the bank's own shares.

The total expected pay-out ratio for 2019 is thus 64% relative to net profit for the year.

Capital structure

The bank's equity at the beginning of 2019 was DKK 7,189 million. To this must be added the profit for the year, while the dividend paid and the value of the own shares purchased must be subtracted. After this, equity at the end of the year was DKK 7,610 million.

As part of the bank's ongoing capital planning, in August 2019 the bank issued tier 2 capital equivalent to a total of EUR 100 million with a term of 10 years, first early redemption option after 5 years and a margin of 175 basis points plus a three-month Euribor rate. In addition, on 22 January 2020 the bank's board of directors made a decision in favour of early redemption of tier 2 capital of DKK 275 million on 27 February 2020.

The bank also sold back shares in DLR Kredit to DLR Kredit for the equivalent of a total of DKK 214 million in December 2019. This sale contributed to reducing the deduction in the bank's common equity tier 1 from DKK 397 million at the end of 2018 to DKK 149 million at the end of 2019.

The bank's total capital ratio was computed at 20.3% at the end of 2019, and the tier 1 capital ratio at 15.0%.

Capital ratios	**2019**	**2018**	**2017**	**2016**	**2015**
Common equity tier 1 capital ratio	15.0	15.0	16.5	16.9	17.1
Tier 1 capital ratio	15.0	15.0	16.5	16.9	17.1
Total capital ratio	20.3	18.8	17.8	18.3	18.8
MREL requirement (%) fixed by the Danish FSA	20.7	19.7	-	-	-
MREL capital ratio*	27.5	25.2	-	-	-

* MREL capital as a percentage of total risk exposure.

The bank has calculated the individual solvency requirement at the end of December 2019 at 9.3%. The capital conservation buffer of 2.5% and the countercyclical buffer of 1.0% should be added to this. The requirement for the bank's total capital was thus 12.8%, equivalent to DKK 5.3 billion.

Compared with the actual total capital of DKK 8.3 billion, the capital buffer at the end of December 2019 was DKK 3.0 billion, equivalent to 7.5 percentage points.

Reference is made to pages 25 - 29 of this annual report for further details on the bank's capital structure, MREL requirement, capital targets etc.

The Supervisory Diamond

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

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

Benchmarks (Danish FSA limit values)	**2019**	**2018**	**2017**	**2016**	**2015**
Funding ratio (<1)	0.7	0.7	0.8	0.7	0.8
Liquidity benchmark (>100%)	193.2%	179.5%	-	-	-
Total large exposures (<175%)	121.0%	106.0%	136.1%	-	-
Growth in loans (<20%)	6.3%	72.3%*	10.7%	2.7%	14.0%
Real property exposure (<25%)	17.5%	15.8%	18.0%	14.8%	14.1%

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

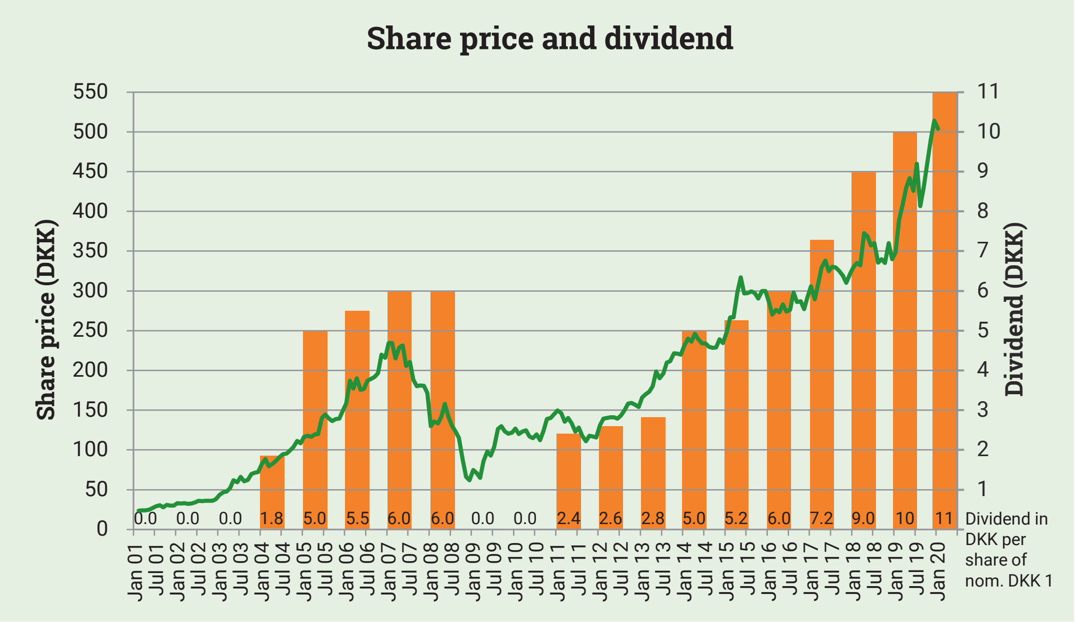
As shown above, Ringkjøbing Landbobank observes all five current limit values by a good margin.

The bank's share

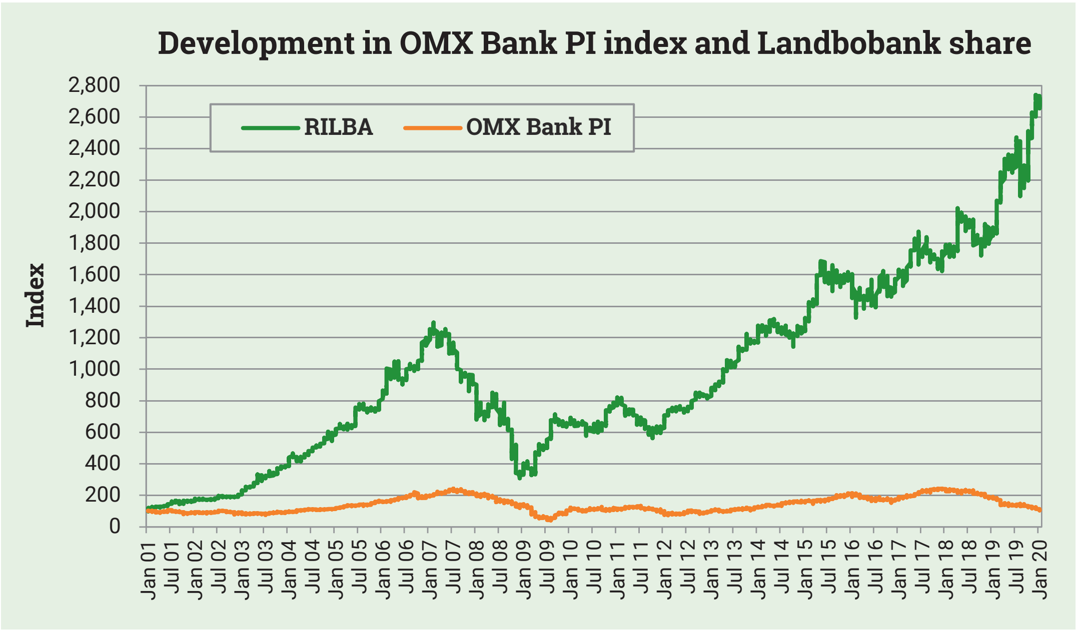
In May 2019, the bank implemented a capital reduction of nom. DKK 1,332,462. The bank's share capital at the end of 2019 was thus nom. DKK 29,661,796 in 29,661,796 nom. DKK 1 shares.

The bank's share at the beginning of the year was listed on the Nasdaq Copenhagen at 340.0. At the end of 2019, the share price had increased to 514.0 and the return on the share was thus 54% including the dividend of DKK 10.0 distributed in 2019.

Including dividend (up to and including for the 2018 financial year) and given the share price on 31 December 2019, the average annual return on an investment in the bank's shares at the beginning of 2001 is 20%, as shown in the following chart.



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



Customer satisfaction and reputation

We are pleased to note that, measured both on customer satisfaction and general reputation / image, the bank was among the best of Danish financial institutions in 2019.

This was established in a Voxmeter survey published in January 2020 which places the bank among the best measured both on customer satisfaction and reputation / image. The Voxmeter survey is by far the biggest in Denmark and based on more than 50,000 respondents.

The high level of customer satisfaction and the bank's reputation / image have contributed to the continued highly satisfactory inflow of new customers and very low outflow of customers in 2019.

Expected results and plans for 2020

Core earnings for 2019 were DKK 1,211 million, which is at the top of the upwardly adjusted DKK 1,125 - 1,225 million range for the year.

The year was characterised by the largest refinancing boom in Danish history. It resulted in increased income in the bank while the bank's retail customer advisers allocated their resources to advising customers on refinancing of loans for most of the year. Despite this, the bank managed to increase its loan portfolio in 2019.

The falling level of refinancing activity towards the end of 2019 frees up time in 2020 which retail customer advisers can allocate to serving the bank's customers in other ways.

The bank's general goal in 2020 thus continues to be an organic growth strategy with the wish to provide advice to existing customers on relevant bank products and to attract new customers and gain market shares.

The integration of the two banks in 2019 was satisfactory and focus in 2020 will be on further streamlining the bank's processes and organisation.

Based on the above, the bank's expectations for 2020 are as follows.

The development in total net interest income is expected to be positive given the bank's initiatives with respect to negative interest for both business and personal customers at the beginning of 2020. The bank in aggregate also expects reduced interest expenses for tier 2 capital and non-preferred senior capital issues during 2020.

Total fee income in 2020 is expected to be negatively affected by reduced income from refinancing activities. However, increased focus on advice on other products is expected to make up for part of this reduction. Total fee income in 2020 is thus expected to be at a lower level than in 2019.

Total expenses in 2020 are expected to be at the same level as total expenses in 2019. The underlying rate of increase for the bank's cost base is expected to be approximately 3% p.a., but continued realisation of cost synergies is expected to neutralise this increase.

Impairment charges in 2020 are expected to be at the same level as impairment charges in 2019.

On the basis of the above, the bank expects core earnings for 2020 in the range DKK 1,000 - 1,200 million and profit before tax in the range DKK 950 - 1,250 million.

Accounting policies

The accounting policies are unchanged relative to those in the submitted and audited financial statements for 2018. See "Accounting policies etc." in note 1 on page 70 for a detailed description.

Events after the end of the financial year

The bank's board of directors on 22 January 2020 made a decision in favour of early redemption of tier 2 capital of DKK 275 million, which will take place on 27 February 2020.

When this 2019 annual report is published, the changes in the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. which implements the IFRS 16 reporting standard will have entered into force with effect from 1 January 2020.

The new rules mean changes in the treatment of leasing contracts, where there is no longer a distinction between finance leasing and operating leasing.

The expected effect of the IFRS 16 compatible rules is a small increase of the order of DKK 20 - 25 million in the bank's tangible assets and debts at the beginning of 2020 and an insignificant effect on operations in 2020, since the bank has only entered into a limited number of leasing agreements / leases, mainly for the premises accommodating a few of the bank's branches.

Profit distribution

The bank's annual general meeting in March 2019 authorised the bank's management to implement a share buy-back programme for up to DKK 190 million on the basis of the 2018 profit, with a view to cancelling the shares at a future general meeting.

The share buy-back programme was subdivided into two programmes during 2019, both of which were completed under the Safe Harbour regulation.

Under the two subprogrammes, shares to a total value of DKK 190.0 million, equivalent to 433,475 shares, were bought and reserved in 2019, as shown in the following table:

	Number of shares	**Average purchase price – in DKK**	**Transaction value – in DKK million**
Reserved on 31 July 2019	208,475	431.70	90.0
Reserved on 20 December 2019	225,000	444.42	100.0
Total reserved on 20 December 2019	**433,475**	**438.31**	**190.0**

It is thus proposed to the general meeting to cancel the 433,475 shares, which will reduce the number of shares from 29,661,796 to 29,228,321 by a capital reduction.

The board of directors further proposes to the general meeting that a dividend of DKK 11 per share, equivalent to DKK 326 million, be paid for the 2019 financial year. A dividend of DKK 10 per share was paid for the 2018 financial year, and the dividend thus increases by 10%.

Based on the 2019 result, the board intends to initiate a share buy-back programme totalling DKK 300 million in 2020, with a view to cancelling the shares bought back under the programme at a future general meeting. The board of directors reserves the right to cancel or reduce the share buyback programme if this is considered commercially appropriate for the bank, in the bank's long-term interest, or if the bank's circumstances with respect to capital otherwise so require. The first part of the share buy-back programme is expected to be initiated immediately after the annual general meeting, by purchasing shares for a total of DKK 150 million in the period from 6 March to 30 June 2020 provided that the general meeting, as in previous years, authorises the board of directors to acquire the bank's own shares. It is thus proposed to the general meeting that the bank's board of directors be authorised, as in previous years, to permit the bank to acquire its own shares, in accordance with current legislation, until the next annual general meeting, to a total nominal value of ten percent (10%) of the share capital, such that the shares can be acquired at current market price plus or minus ten percent (+/- 10%) at the time of acquisition.

When the share buy-back programme is implemented in two parts in 2020, the amount of the two share buy-back programmes must be deducted from the bank's total capital on the dates in 2020 when the bank obtains the Danish FSA's approval and the board of directors decides to implement the programmes, which, seen in isolation, will mean a total reduction of the bank's common equity tier 1 capital ratio by 0.7 percentage point calculated on the basis of the capital structure on 31 December 2019.

Capital objectives and pay-out ratios

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

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

Based on these general objectives, the bank's management in 2018 announced different capital targets. The board of directors reassessed the capital targets in the second half of 2019 with the result that the target for the MREL capital ratio was increased from 24% to 25%.

The current capital targets are that the common equity tier 1 capital ratio must be at least 13.5%, the total capital ratio must be at least 17% and the MREL capital ratio for covering the MREL requirement must be at least 25% including the capital buffers.

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

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

The following summary shows the actual pay-out ratios in percent in recent years. The summary lists the actual pay-out ratios for the 2015 - 2018 financial years and the expected ratio for 2019.

Pay-out ratios

(DKK million)	**2019**	**2018**	**2017**	**2016**	**2015**
Net profit for the year	978.3	778.2	588.6	539.5	458.7
Distributions					
Ordinary dividend	326.3	309.9	201.2	164.5	140.1
Share buy-back programme	300.0	190.0	170.0	169.9	140.4
Total	**626.3**	**499.9**	**371.2**	**334.4**	**280.5**
Pay-out ratio in %	**64**	**64**	**63**	**62**	**61**

See page 78 for detailed comments on the pay-out ratios in general.

Current capital structure

The bank's capital ratios as of the end of December 2015 - 2019 were as follows:

Capital ratios (percent)	**2019**	**2018**	**2017**	**2016**	**2015**
Common equity tier 1 capital ratio	15.0	15.0	16.5	16.9	17.1
Tier 1 capital ratio	15.0	15.0	16.5	16.9	17.1
Total capital ratio	20.3	18.8	17.8	18.3	18.8
MREL capital ratio	27.5	25.2	-	-	-

Individual solvency requirement and capital buffers

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

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

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

Despite this, the bank's individual solvency requirement at the end of 2019 was calculated at 9.3%, which is unchanged relative to 2018. The capital conservation buffer of 2.5% and the countercyclical buffer of 1.0% should be added to this. The total requirement for the bank's total capital is 12.8%. Compared with the actual total capital of DKK 8.3 billion, the capital buffer at the end of 2019 was thus DKK 3.0 billion, equivalent to 7.5 percentage points.

The countercyclical capital buffer will increase by a further 1.0 percentage point during 2020. Also, on 22 January 2020, the bank's board of directors made a decision in favour of early redemption of tier 2 capital of DKK 275 million, which will take place on 27 February 2020. Adjusted for these two circumstances, the capital buffer would instead have been 5.8 percentage points at the end of 2019.

Further reference is made to the summary below.

Individual solvency requirement and excess cover	**2019**	**2018**	**2017**	**2016**	**2015**
Individual solvency requirement (%)	9.3	9.3	9.0	9.0	9.0
Capital conservation buffer (%)	2.5	1.9	1.3	0.6	0.0
Countercyclical buffer (%)	1.0	0.0	0.0	0.0	0.0
Total requirement for the bank's total capital (%)	12.8	11.2	10.3	9.6	9.0
Excess cover in percentage points relative to individual solvency requirement	11.0	9.5	8.8	9.3	9.8
Excess cover in percentage points relative to total requirement for total capital	7.5	7.6	7.5	8.7	9.8

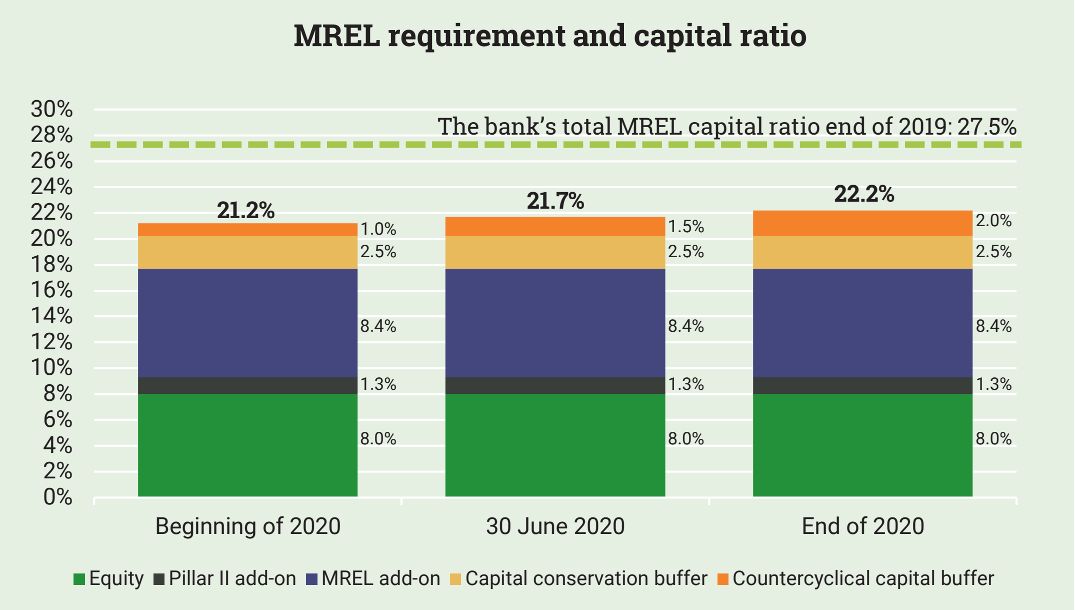
The computed adequate total capital is assessed on a regular basis, and regular reports are also made to the Danish FSA.

For further information on the calculation of Ringkjøbing Landbobank's individual solvency requirement, please see the bank's solvency requirement report for the fourth quarter of 2019 on the bank's website at the address: www.landbobanken.dk/solvency.

MREL requirement

In December 2019, the bank received the final MREL requirement (minimum requirement for own funds and eligible liabilities which can be used to convert debt into share capital / bail-in) applicable from the beginning of 2020 from the Danish FSA.

The Danish FSA fixed the MREL requirement at 21.2% of the total risk exposure. During 2020, the MREL requirement will increase in step with the increase of the countercyclical buffer and develop as shown in the following figure:



The current MREL requirement must always be met by the bank. To comply with the MREL requirement, the bank had established funding meeting the requirements for grandfathering of contractual senior funding by the end of 2017. DKK 1.8 billion of the funding could be included to meet the bank's MREL requirement at the end of 2019, and in the period December 2018 to December 2019, the bank has issued non-preferred senior capital totalling DKK 1.2 billion.

The bank's MREL capital ratio was 27.5% at the end of 2019, which thus met both the MREL requirement at the beginning of 2020 and the target fixed for the MREL capital ratio.

The excess cover for the MREL requirement at the beginning of 2020 was thus 6.3 percentage points on 31 December 2019. Adjusted for the 1.0 percentage point increase in the countercyclical capital buffer in 2020, the buffer was 5.3 percentage points at the beginning of 2020.

Given the maturity structure in 2020 and 2021 for the subordinated capital issued by the bank and the funding that has been grandfathered, the bank expects to need refinancing of non-preferred senior capital of approximately DKK 750 million a year in both 2020 and 2021.

The bank can issue non-preferred senior capital under its EMTN programme, which gives the bank a high degree of flexibility.

Subordinated debt

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

Tier 2 capital

- Nom. DKK 275 million issued on 27 February 2015, term 10 years to 27 February 2025. The Danish FSA's approval of early redemption on 27 February 2020 has been received, and early redemption will take place on that date.
- Nom. EUR 50 million issued on 20 May 2015, term 10 years to 20 May 2025, option of early redemption from 20 May 2020 if approved by the Danish FSA.
- Nom. DKK 500 million issued on 13 June 2018, term 10 years to 13 June 2028, option of early redemption from 13 June 2023 if approved by the Danish FSA.
- Nom. DKK 300 million issued on 13 June 2018, term 12 years to 13 June 2030, option of early redemption from 13 June 2025 if approved by the Danish FSA.
- Nom. EUR 100 million issued on 22 August 2019, term 10 years to 22 August 2029, option of early redemption from 22 August 2024 if approved by the Danish FSA.

Capital adequacy rules

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

Calculation of capital adequacy – methods used

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

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

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

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

As part of the risk reduction measures package adopted by the EU, the present discount for SMEs will be continued and expanded from 28 June 2021.

Risks and risk management

Ringkjøbing Landbobank is exposed to various financial risks in its operations, including credit risk, market risk and liquidity risk. There are also a number of non-financial risks, including the risk of money laundering and financing of terrorism, IT risk and other operational risks.

Credit risk is defined as the risk that payments owing to the bank have to be rated non-recoverable because the debtor is either unable or unwilling to pay at the agreed time.

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

Liquidity risk is defined as the risk that the bank's cash resources prevents it from honouring its obligations.

The non-financial risk of money-laundering and financing of terrorism is defined as the inherent risk that the bank may be abused for money laundering and financing of terrorism. Non-compliance with financial sanctions is also a non-financial risk.

IT risk is defined as risks associated with the bank's systems and data, the integration and adequacy of the bank's IT systems, dependence on external factors, including subsuppliers, and with the bank's organisation, including ineffective separation of functions.

Other operational risks are those entailing other direct or indirect financial losses as a result of flaws in internal processes and systems, human error or external events.

Policies on risk-taking and management

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

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

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

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

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

Credit risks

Credit risks – loans

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

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

In general, Ringkjøbing Landbobank assumes credit risks on the basis of policy objectives of striking the right balance between assumed risks and return gained by the bank and keeping the bank's losses below the level of losses in the Danish financial sector.

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

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

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

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

Using these models, the bank's assessment is that the credit quality for those of the bank's loans and guarantees which have not been impaired has improved relative to last year. This reflects a continued sound Danish economy with low unemployment and continued favourable conditions for the bank's niches. We refer to note 48 on page 96.

Actual net losses

(DKK 1,000)

Year	Actual net losses	Actual net losses after interest	Loans and other receivables with suspended calculation of interest	Impairments for loans etc.	Total loans and guarantees etc.	Percentage loss before interest*	Percentage loss after interest*
1987	-6,696	304	10,544	75,000	1,358,464	-0.49%	0.02%
1988	-14,205	-5,205	4,522	93,900	1,408,830	-1.01%	-0.37%
1989	-18,302	-5,302	13,107	117,270	1,468,206	-1.25%	-0.36%
1990	-15,867	-1,867	47,182	147,800	1,555,647	-1.02%	-0.12%
1991	-11,429	3,571	47,626	170,000	1,805,506	-0.63%	0.20%
1992	-32,928	-14,928	43,325	177,900	1,933,081	**-1.70%**	**-0.77%**
1993	-27,875	-6,875	30,964	208,700	1,893,098	-1.47%	-0.36%
1994	-14,554	4,446	33,889	223,500	1,938,572	-0.75%	0.23%
1995	-10,806	10,194	27,292	238,800	2,058,561	-0.52%	0.50%
1996	-19,802	-1,802	18,404	233,400	2,588,028	-0.77%	-0.07%
1997	-31,412	-12,412	39,846	236,600	3,261,429	-0.96%	-0.38%
1998	-2,914	18,086	4,905	263,600	3,752,602	-0.08%	0.48%
1999	-442	21,558	18,595	290,450	5,148,190	**-0.01%**	0.42%
2000	-405	27,595	12,843	316,750	5,377,749	**-0.01%**	**0.51%**
2001	-8,038	20,962	14,222	331,950	6,113,523	-0.13%	0.34%
2002	-8,470	20,530	26,290	382,850	7,655,112	-0.11%	0.27%
2003	-22,741	2,259	23,412	394,850	8,497,124	-0.27%	0.03%
2004	-14,554	9,446	18,875	404,855	11,523,143	-0.13%	0.08%
2005	-22,908	192	35,796	357,000	15,522,264	-0.15%	0.00%
2006	-13,531	7,028	20,578	295,000	17,858,787	-0.08%	0.04%
2007	-15,264	4,888	13,190	289,097	19,227,573	-0.08%	0.03%
2008	-34,789	-10,237	22,110	356,083	16,475,975	-0.21%	-0.06%
2009	-73,767	-47,658	62,649	467,025	14,890,027	-0.50%	-0.32%
2010	-69,428	-40,207	66,237	565,035	14,758,234	-0.47%	-0.27%
2011	-78,813	-43,073	61,419	649,856	14,448,638	-0.55%	-0.30%
2012	-90,022	-48,337	113,312	758,363	14,849,602	-0.61%	-0.33%
2013	-69,030	-25,117	85,258	853,421	16,604,640	-0.42%	-0.15%
2014	-53,427	-9,206	58,244	931,398	18,073,200	-0.30%	-0.05%
2015	-87,250	-48,815	74,220	942,950	20,194,063	-0.43%	-0.24%
2016	-86,666	-54,200	59,904	937,128	20,878,475	-0.42%	-0.26%
2017	-45,769	-16,414	24,995	931,035	23,465,775	-0.20%	-0.07%
2018	-251,451	-200,376	209,642	2,040,407	43,220,158	-0.58%	-0.46%
2019	-187,787	-118,934	212,195	2,031,645	45,130,090	**-0.40%**	**-0.25%**
33-year average (1987-2019)						**-0.51%**	**-0.06%**
10-year average (2010-2019)						**-0.44%**	**-0.24%**

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

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

The 10-year average and the 33-year average are calculated as simple averages.

Supplementary comments on actual net losses in 2018 and 2019: In connection with the merger in 2018, the two banks' policies for writing down / off were harmonised. In 2018 this resulted in write-downs / -offs on exposures taken over from Nordjyske Bank. This harmonisation continued to a lesser extent and ended in 2019.

The above table documents the bank's track record of sound credit policy. The local section of the bank is run partly via branches in the bank's core areas in West, Central and North Jutland.

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

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

Credit concentration

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

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

Credit concentration

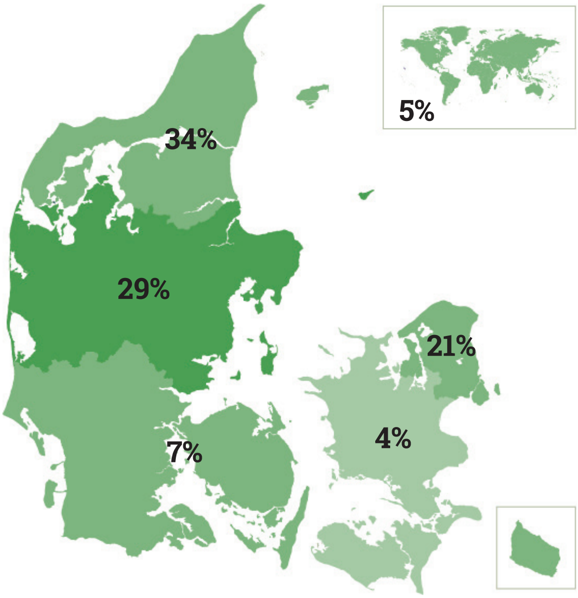
	End 2019	End 2018	End 2017
Total large exposures	121.0%	106.0%	136.1%

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

Geographic spread of the bank's loans and guarantee portfolio

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

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



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

Credit risks on financial counterparties

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

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

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

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

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

Receivables from central banks and credit institutions

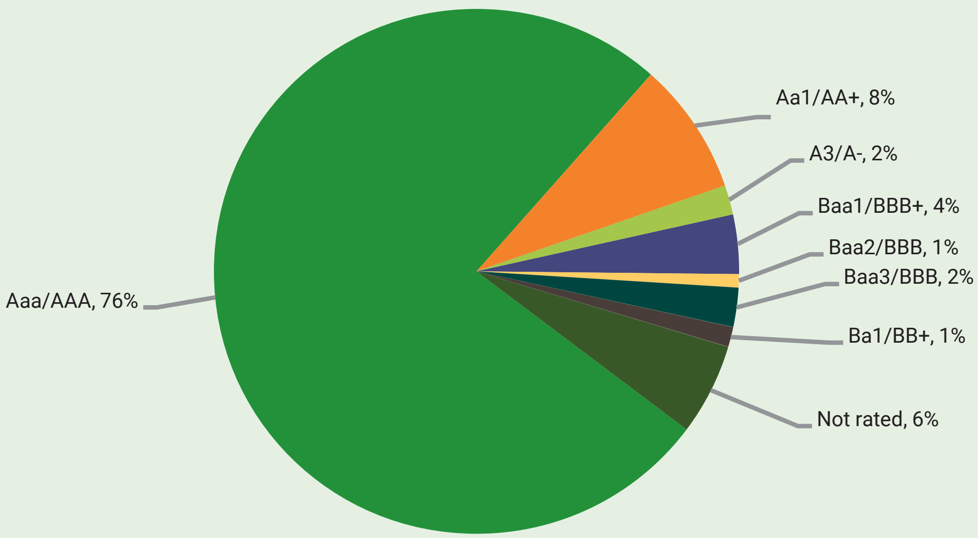
One of the major items of credit risk exposure to financial counterparties is receivables from central banks and credit institutions. The bank has assumed only a moderate risk on this item and, of the total receivables from central banks and credit institutions, 98% is thus due within three months.

The bond portfolio

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

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

Bonds distributed by rating class



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

Market risks

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

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

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

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

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

Interest rate risk

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

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

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

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

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

Foreign exchange risk

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

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

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

As in previous years, the bank's foreign exchange risk in 2019 was at an insignificant level.

Share price risk

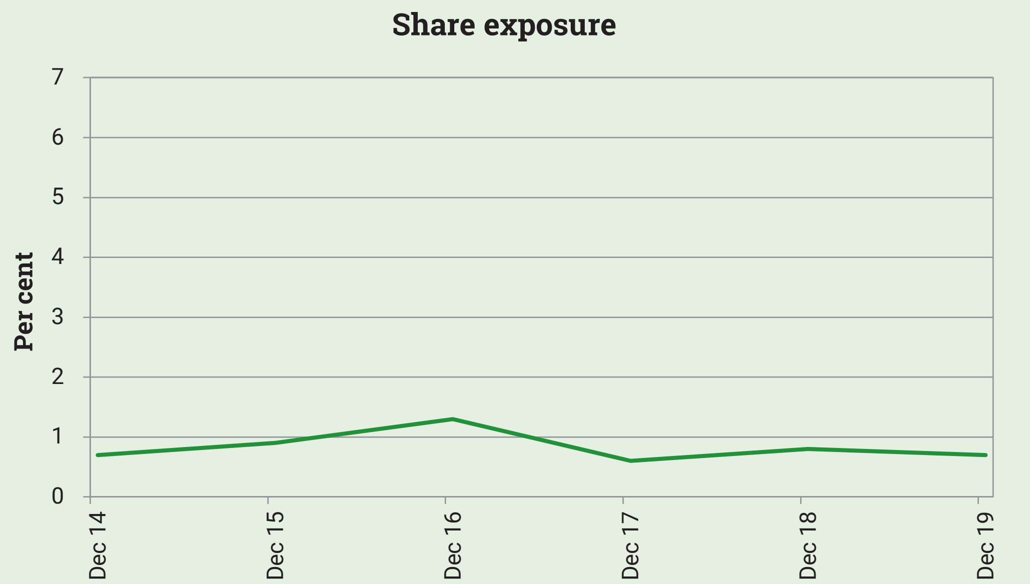
The bank is co-owner of various sector companies via equity interests in BankInvest Holding A/S, Bokis A/S, DLR Kredit A/S, Letpension Holding A/S, PRAS A/S, Stonehenge Fondsmæglerselskab A/S, Swift, VP Securities A/S and others.

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

The holding of shares etc. amounted to DKK 1,291 million at the end of the year, with DKK 39 million in listed shares and investment fund certificates and DKK 1,252 million in sector shares etc.

The bank's policy is to maintain a moderate share price risk. The securities department undertakes the daily management of the bank's share portfolio, while the accounts department monitors limits and reports to general management and the board of directors.

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



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

Property risk

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

The bank's portfolio mainly consists of domicile properties to which should be added investment properties that are relatively modest relative to both the bank's balance sheet total and equity. The bank's property portfolio was reduced in 2019.

Value at Risk

The bank's total VaR was DKK 10.7 million at the end of 2019. This sum is an expression of the maximum loss in a statistical perspective which the bank could risk losing with 99% probability if all market positions were retained unchanged for a period of ten days.

Value at Risk summary

(DKK million) **Risk**	**Average VaR figure**	**Min. VaR figure***	**Max. VaR figure***	**End of year VaR figure**
Interest	14.5	6.0	29.0	10.2
Foreign currency	0.1	0.1	0.4	0.1
Share	3.6	3.3	3.7	3.5
Diversification	-3.5	-3.0	-4.1	-3.1
Total VaR figure	**14.7**	**6.4**	**29.0**	**10.7**

** Determined by the total VaR figure.*

As indicated in the table, the bank's total VaR throughout 2019 varied from DKK 6.4 million to DKK 29.0 million. The average VaR figure was DKK 14.7 million, which is higher than in 2018.

Reference is made to note 51 on page 106 for the development in VaR figures for the years 2015 - 2019.

The model in brief

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

Back tests and stress tests

"Back tests" are made to document that the VaR model provides a sensible picture of the bank's risk. The test compares the calculated loss under the model with the losses which the bank would actually have suffered if the positions in question had been retained for a ten-day period.

A number of stress tests are also carried out to indicate the bank's risk of loss in abnormal market situations. Back tests of the model were performed throughout the year with satisfactory results.

Liquidity risk

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

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

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

On 31 December 2019 the bank's LCR was 204%, which thus met the statutory requirement by a good margin.

In addition to the LCR figure, a liquidity benchmark also applies to the bank as mentioned in the section "The Supervisory Diamond". This liquidity benchmark is based on a projected version of the LCR requirement. The projection is made on a stressed three-month basis instead of the 30 days used for the LCR figure, but the basis of calculation is more relaxed for some of the components in the calculation. The bank's key figure for the liquidity benchmark was 193% on 31 December 2019, compared to a limit value of 100%. The bank thus also met this requirement by a good margin.

The bank's assets and thus its loans portfolio are funded from a range of sources, primarily the bank's deposits, by joint funding (bond issue) of the bank's home loans, by taking out longer-term loans with other credit institutions, issuing non-preferred senior capital and finally via the tier 2 capital issued by the bank and its equity.

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

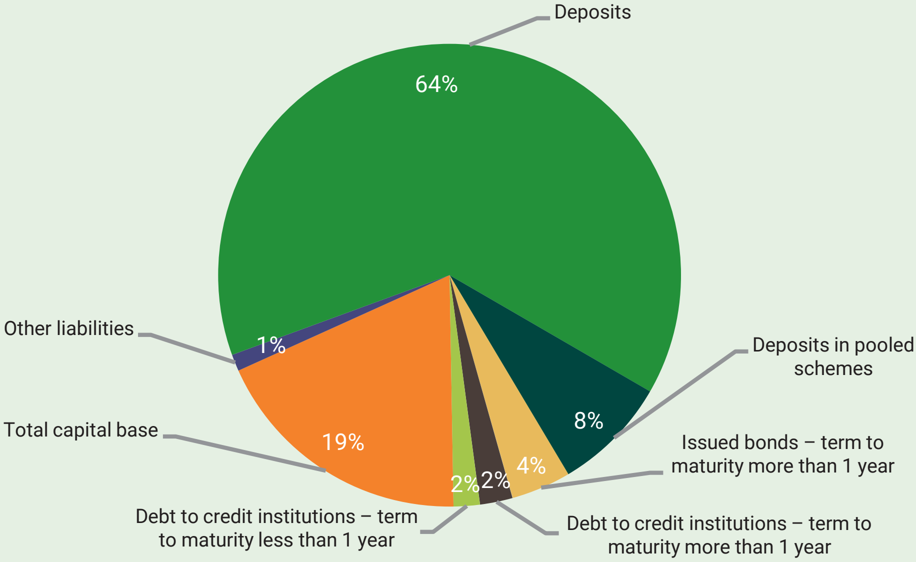
The composition of the bank's funding situation does not leave the bank dependent on individual business partners.

To ensure diversification in funding, the bank also has an EMTN bond programme of EUR 2 billion. The programme helps to ensure alternative funding sources for the bank. Funds were also raised under the programme in 2019.

The bank issued non-preferred senior capital for the first time in 2018. In the period from December 2018 to December 2019, the bank issued non-preferred senior capital totalling DKK 1.2 billion. In addition, the bank used the EMTN bond programme in 2019 to issue tier 2 capital totalling EUR 100 million.

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

Distribution of funding



	(DKK 1,000)
The short-term funding (term to maturity less than 1 year):	
Debt to credit institutions and central banks – term to maturity less than 1 year	966,635
Total	**966,635**
Covered as follows:	
Cash in hand and demand deposits with the central bank of Denmark	685,380
Receivables with notice from central banks – certificates of deposit	2,486,155
Receivables from credit institutions – term to maturity less than 1 year	132,760
Listed bonds, shares and investment fund certificates at fair value	6,812,225
Total	**10,116,520**
Excess cover	**9,149,885**

As evident from the above, the short-term funding (time to maturity less than one year) is supported via the bank's cash in hand and demand deposits with the central bank of Denmark, certificates of deposit, short-term placings with other credit institutions etc., and the bank's own portfolio of liquid securities. Surplus liquidity at the end of 2019 was DKK 9.1 billion, while the corresponding figure at the end of 2018 was DKK 8.3 billion.

Operational risk (non-financial risks)

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

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

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

An important area under non-financial risks is the risk that the bank could be abused for money laundering or financing of terrorism. The bank wants to contribute to combating any form of money laundering and financing of terrorism etc.

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

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

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

Further information on the bank's risks

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

Statement on corporate governance

Goal

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

The bank's goals are to realise the best possible long-term returns for its owners, the shareholders and to achieve operating results among the top one-third of the Danish financial sector, via rational operation of the bank and sound credit policy.

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

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

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

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

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

Codes of management etc.

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

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

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

The Recommendations on Corporate Governance

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

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

The Committee on Corporate Governance issued the edition of the recommendations applicable to the 2019 annual report in November 2017, and it contains 47 recommendations.

The recommendations are drawn up, as far as possible, not to reproduce parts that appear directly in legislation or are already largely incorporated into corporate practice.

When preparing the 2019 annual report, under the “comply or explain” principle, the bank’s board of directors and general management have re-assessed the bank’s positions and actions on the recommendations.

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

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

In 2013, the then Danish Bankers Association published a corporate governance code.

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

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

When preparing the 2019 annual report, the bank’s board of directors and general management also specified how they view the ”Corporate Governance Code of the Danish Bankers Association”.

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

Stewardship Code

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

The bank’s management has stated its position on the ”Recommendations on corporate governance” and the ”Corporate Governance Code of the Danish Bankers Association” when preparing the annual report for 2019. It has also considered and assessed whether the bank is covered by the ”Stewardship Code”.

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

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

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

The process is designed to ensure that the annual report is presented in accordance with statutory requirements and is free of material misstatement, whether attributable to fraud or error.

The financial reporting process is further organised so that the bank's accounts department prepares its annual report in cooperation with the general management and other relevant departments.

A general rule for the financial reporting process is that the bank's general management and the accounts department continuously monitor compliance with relevant legislation and other regulations and provisions in connection with the financial reporting process and report regularly to the bank's board of directors and the audit committee.

The complete statement on corporate governance describes in detail various matters including processes, internal systems, recognition and measurement, the control environment, risk assessment, control activities, monitoring and reporting.

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

Complete statement

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

Diversity in the board of directors

The bank has a policy for diversity on the board of directors. The board of directors and its nomination committee assessed the policy in December 2019 and found no need for changes.

The policy specifies that the board's composition should embrace diverse competencies and backgrounds, including differences in professional identity, work experience, gender, age, etc.

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

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

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

The under-represented gender

The bank has a target figure for the percentage of the under-represented gender to sit on the board of directors and a policy aimed at increasing the percentage of the under-represented gender at the bank's other management levels.

The board of directors and its nomination committee assessed the policy in November 2019 and found no need for changes in the target figure and / or the policy.

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

Figures on the date of closing the accounts were:

- 16.7% women
- 83.3% men

The bank thus meets the target.

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

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

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

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

At the end of 2019, the gender distribution at the bank's other management levels was as follows:

- 23.2% women
- 76.8% men

The distribution thus meets the target. In future recruitment processes for management positions, the bank will take its policy and the above targets etc. into consideration but will always appoint the best qualified, irrespective of gender.

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

Communication with stakeholders

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

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

Investor relations policy

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

The bank's goal is thus to give

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

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

The board of directors assessed the policy in November 2019 and found no need for changes.

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

Code of conduct

In December 2014, the bank’s board of directors for the first time adopted a code of conduct which establishes guidelines for the bank’s employees (including the bank's board of directors and general management) concerning the conduct expected of them towards stakeholders, such as customers, suppliers and authorities.

The board of directors adopted an update to the code of conduct in December 2019. Following the annual assessment of the need for updates, the paragraphs “Combating money laundering, financing of terrorism, violation of financial sanctions and tax evasion” and “Tax advice” were clarified.

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

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

Remuneration policy

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

The board of directors and remuneration committee have subsequently reviewed the remuneration policy each year to assess whether updating was required.

In January 2017 the board of directors and remuneration committee found that updating was required. The updated policy was submitted to and approved by the bank's annual general meeting in February 2017.

The current policy from 2017 specifies that the bank's management is paid remuneration which is both in line with the market and reflects the management's performance on behalf of the bank.

It also specifies that the remuneration paid to the board of directors and the general management should be a fixed amount without any form of incentive component.

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

In connection with the introduction of new provisions in the Danish Companies Act regarding a remuneration policy for public limited companies with shares admitted to trading on a regulated market, the board of directors and remuneration committee in January 2020 assessed the need for additions to the bank's remuneration policy to also comply with and cover the requirements of a remuneration policy.

The updated remuneration policy, which must be submitted to the bank's annual general meeting in March 2020 for approval, is basically unchanged in respect of the above-mentioned matters, but further descriptions etc. have been added.

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

Information on listed companies

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

The bank's share capital on 31 December 2019 was DKK 29,661,796 in 29,661,796 nom. DKK 1 shares.

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

Nykredit Realkredit, of Copenhagen, Denmark, and ATP, of Hillerød, Denmark, have advised that they owned between 5% and 9.99% of the bank's share capital on 31 December 2019, corresponding to 3,000 votes each.

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

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

A decision to amend the bank's articles of association is only valid if the resolution is adopted by at least two-thirds of votes cast and two-thirds of the voting capital represented at the general meeting.

On the date of closing the accounts, the board of directors is authorised as follows, pursuant to the articles of association, to issue shares:

The board of directors is authorised to increase the share capital, by cash payment of up to nom. DKK 14,210,980, to nom. DKK 43,872,776 in one or more new issues for which the board of directors will determine the price. The capital increase must be fully paid. The authorisation applies until 19 March 2024. A capital increase will take place with pre-emption for existing shareholders.

The board of directors is authorised to increase the share capital by payment of values other than cash of up to nom. DKK 14,210,980 to nom. DKK 43,872,776 in one or more new issues, for which the board of directors will determine the price, as payment for the bank's takeover of an existing business or specific asset values corresponding to the value of the shares issued. The capital increase must be fully paid. The authorisation applies until 19 March 2024. The capital increase will take place without pre-emption for existing shareholders.

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

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

The bank’s annual general meeting of 20 March 2019 has authorised the board of directors, before the next annual general meeting and in accordance with applicable law, to permit the bank to acquire its own shares to a total nominal value of 10% of the bank’s share capital, so that the shares can be acquired at the current listed price plus or minus 10%.

At the annual general meeting, the board was also authorised to buy back the bank's own shares under a separate share buy-back programme up to a market value of DKK 190 million, but with a maximum of 1,200,000 nom. DKK 1 shares, and set them aside for later cancellation. This authority was fully exercised as at 20 December 2019 to the sum of DKK 190 million, the equivalent of 433,475 nom. DKK 1 shares, which are recommended to be cancelled at the bank’s annual general meeting in March 2020.

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

Corporate social responsibility and ESG report

Ringkjøbing Landbobank wants to be a responsible and value-creating bank that shows social responsibility. The bank works to create the best results for its shareholders and intends to contribute to creating a sustainable society, focusing on customers, employees, climate, the environment and society.

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

In response to this goal and the bank's deep roots in Denmark and the local communities where the bank is represented, the board of directors has prepared and adopted a corporate social responsibility (CSR) policy.

The bank's CSR policy focuses specifically on the five stakeholder groups: customers, employees, climate and the environment, the local community and Danish society.

The bank's policy in the area of social responsibility is given on its website at the address: www.landbobanken.dk/csr.

As a new initiative, the bank has prepared an ESG report for 2019. The ESG report contains a number of details on the environment, social aspects and governance. The ESG report also covers the requirement for a statutory statement on corporate social responsibility pursuant to section 135 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. The ESG report is available on the bank's website at the address: www.landbobanken.dk/esg-en.

Further to the above, please note that the bank has not prepared specific policies on human rights or climate. The bank supports the efforts to put human rights and climate high on the agenda and the bank's management finds that the bank has clearly shown its attitude to and support of both areas via its corporate social responsibility policy and code of conduct.

STATEMENT AND REPORTS

Management statement

The board of directors and the general management have today discussed and approved the annual report of Ringkjøbing Landbobank A/S for the financial year 1 January to 31 December 2019.

The annual report was prepared in accordance with the provisions of the Danish Financial Business Act. We consider the chosen accounting policies to be appropriate and the estimates made responsible, so that the financial statements provide a true and fair view of the bank's assets, liabilities and financial position as of 31 December 2019 and of the result of the bank's activities for the financial year 1 January to 31 December 2019. We also believe that the management's review contains a true and fair account of the development in the bank's activities and financial circumstances as well as a description of the most important risks and uncertainties which can affect the bank.

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

Ringkøbing, 5 February 2020

General management:

John Fisker
CEO

Claus Andersen
General Manager

Jørn Nielsen
General Manager

Carl Pedersen
General Manager

Ringkøbing, 5 February 2020

Board of directors:

Martin Krogh Pedersen
Chairman

Mads Hvolby
Deputy chairman

Jens Møller Nielsen
Deputy chairman

Morten Jensen

Jon Steingrim Johnsen

Jacob Møller

Lone Rejkjær Söllmann

Sten Uggerhøj

Dan Junker Astrup
Employee representative

Gitte E. S. H. Vigsø
Employee representative

Arne Ugilt
Employee representative

Finn Aaen
Employee representative

Internal auditor's report

To the shareholders of Ringkjøbing Landbobank A/S

Opinion

In my opinion, the financial statements for Ringkjøbing Landbobank A/S give a true and fair view of the bank's assets, liabilities and financial position at 31 December 2019, and of the results of the bank operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Business Act.

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

The audit

I have audited the financial statements for Ringkjøbing Landbobank A/S for the financial year 1 January to 31 December 2019, which comprise income statement and statement of comprehensive income, core earnings, balance sheet, statement of changes in equity, statement of capital and notes, including accounting policies, and five-year main and key figures. The financial statements were prepared in accordance with the Danish Financial Business Act.

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

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

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

Statement on management review

Management is responsible for the management review.

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

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

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

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

Ringkøbing, 5 February 2020

Henrik Haugaard
Chief internal auditor

Independent Auditor's Report

To the Shareholders of Ringkjøbing Landbobank A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Bank at 31 December 2019, and of the results of the Bank operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

Ringkjøbing Landbobank A/S's Financial Statements for the financial year 1 January to 31 December 2019 comprise the income statement and statement of comprehensive income, the core income, the balance sheet, the statement of changes in equity, the statement of capital and notes, including summary of significant accounting policies, and five-year financial highlights ("the Financial Statements").

Basis for opinion

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

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

Independence

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

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

Appointment

We were first appointed auditors of Ringkjøbing Landbobank A/S on 8 June 2018 for the financial year 2018. We have been reappointed by shareholder resolution for a total period of uninterrupted engagement of 2 years including the financial year 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The independent auditor's report – continued

Key audit matters	*How our audit addressed the key audit matters*
Loan impairment charges Loans are measured at amortised cost less impairment charges. Impairment of loans and advances constitutes Management's best estimate of expected losses on loans and advances at the balance sheet date in accordance with the provision of IFRS 9 as incorporated in the Danish Executive Order on the Presentation of Financial Statements of Credit Institutions and Stockbroker Companies, etc. We refer to note 1 for a detailed description of the accounting policies applied. Although certain branches of the agricultural sector have seen positive developments in the past year, the sector is still facing considerable financial challenges, and a material part of the Bank's impairment charges relates to this sector. The situation of the agricultural sector implies increased uncertainty with respect to the statement of the required impairment relating to the agricultural sector. Impairment of loans and advances constitutes a key focus area as Management makes material estimates with respect to whether impairment charges are to be recorded on loans and advances as well as the amount of the impairment charges. The following areas are central to the calculation of loan impairment charges: • Determination of credit classification on initial and subsequent recognition. • Model-based impairment charges in stages 1 and 2, including Management's determination of model variables adapted to the Bank's loan portfolio. • The Bank's procedures to ensure completeness of the registration of credit-impaired loans (stage 3) or loans with significant increase in credit risk (stage 2). • Most significant assumptions and estimates applied by Management in the calculations of impairment charges, including principles for the assessment of various outcome of the customer's financial position (scenarios) and for the assessment of collateral values of e.g. agricultural land and properties included in the calculations of impairment. • Management's assessment of expected credit losses at the balance sheet date as a result of possible changes in market conditions and which are not included in the model-based calculations or individually assessed impairment charges, including the current and expected earnings of agricultural customers. We refer to note 2 "Accounting estimates and assessments", note 47 "Risks and risk management" and note 48 "Credit risk" to the Financial Statements which show factors that may affect the impairment of loans and advances.	We reviewed and assessed the impairment charges recognised in the income statement for 2019 and in the balance sheet at 31 December 2019. Our review included an assessment of the impairment model applied prepared by the data centre Bankdata, including division of responsibilities between Bankdata and the Bank. We assessed and tested the Bank's calculation of impairment charges in stages 1 and 2, including assessment of Management's determination and adaptation of model variables to own issues. Our assessment and test moreover included the Bank's validation of the methods applied for the calculation of expected credit losses as well as the procedures designed to ensure that credit-impaired loans in stage 3 and in stage 2, underperforming, are identified and recorded on a timely basis. We assessed and tested the principles applied by the Bank for the determination of impairment scenarios and for the measurement of collateral values of e.g. agricultural land and properties included in the calculations of impairment of credit-impaired loans and advances, and loans and advances that are significantly underperforming. We tested a sample of credit-impaired loans in stage 3 and in stage 2, underperforming, by testing the calculations of impairment charges and applied data to underlying documentation. We tested a sample of other loans by making an assessment ourselves of stage and credit classification. This included more samples of large loans as well as loans relating to segments with generally increased exposure, including the agricultural segment. We reviewed and challenged Management's estimates of expected credit losses not included in the model-based calculations or individually assessed impairment charges based on our knowledge of the portfolio, our trade knowledge and knowledge of current market conditions.

The independent auditor's report – continued

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

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

Management's responsibilities for the Financial Statements

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

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

Auditor's responsibilities for the audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

The independent auditor's report – continued

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

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

Ringkøbing, 5 February 2020

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 3377 1231

H. C. Krogh
State Authorised Public Accountant
mne9693

Per Rolf Larssen
State Authorised Public Accountant
mne24822

FINANCIAL STATEMENTS

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Note no.		2019 DKK 1,000	2018 DKK 1,000
3	Interest income	1,299,449	1,031,664
4	Interest expenses	131,144	105,169
	Net interest income	**1,168,305**	**926,495**
5	Dividends from shares etc.	70,409	27,619
6	Fee and commission income	833,082	538,862
6	Fee and commission expenses	78,541	48,293
	Net interest and fee income	**1,993,255**	**1,444,683**
7	Value adjustments	+168,906	+179,833
	Other operating income	13,582	5,770
8,9,10,11	Staff and administration expenses	778,458	704,778
12	Amortisation, depreciation and write-downs on intangible and tangible assets	37,959	22,690
	Other operating expenses	3,934	2,816
13	Impairment charges for loans and other receivables etc.	-110,172	-86,955
	Results from investments in associated companies and group undertakings	+201	+80
	Profit before tax	**1,245,421**	**813,127**
14	Tax	267,156	149,935
	Net profit for the year	**978,265**	**663,192**
	Other comprehensive income:		
	Value changes in pension obligations	+50	-335
	Total comprehensive income for the year	**978,315**	**662,857**

PROPOSED DISTRIBUTION OF PROFIT

	2019 DKK 1,000	2018 DKK 1,000
Total comprehensive income for the year	978,315	662,857
Total amount available for distribution	**978,315**	**662,857**
Appropriated for ordinary dividend	326,280	309,943
Appropriated for charitable purposes	1,000	500
Transfer to net revaluation reserve under the equity method	201	80
Transfer to retained earnings	650,834	352,334
Total distribution of the amount available	**978,315**	**662,857**

CORE EARNINGS

Note no.		2019 DKK 1,000	2018 DKK 1,000
15	Net interest income	1,173,085	936,929
16	Net fee and commission income excluding securities trading	626,349	412,288
17	Income from sector shares etc.	144,702	131,106
	Foreign exchange income	30,749	26,408
	Other operating income	13,582	5,770
	Total core income excluding securities trading	**1,988,467**	**1,512,501**
16	Securities trading	128,192	78,281
	Total core income	**2,116,659**	**1,590,782**
18	Staff and administration expenses	778,458	615,637
18	Depreciation and write-downs on tangible assets	22,959	13,065
	Other operating expenses	3,934	2,816
18	Total expenses etc.	805,351	631,518
	Core earnings before impairment charges for loans	**1,311,308**	**959,264**
19	Impairment charges for loans and other receivables etc.	-99,876	-81,165
20	**Core earnings**	**1,211,432**	**878,099**
20	Result for the portfolio etc.	+48,989	+33,794
18	Amortisation and write-downs on intangible assets	15,000	8,417
18	Merger and restructuring costs	0	89,141
18	Non-recurring costs	0	1,208
20	**Profit before tax**	**1,245,421**	**813,127**
	Tax	267,156	149,935
	Net profit for the year	**978,265**	**663,192**

BALANCE SHEET

Note no.		31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
	Assets		
	Cash in hand and demand deposits with central banks	685,380	657,913
21	Receivables from credit institutions and central banks	2,668,915	3,165,947
22, 23	Total loans and other receivables at amortised cost	35,465,416	33,350,334
	Loans and other receivables at amortised cost	34,205,433	32,384,462
	Wind turbine loans etc. with direct funding	1,259,983	965,872
24	Bonds at fair value	6,773,533	5,427,138
25	Shares etc.	1,290,523	1,467,313
	Investments in associated companies	457	480
	Investments in group undertakings	12,035	11,811
26	Assets linked to pooled schemes	4,276,344	3,786,476
27	Intangible assets	1,049,838	1,064,838
28	Total land and buildings	208,881	241,745
	Investment properties	11,567	27,337
	Domicile properties	197,314	214,408
29	Other tangible assets	20,055	24,520
	Current tax assets	37,044	43,383
30	Deferred tax assets	3,849	7,763
	Temporary assets	3,756	4,643
31	Other assets	423,606	377,836
	Prepayments	21,262	18,388
	Total assets	**52,940,894**	**49,650,528**

Note no.	Liabilities and equity	31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
32	Debt to credit institutions and central banks	2,172,765	1,916,476
	Total deposits and other debt	38,127,837	36,992,571
33	Deposits and other debt	33,851,493	33,206,095
	Deposits in pooled schemes	4,276,344	3,786,476
34	Issued bonds at amortised cost	2,212,709	1,428,024
	Preferred senior capital	1,030,961	1,129,524
	Non-preferred senior capital	1,181,748	298,500
35	Other liabilities	531,576	595,913
	Deferred income	1,841	4,053
	Total debt	**43,046,728**	**40,937,037**
36	Provisions for pensions and similar liabilities	2,398	2,882
23	Provisions for losses on guarantees	58,694	52,754
23	Other provisions for liabilities	22,341	20,691
	Total provisions for liabilities	**83,433**	**76,327**
	Tier 2 capital	2,200,857	1,448,474
37	**Total subordinated debt**	**2,200,857**	**1,448,474**
38	Share capital	29,662	30,994
	Net revaluation reserve under the equity method	419	218
	Retained earnings	7,252,515	6,847,035
	Proposed dividend etc.	327,280	310,443
	Total shareholders' equity	**7,609,876**	**7,188,690**
	Total liabilities and equity	**52,940,894**	**49,650,528**

STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total share-holders' equity
2018					
Shareholders' equity at the end of the previous financial year	**22,350**	**138**	**3,592,780**	**201,650**	**3,816,918**
Changed accounting policy for impairment charges etc. under IFRS 9			-45,836		-45,836
Adjusted shareholders' equity at the end of the previous financial year	**22,350**	**138**	**3,546,944**	**201,650**	**3,771,082**
Reduction of share capital	-538		538		0
Dividend etc. paid				-201,650	-201,650
Dividend received on own shares			5,112		5,112
Share capital issued on merger	9,182		-9,182		0
Costs of share capital issue			-1,943		-1,943
Additions on merger			3,323,144		3,323,144
Received own shares on merger			1,793		1,793
Purchase of own shares			-790,333		-790,333
Sale of own shares			411,287		411,287
Other equity transactions (employee shares)			7,341		7,341
Total comprehensive income for the year		80	352,334	310,443	662,857
Shareholders' equity on the balance sheet date	**30,994**	**218**	**6,847,035**	**310,443**	**7,188,690**
2019					
Shareholders' equity at the end of the previous financial year	**30,994**	**218**	**6,847,035**	**310,443**	**7,188,690**
Reduction of share capital	-1,332		1,332		0
Dividend etc. paid				-310,443	-310,443
Dividend received on own shares			13,332		13,332
Purchase of own shares			-906,758		-906,758
Sale of own shares			634,280		634,280
Other equity transactions (employee shares)			12,460		12,460
Total comprehensive income for the year		201	650,834	327,280	978,315
Shareholders' equity on the balance sheet date	**29,662**	**419**	**7,252,515**	**327,280**	**7,609,876**

STATEMENT OF CAPITAL

	31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
Credit risk	35,824,915	32,537,543
Market risk	2,491,568	1,584,762
Operational risk	2,906,665	2,262,571
Total risk exposure	**41,223,148**	**36,384,876**
Shareholders' equity	7,609,876	7,188,690
Proposed dividend etc.	-327,280	-310,443
Addition for transition programme concerning IFRS 9	136,653	152,730
Deduction for the sum of equity investments etc. above 10%	-149,246	-396,911
Deduction for prudent valuation	-15,233	-13,772
Deduction for intangible assets	-1,049,838	-1,064,838
Deferred tax on intangible assets	27,848	31,148
Deduction of amounts of share buy-back programmes	0	-470,000
Actual utilisation of amounts of share buy-back programmes	0	369,878
Deduction for trading limit for own shares	-55,000	-55,000
Actual utilisation of the trading limit for own shares	126	12,849
Common equity tier 1	**6,177,906**	**5,444,331**
Tier 1 capital	**6,177,906**	**5,444,331**
Tier 2 capital	2,195,418	1,448,220
Deduction for the sum of equity investments etc. above 10%	-23,454	-61,255
Total capital	**8,349,870**	**6,831,296**
Contractual senior funding (grandfathered)	1,824,492	2,049,800
Non-preferred senior capital	1,181,431	300,000
MREL capital	**11,355,793**	**9,181,096**
Common equity tier 1 capital ratio (%)	**15.0**	**15.0**
Tier 1 capital ratio (%)	**15.0**	**15.0**
Total capital ratio (%)	**20.3**	**18.8**
MREL capital ratio (%)	**27.5**	**25.2**
Pillar I capital requirements	3,297,852	2,910,790
MREL requirement (%) fixed by the Danish FSA	20.7	19.7
Excess cover in percentage points relative to MREL requirement	6.8	5.5

OVERVIEW OF NOTES

Note no.

1 **Accounting policies etc.**

General

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

The annual report is presented in Danish kroner (DKK).

The accounting policies are unchanged since last financial year.

The bank has grossed up negative interest in 2019 and at the same time adjusted the comparative figures for 2018. Please see notes 3 and 4. The comparative figures in the overview “Five-year main figures” on page 110 have not been adjusted for the 2015, 2016 and 2017 financial years because the extent of negative interest during those years is assessed to be insignificant.

Furthermore, the bank in 2019 changed its book-keeping of guarantees for mortgage debt for customers taken over from Nordjyske Bank. This affects the distribution by industry in note 48 on page 98. From 2019 onwards these guarantees are recognised in the credit exposure to personal customers (“Private individuals”) whereas they were previously included in the “Finance and insurance” industry. Comparative figures as at 31 December 2018 have not been adjusted. This change also affects the overviews “Security received for maximum credit exposure” and “Distribution by sector and industry and stages” in note 48. The comparative figures in the corresponding overviews for 2018 have not been adjusted.

The bank has also changed the division of the industry energy supply. In 2018, energy was subdivided into “Energy supply” and “Wind turbines”. From 2019 onwards, energy has instead been divided into “Renewable energy,” covering loans for wind turbines and for solar cell and biogas plants, and “Other energy supply”. Comparative figures as at 31 December 2018 have been adjusted.

Recognition and measurement – general

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

Liabilities are recognised in the balance sheet when they are probable and can be measured reliably.

Income is recognised in the income statement as it is earned.

Expenses paid to earn the income for the year are recognised in the income statement, and value adjustments made to financial assets, financial liabilities and derivative financial instruments are also recognised in the income statement.

When measuring fair value etc. of bonds and shares, the three levels of the IFRS 7 hierarchy are used as valuation categories:

- Level 1: Quoted prices in active markets for identical instruments, i.e. without changes in form or composition, including listed shares and bonds.
- Level 2: Quoted prices in active markets for similar assets or other valuation methods where all significant inputs are based on observable market data.
- Level 3: Valuation methods where any significant inputs are based on unobservable inputs.

Valuation is primarily based on generally recognised valuation techniques.

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

Foreign currency

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

Financial instruments – general

In general, the bank measures financial assets and liabilities at fair value on initial recognition. Measuring is subsequently carried out at fair value unless otherwise specifically stated in the

Note
no.

1 **Accounting policies etc. – continued**

following sections on the individual items. The bank uses the date of payment as the date of recognition for financial instruments.

Derivative financial instruments

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

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

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

Business combination

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

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

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

As a result of using the acquisition method, the comparative figures for previous years (2014 - 2017) have not been adjusted and therefore only cover Ringkjøbing Landbobank before the merger with Nordjyske Bank in 2018.

Group

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

The income statement

Interest income

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

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

Net fee and commission income

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

Staff and administration expenses

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

Other operating expenses

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

Note no.

1 **Accounting policies etc. – continued**

Impairment charges for loans and receivables etc.

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

Tax

Tax on the profit for the year is booked as an expense in the income statement.

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

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

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

Core earnings

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

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

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

A numerical explanation of the correlation between "Profit before tax" and "Core earnings" is given in notes 15-20 on page 85.

The balance sheet

Receivables from credit institutions and central banks

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

Loans and other receivables

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

Leasing

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

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

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

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

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

Under the IFRS 9-compatible impairment rules, all financial assets recognised at amortised cost are impaired by the expected credit losses. Under the same rules, provisions for expected credit losses are made for unutilised credit lines, loan undertakings and financial guarantees.

Note
no.

1 **Accounting policies etc. – continued**

The impairment rules use a model based on expectations, which means earlier recognition of impairment charges compared to the previous impairment model under which objective evidence of impairment had to exist before impairment charges could and had to be recognised.

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

Development stages for credit risk

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

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

The classification in stages and computation of the expected loss are based on the bank's rating models, which were developed by the data centre Bankdata, and the bank's internal credit management.

Assessment of significant increase in credit risk etc.

A significant increase in the credit risk compared to initial recognition is presumed to have occurred on a downgrading in the bank's internal rating of the customer corresponding to one rating class in the Danish FSA's recommended rating classification. Payments that are more than 30 days overdue are also considered a significant increase in credit risk.

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

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

Definition of credit-impaired and default

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

- The borrower is in significant financial difficulties and the bank assesses that the borrower will fail to honour its obligations as agreed.
- The borrower is in breach of contract, for example by failing to meet its obligation to pay interest and repayments or by repeated overdrafts.
- The bank has granted the borrower a relaxation of terms which would not have been considered were it not for the debtor's financial difficulties.
- The borrower is likely to go bankrupt or be subject to other types of financial restructuring.
- A financial asset is acquired at a considerable discount which reflects that losses have been incurred.
- The exposure has been in arrears / overdue for more than 90 days with an amount assessed to be substantial.

Note no.

1 Accounting policies etc. – continued

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

The definition of credit-impaired and default used by the bank when measuring the expected credit loss and for transfers to stage 3 corresponds to the definition used for internal risk management purposes and is also adjusted to the definition of default in the capital requirements regulation (CCR).

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

Calculation of expected losses

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

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

Practice for derecognising financial assets from the balance sheet

Financial assets are derecognised fully or partly from the balance sheet when the asset or a significant part of it is deemed to be lost. Derecognition is based on a specific assessment of the individual exposures. For business customers, the bank bases its assessment on financial indicators such as the customer's cash flows, earnings and equity and on any collateral furnished as security for the exposure. For personal customers, the assessment is also based on the customer's financial situation, including the possibility of enforcing the security, if any. When a financial asset is derecognised fully or partly from the balance sheet, the associated impairment charges for the financial asset are also removed from the cumulative impairment charges, see note 23.

As a principal rule, the bank's efforts to collect the assets continue after derecognition from the balance sheet. The steps taken depend on the specific situation. To begin with, the bank attempts to reach a voluntary agreement with the customer, including renegotiation of terms or restructuring of an enterprise. Debt recovery and petition for bankruptcy are not applied until other steps have been tried.

Sales and repurchase agreements (repo / reverse repo transactions)

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

Securities which have been bought under associated resale agreements are recognised as loans to, or receivables from, credit institutions and the return is recognised under "Interest income".

Note
no.

1 **Accounting policies etc. – continued**

Bonds and shares

Bonds at fair value

Bonds listed on a stock exchange are measured at fair value determined on the basis of the closing price on the balance sheet day (level 1).

Unlisted bonds are measured at fair value, computed on the basis of price information from the issuer (levels 2 and 3).

Shares etc.

Shares listed on a stock exchange are measured at fair value determined on the basis of the closing price on the balance sheet day (level 1).

Unlisted shares are measured at fair value, computed on the basis of the price of a transaction between independent parties. Measurement is based on available information on transactions, published announcements of financial results or, alternatively, market capitalisation calculations (levels 2 and 3).

For unlisted shares in the form of shares in companies owned by the sector where the shares are distributed, the redistribution is considered to be the primary market for the shares. Fair value is determined at the redistribution price and the shares are included as level 2 assets.

Unlisted shares for which a reliable fair value cannot be determined are measured at cost less impairment charges (level 3).

The management actively considers the fair value computations.

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

Investments in associated companies

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

Investments in group undertakings

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

Assets linked to pooled schemes

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

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

Intangible assets

Goodwill

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

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

Customer relationships

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

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

Land and buildings

Land and buildings cover the two items “Investment properties” and “Domicile properties”.

Note
no.

1 Accounting policies etc. – continued

The properties which house the bank's branches are included under domicile properties, while other properties are considered to be investment properties.

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

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

Other tangible assets

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

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

Temporary assets

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

Other assets

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

Tax

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

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

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

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

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

Other liabilities

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

Provisions for liabilities

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

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

Note no.

1 Accounting policies etc. – continued

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

Provisions are also made for other guarantees if it is probable that the guarantee will be called and the amount of the liability can be reliably determined.

Contingent liabilities / guarantees

The bank’s outstanding guarantees are given in the notes under the item “Contingent liabilities”.

Statement of capital

Phasing in IFRS 9 impairment rules concerning capital
The bank has decided to take advantage of the transition programme under the capital requirements regulation (CRR), such that any negative effect of the IFRS 9 impairment rules will not have full effect on total capital until the beginning of 2023.

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

The reporting standard “IFRS 16 – Leases” became effective on 1 January 2019. It was incorporated into the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. by the Danish FSA’s amending executive order of 3 December 2018, which only became effective for financial reporting periods commencing on 1 January 2020 or later, however with the possibility of early implementation.

The rules of the executive order, which are compatible with the IFRS 16 rules, are thus in force when this annual report is published.

The amending executive order introduces new leasing rules which mean that the lessee is no longer required to distinguish between finance leasing and operating leasing for accounting purposes. The lessee must recognise all leasing contracts, including leases, as a lease asset representing the value of the right-of-use asset. On initial recognition the asset must be measured at the present value of the lease liability including costs and any prepayments. The present value of the agreed lease payments must be recognised as a liability at the same time. Assets leased on short-term contracts and low-value asset leases are exempt from the requirement for recognition of lease assets.

The bank has decided to use the new leasing rules with effect from 1 January 2020.

The expected effect of the IFRS 16 compatible rules is a small increase of the order of DKK 20-25 million in the bank’s tangible assets and debts at the beginning of 2020 and an insignificant effect on operations in 2020, since the bank has only entered into a limited number of leasing agreements / leases, mainly for the premises accommodating a few of the bank’s branches.

Main and key figures (page 3)

“Main figures for the bank” for 2016, 2017 and 2018 are stated on a pro forma basis, whereas the figures for 2019 are the actual figures.

“Key figures for the bank” for 2016, 2017 and 2018 are calculated on a pro forma basis, although the capital ratios at the end of 2018 are the actual figures. The figures for 2019 are also the actual figures. The rate of costs is calculated as “Total expenses etc.” in percent of “Total core income”. Both “Total expenses etc.” and “Total core income” are shown under “Core earnings” on page 6.

“Key figures per DKK 1 share” for 2016 and 2017 are calculated on the basis of the actual figures for the “old” Ringkjøbing Landbobank. “Key figures per DKK 1 share” for 2018 are calculated on a pro forma basis, whereas the figures for 2019 are the actual figures. “Key figures per DKK 1 share” are calculated on the basis of 2019: 29,228,321 shares, and 2018: 29,906,383 shares, and 2017: 21,812,000 shares and 2016: 22,350,000 shares.

Note
no.

1 **Accounting policies etc. – continued**

Statements in the financial review (pages 6-11)

The income statement items for 2018, on pages 6-7, and the "Core earnings" for the first quarter of 2016 up to and including the second quarter of 2018 in the quarterly overview, on page 9, are pro forma figures (i.e. as if the merger had taken effect on 1 January 2016) calculated by adding up figures from Ringkjøbing Landbobank's statement of the alternative performance measure "Core earnings" and pro forma figures from Nordjyske Bank, converted and adjusted to Ringkjøbing Landbobank's alternative performance measure "Core earnings". The core earnings for 2019, on page 6, and the core earnings from the third quarter of 2018 onwards, on pages 8-9, are the actual figures for the post-merger entity.

Balance sheet items and contingent liabilities, as well as capital ratios, in the quarterly overviews of "Balance sheet items and contingent liabilities" and "Statement of capital" from and including the first quarter of 2016, up to and including the first quarter of 2018, on page 11, are pro forma figures (i.e. as if the merger took effect on 1 January 2016) calculated by a simple adding up of figures from the respective accounts from Ringkjøbing Landbobank and Nordjyske Bank, without any adjustments, while the figures from and including the second quarter of 2018, on pages 10-11, are for the post-merger entity.

Core earnings per DKK 1 share (page 15)

The bank's alternative performance "Core earnings" is used as the value of earnings. For the years 2009-2017, core earnings figures from the "old" Ringkjøbing Landbobank were used, for 2018, the pro forma core earnings for the merged bank were used and finally, for 2019 the actual core earnings for 2019 for the merged bank were used. The following numbers of shares were used in the calculation: End of 2009: 25,200,000 shares, end of 2010: 25,200,000 shares, end of 2011: 24,700,000 shares, end of 2012: 24,200,000 shares, end of 2013: 23,900,000 shares, end of 2014: 23,350,000 shares, end of 2015: 22,850,000 shares, end of 2016: 22,350,000 shares, end of 2017: 21,812,000 shares, end of 2018: 29,906,383 shares, and end of 2019: 29,228,321 shares.

Pay-out ratios (page 26)

Detailed comments on the pay-out ratios:

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

Pay-out ratio for 2018:
The pay-out ratio for 2018 is, however, calculated on the basis of the pro-forma "Net profit for the year".

Pay-out ratio for 2019:
The percentage for 2019 is the expected pay-out ratio. The percentage was thus calculated on the basis of the proposed ordinary dividend and an expected share buy-back programme for implementation during 2020 based on the profit for 2019.

Share buy-back programme used:
The share buy-back programme adopted at the bank's annual general meeting in March 2019 was fully used during 2019 at DKK 190 million (the equivalent of 433,475 shares), and it will be recommended at the forthcoming annual general meeting in March 2020 that the 433,475 shares be cancelled in connection with a capital reduction.

2 **Accounting estimates and assessments**

General

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

Note
no.

2 **Accounting estimates and assessments – continued**

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

The most important estimates concern the following areas:

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

Calculation of expected losses on loans and other credit exposures

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

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

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

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

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

Determining the parametric values involves substantial uncertainty.

A management's estimate is also made. The management's estimate is a supplement to the automated calculation of the portfolio that does not show objective evidence of impairment. The estimate includes various aspects that are difficult to detect in the model-based approach, for example because they are not yet reflected in the bank's credit models and the macroeconomic adjustment.

The bank's credit models are largely based on financial ratios and there may thus be a delay from when an economic challenge arises until it is reflected in the customer's rating. The macroeconomic adjustment compensates for this to a certain extent, but the bank may choose to apply a management estimate if it assesses that its own calculation set-up has not fully incorporated the current economic reality and / or expected economic development.

The management estimate is incorporated as part of the bank's stage 2 impairment charges.

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

Assessment of collateral security

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

Fair value of unlisted financial instruments

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

As part of its operations, the bank has acquired strategic shares in different sector companies. Strategic shares in sector companies are measured at fair value on the basis of

Note no.

2 Accounting estimates and assessments – continued

available information on transactions in the relevant company's shares or, alternatively, by a valuation model using recognised methods and various data. Valuation is also influenced by co-ownership, trading, shareholders' agreements etc.

Estimates are an influence where valuations of financial instruments are based less on observable market data. This is the case, for example, with unlisted shares and certain bonds where there is no active market. Please also see the sections "Derivative financial instruments" and "Bonds and shares" under "Accounting policies etc." in note 1.

Valuation of goodwill

Goodwill is impairment tested annually. This involves a degree of estimation in quantifying the future income and determining the weighted average cost of capital (consisting of the return on shareholders' equity and the cost of loan capital) in line with presumed market expectations.

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

Fair value of domicile properties

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

Note		2019 DKK 1,000	2018 DKK 1,000
3	**Interest income**		
	Receivables from credit institutions and central banks – net	-12,804	-13,199
	Loans and other receivables	1,272,826	1,014,911
	Discounts – amortisation concerning loans taken over etc.	10,296	5,790
	Loans – interest on the impaired part of loans	-68,853	-51,075
	Bonds – net	17,314	20,326
	Total derivative financial instruments – net	26,043	12,634
	Of which currency contracts – net	10,589	7,286
	Of which interest-rate contracts – net	15,454	5,348
	Other interest income	4,594	7,519
	Total interest income after offsetting of negative interest	**1,249,416**	**996,906**
	Negative interest income transferred to interest expenses		
	Receivables from credit institutions and central banks	14,260	17,397
	Bonds	9,838	3,522
	Total derivative financial instruments	3,937	2,896
	Of which currency contracts	1,199	815
	Of which interest-rate contracts	2,738	2,081
	Total negative interest income transferred to interest expenses	**28,035**	**23,815**
	Negative interest expenses transferred from interest expenses		
	Debt to credit institutions and central banks	273	150
	Deposits and other debt	21,725	10,793
	Total negative interest expenses transferred from interest expenses	**21,998**	**10,943**
	Total interest income	**1,299,449**	**1,031,664**

Note no.		2019 DKK 1,000	2018 DKK 1,000
4	**Interest expenses**		
	Credit institutions and central banks – net	12,197	11,228
	Deposits and other debt – net	9,725	27,107
	Issued bonds	17,131	7,182
	Subordinated debt	41,932	24,034
	Other interest expenses	126	860
	Total interest expenses after offsetting of negative interest	**81,111**	**70,411**
	Negative interest expenses transferred to interest income		
	Debt to credit institutions and central banks	273	150
	Deposits and other debt	21,725	10,793
	Total negative interest expenses transferred to interest income	**21,998**	**10,943**
	Negative interest income transferred from interest income		
	Receivables from credit institutions and central banks	14,260	17,397
	Bonds	9,838	3,522
	Total derivative financial instruments	3,937	2,896
	Of which currency contracts	1,199	815
	Of which interest-rate contracts	2,738	2,081
	Total negative interest income transferred from interest income	**28,035**	**23,815**
	Total interest expenses	**131,144**	**105,169**
5	**Dividends from shares etc.**		
	Shares	70,409	27,619
	Total dividends from shares etc.	**70,409**	**27,619**
6	**Fees and commission**		
	Gross fee and commission income		
	Securities trading	137,452	88,478
	Asset management and custody accounts	160,958	127,502
	Payment handling	113,046	77,872
	Loan fees	115,134	32,737
	Guarantee commission and mortgage credit commission etc.	217,465	156,986
	Other fees and commission	89,027	55,287
	Total gross fee and commission income	**833,082**	**538,862**
	Fee and commission expenses		
	Securities trading	9,260	10,197
	Asset management and custody accounts	13,099	9,069
	Payment handling	33,805	15,700
	Loan fees	11,329	5,105
	Guarantee commission and mortgage credit commission etc.	0	620
	Other fees and commission	11,048	7,602
	Total fee and commission expenses	**78,541**	**48,293**
	Net fee and commission income		
	Securities trading	128,192	78,281
	Asset management and custody accounts	147,859	118,433
	Payment handling	79,241	62,172
	Loan fees	103,805	27,632
	Guarantee commission and mortgage credit commission etc.	217,465	156,366
	Other fees and commission	77,979	47,685
	Total net fee and commission income	**754,541**	**490,569**
	Foreign exchange income	30,749	26,408
	Total net fee, commission and foreign exchange income	**785,290**	**516,977**

Note no.		2019 DKK 1,000	2018 DKK 1,000
7	**Value adjustments**		
	Other loans and receivables, fair value adjustment*	2,675	2,926
	Bonds	31,350	-17,614
	Shares etc.	101,018	165,402
	Investment properties	-256	1,494
	Foreign exchange	30,749	26,408
	Total derivative financial instruments	26,136	15,433
	Of which currency contracts	12,711	11,552
	Of which interest-rate contracts	13,071	3,410
	Of which share contracts	354	471
	Assets linked to pooled schemes	417,435	-219,637
	Deposits in pooled schemes	-417,435	219,637
	Issued bonds*	-17,325	-9,024
	Other liabilities	-5,441	-5,192
	Total value adjustments	**168,906**	**179,833**
	** Cf. note 46.*		
8	**Staff and administration expenses**		
	Payments to general management, board of directors and shareholders' committee:		
	General management:		
	John Bull Fisker	6,069	5,365
	Salary	4,855	4,315
	Pension	1,214	1,050
	Taxable value of company car: 2019: tDKK 200, 2018: tDKK 211.		
	Claus Andersen (took office on 7 June 2018)	3,707	2,013
	Salary	3,351	1,814
	Pension	356	199
	Taxable value of company car: 2019: tDKK 130, 2018: tDKK 76.		
	Jørn Nielsen	2,985	2,736
	Salary	2,573	2,533
	Pension	412	203
	Taxable value of company car: 2019: tDKK 79, 2018: tDKK 78.		
	Carl Pedersen (took office on 7 June 2018)	3,079	1,477
	Salary	2,820	1,331
	Pension	259	146
	Taxable value of company car: 2019: tDKK 111, 2018: tDKK 81.		
	Total payments	15,840	11,591
	The taxable amounts for company cars are not included in the salary amounts stated.		
	Board of directors:		
	Martin Krogh Pedersen, chairman	450	351
	Mads Hvolby, deputy chairman (took office on 7 June 2018)	300	145
	Jens Møller Nielsen, deputy chairman	300	238
	Morten Jensen (took office on 7 June 2018)	225	108
	Jon Steingrim Johnsen	225	186
	Jens Lykke Kjeldsen (retired on 28 February 2018)	-	34
	Jacob Møller	225	186
	Lone Rejkjær Söllmann	225	186
	Sten Uggerhøj (took office on 7 June 2018)	225	108
	Dan Junker Astrup	225	186
	Bo Fuglsang Bennedsgaard (retired on 7 June 2018)	-	78
	Gitte E. S. H. Vigsø	225	186

Note no.		2019 DKK 1,000	2018 DKK 1,000
8	**Staff and administration expenses – continued**		
	Board of directors – continued:		
	Arne Ugilt (took office on 7 June 2018)	225	108
	Finn Aaen (took office on 7 June 2018)	225	108
	Total payments	3,075	2,208
	Shareholders' committee		
	Total payments	781	618
	Total	19,696	14,417
	Staff expenses:		
	Salaries	353,703	274,539
	Pensions	39,478	32,145
	Social security expenses	6,444	5,206
	Costs depending on number of staff	56,420	40,501
	Total	456,045	352,391
	Other administration expenses	302,717	337,970
	Total staff and administration expenses	**778,458**	**704,778**
9	**Number of full-time employees**		
	Average number of employees during the financial year converted into full-time employees	**657**	**507**
	Number of full-time employees at end of year	**652**	**674**
10	**Salaries paid to other major risk-takers and employees in control functions**		
	Fixed salary	15,024	14,315
	Variable salary	325	518
	Pension	1,487	1,468
	Total	**16,836**	**16,301**
	Number of full-time employees at end of year	16	16
11	**Fee to the auditor elected by the general meeting**		
	Statutory audit	577	1,166
	Other assurance engagements	344	1,777
	Advice on tax	0	290
	Other services	194	992
	Total fee to the auditor elected by the general meeting	**1,115**	**4,225**

Fees for other assurance engagements primarily concern reports to public authorities and reports relating to the bank's EMTN programme.

Fees for other services include issue of the comfort letter regarding the bank's EMTN programme and verification of regular recognition of profit in the common equity tier 1.

The bank has also an internal audit.

Note no.		2019 DKK 1,000	2018 DKK 1,000
12	**Amortisation, depreciation and write-downs on intangible and tangible assets**		
	Intangible assets		
	Customer relationships, amortisation	15,000	8,417
	Tangible assets		
	Domicile properties, depreciation	606	496
	Domicile properties, write-down to reassessed value	5,000	5,000
	Other tangible assets, depreciation	17,353	8,777
	Total amortisation, depreciation and write-downs on intangible and tangible assets	**37,959**	**22,690**
13	**Impairment charges for loans and other receivables etc.**		
	Net changes in impairment charges for loans and other receivables etc. and provisions for losses on guarantees	-8,762	-213,688
	Stage 1 impairment charges in connection with the merger	0	100,267
	Actual realised net losses	187,787	251,451
	Interest on the impaired part of loans	-68,853	-51,075
	Total impairment charges for loans and other receivables etc.	**110,172**	**86,955**
14	**Tax**		
	Tax calculated on income for the year	250,816	149,885
	Adjustment of deferred tax	3,914	-4,682
	Adjustment of tax calculated for previous years	12,426	4,732
	Total tax	**267,156**	**149,935**
	Effective tax rate (%):		
	Tax rate currently paid by the bank	22.0	22.0
	Permanent deviations	-1.5	-4.2
	Adjustment of tax calculated for previous years	1.0	0.6
	Total effective tax rate	**21.5**	**18.4**

Note no.		2019 DKK 1,000	2018 DKK 1,000
	Explanation of the correlation between profit before tax and core earnings		
15	**Net interest income – correlation**		
	Net interest income – income statement	1,168,305	926,495
	Discounts – amortisation concerning loans taken over etc.	-10,296	-5,790
	Funding income – own portfolio	34,610	40,045
	Bond yields etc.	-19,534	-23,821
	Net interest income – core earnings	**1,173,085**	**936,929**
16	**Net fee and commission income excluding securities trading – correlation**		
	Fee and commission income – income statement	833,082	538,862
	Fee and commission expenses – income statement	-78,541	-48,293
	Securities trading – core earnings	-128,192	-78,281
	Net fee and commission income excluding securities trading – core earnings	**626,349**	**412,288**
17	**Income from sector shares etc. – correlation**		
	Market value adjustment of sector shares etc.	74,896	105,101
	Dividends from sector shares	69,806	26,005
	Income from sector shares etc. – core earnings	**144,702**	**131,106**
18	**Total expenses etc. – correlation**		
	Staff and administration expenses – income statement	778,458	704,778
	Amortisation, depreciation and write-downs on intangible and tangible assets – income statement	37,959	22,690
	Other operating expenses – income statement	3,934	2,816
	Amortisation and write-downs on intangible assets – core earnings	-15,000	-8,417
	Merger and restructuring costs – core earnings	0	-89,141
	Non-recurring costs – core earnings	0	-1,208
	Total expenses etc. – core earnings	**805,351**	**631,518**
19	**Impairment charges for loans and other receivables etc. – correlation**		
	Impairment charges for loans and other receivables etc. – income statement	-110,172	-86,955
	Discounts – amortisation concerning loans taken over etc.	10,296	5,790
	Impairment charges for loans and other receivables etc. – core earnings	**-99,876**	**-81,165**
20	**Profit before tax and core earnings – correlation**		
	Profit before tax	**1,245,421**	**813,127**
	Value adjustments – income statement	168,906	179,833
	Results from investments in associated companies and group undertakings – income statement	201	80
	Market value adjustment of sector shares etc.	-74,896	-105,101
	Foreign exchange income – core earnings	-30,749	-26,408
	Funding expenses – own portfolio	-34,610	-40,045
	Bond yields etc.	19,534	23,821
	Dividends – not sector shares	603	1,614
	Result for the portfolio – core earnings (minus)	**48,989**	**33,794**
	Special costs – core earnings (plus)	15,000	98,766
	Core earnings	**1,211,432**	**878,099**

Note no.		31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
21	**Receivables from credit institutions and central banks**		
	Demand	132,760	181,788
	Up to and including 3 months	2,486,155	2,929,159
	More than 3 months and up to and including 1 year	0	0
	More than 1 year and up to and including 5 years	5,000	5,000
	More than 5 years	45,000	50,000
	Total receivables from credit institutions and central banks	**2,668,915**	**3,165,947**
	Distributed as follows:		
	Receivables from central banks	2,486,155	2,929,159
	Receivables from credit institutions	182,760	236,788
		2,668,915	**3,165,947**
22	**Loans and other receivables at amortised cost***		
	Demand	3,503,230	3,031,844
	Up to and including 3 months	1,646,467	1,183,998
	More than 3 months and up to and including 1 year	8,170,271	7,633,504
	More than 1 year and up to and including 5 years	9,543,370	9,764,398
	More than 5 years	12,602,078	11,736,590
	Total loans and other receivables at amortised cost	**35,465,416**	**33,350,334**

** Cf. note 46.*

23 Impairment charges for loans and other receivables and provisions for losses on guarantees, unutilised credit facilities and loan undertakings*

Impairment charges and provisions by stages

	Stage 1 DKK 1,000	Stage 2 DKK 1,000	Stage 3 DKK 1,000	Total DKK 1,000
2019				
Loans and other receivables at amortised cost	116,610	372,618	1,461,382	1,950,610
Guarantees				58,694
Unutilised credit facilities and loan undertakings				22,341
Total impairment charges and provisions by stages				**2,031,645**
2018				
Loans and other receivables at amortised cost	156,398	263,389	1,547,175	1,966,962
Guarantees				52,754
Unutilised credit facilities and loan undertakings				20,691
Total impairment charges and provisions by stages				**2,040,407**

	31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
In addition, a discount on loans and guarantees taken over from Nordjyske Bank amounted to	35,395	45,691
The above includes the following stage 3 impairment charges and provisions taken over from Nordjyske Bank:		
Cumulative stage 3 impairment charges and provisions at the end of the previous financial year	839,529	-
Additions on merger	-	1,173,325
Changes during the year	-202,170	-333,796
Total stage 3 impairment charges and provisions taken over	637,359	839,529

Note no.

23 Impairment charges for loans and other receivables and provisions for losses on guarantees, unutilised credit facilities and loan undertakings* – continued

Impairment charges and provisions

2019	Stage 1 DKK 1,000	Stage 2 DKK 1,000	Stage 3 DKK 1,000	Total DKK 1,000	Impairment charges etc. taken to income statement DKK 1,000
Impairment charges and provisions at the end of the previous financial year	182,963	287,175	1,570,269	2,040,407	-
Impairment charges and provisions for new exposures during the year, including new accounts for existing customers	45,424	62,994	237,441	345,859	345,859
Reversed impairment charges and provisions for repaid accounts	-41,510	-58,905	-123,638	-224,053	-224,053
Change in impairment charges and provisions at beginning of year for / from stage 1	80,160	-53,806	-26,354	0	0
Change in impairment charges and provisions at beginning of year for / from stage 2	-14,884	171,067	-156,183	0	0
Change in impairment charges and provisions at beginning of year for / from stage 3	-14,067	-7,405	21,472	0	0
Impairment charges and provisions during the year resulting from credit risk change	-101,357	2,886	170,066	71,595	71,595
Previously written down, now definitively lost	-	-	-202,163	-202,163	-
Lost, not previously written down	-	-	-	-	6,452
Received on receivables previously written off	-	-	-	-	-89,681
Total impairment charges and provisions	**136,729**	**404,006**	**1,490,910**	**2,031,645**	**110,172**

2018	Stage 1 DKK 1,000	Stage 2 DKK 1,000	Stage 3 DKK 1,000	Total DKK 1,000
Impairment charges and provisions at the end of the previous financial year	-	-	10,263	10,263
Changed accounting policy	69,796	330,969	578,768	979,533
Additions on merger	-	-	1,173,325	1,173,325
Stage 1 impairment charges in connection with the merger	100,267	-	-	100,267
Impairment charges and provisions / value adjustments during the year	49,286	170,353	401,017	620,656
Reversed impairment charges and provisions during the year	-36,386	-214,148	-330,268	-580,802
Previously written down, now definitively lost	0	0	-262,835	-262,835
Total impairment charges and provisions	**182,963**	**287,174**	**1,570,270**	**2,040,407**

** No impairment charges have been recognised for receivables from credit institutions and central banks.*

Note no.		31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
24	**Bonds at fair value***		
	Listed on the stock exchange**	6,773,533	5,427,138
	Total bonds at fair value	**6,773,533**	**5,427,138**
	** The bank has no held-to-maturity bonds.*		
	*** See page 35 of the management review, where the rating classes are stated.*		
25	**Shares etc.**		
	Listed on Nasdaq Copenhagen	6,094	9,183
	Investment fund certificates	32,598	33,566
	Unlisted shares at fair value	15,576	14,891
	Sector shares at fair value	1,236,255	1,409,673
	Total shares etc.	**1,290,523**	**1,467,313**
26	**Assets linked to pooled schemes**		
	Cash deposits	50,067	99,365
	Bonds:		
	Index-linked bonds	61,673	132,986
	Other bonds	1,459,712	1,076,828
	Total bonds	1,521,385	1,209,814
	Shares:		
	Other shares	531,933	512,920
	Investment fund certificates	2,172,959	1,964,377
	Total shares	2,704,892	2,477,297
	Total assets linked to pooled schemes	**4,276,344**	**3,786,476**
27	**Intangible assets**		
	Goodwill		
	Cost at the end of the previous financial year	923,255	-
	Additions on merger	0	923,255
	Total cost on the balance sheet date	923,255	923,255
	Write-downs at the end of the previous financial year	0	-
	Write-downs for the year	0	0
	Total write-downs on the balance sheet date	0	0
	Total goodwill on the balance sheet date	**923,255**	**923,255**
	Customer relationships		
	Cost at the end of the previous financial year	150,000	-
	Additions on merger	0	150,000
	Total cost on the balance sheet date	150,000	150,000
	Amortisation at the end of the previous financial year	8,417	-
	Amortisation for the year	15,000	8,417
	Total amortisation on the balance sheet date	23,417	8,417
	Total customer relationships on the balance sheet date	**126,583**	**141,583**
	Total intangible assets on the balance sheet date	**1,049,838**	**1,064,838**

Goodwill was impairment tested at the end of 2019. The merged bank was tested as a single unit, since the “old” Nordjyske Bank is financially fully integrated in Ringkjøbing Landbobank. Therefore a true and fair view could not be obtained from a test only of the part that had been taken over. The impairment test did not result in any write-downs.

The model used in the impairment test is based on the bank’s budget for 2020. “Net profit for the year” is used as the opening value for calculating the sensitivity. The tax rate is expected to be unchanged throughout the period. Using “Net profit for the year” as the opening value in the model makes the test harder than if free cash flows were used. A weighted average cost of capital of 8.5% and an expected annual increase in “Net profit for the year” of 2% were used.

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

Note no.		31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
28	**Land and buildings**		
	Investment properties		
	Fair value at the end of the previous financial year	27,337	3,561
	Additions on merger	0	26,175
	Additions during the year, including improvements	0	0
	Disposals during the year	-12,930	-2,399
	Value adjustments to fair value for the year	-2,840	0
	Reversal of previous years' write-downs during the year and reversal of total depreciation and write-downs on assets which were disposed of or taken out of operation during the year	0	0
	Fair value on the balance sheet date	**11,567**	**27,337**
	Domicile properties		
	Revalued amount at the end of the previous financial year	214,408	52,086
	Additions on merger	0	166,894
	Additions during the year, including improvements	0	924
	Disposals during the year	-11,512	0
	Depreciation for the year	-606	-496
	Write-downs after revaluation for the year	-5,000	-5,000
	Reversal of previous years' write-downs for the year and reversal of total depreciation and write-downs on assets which were disposed of or taken out of operation during the year	24	0
	Total revalued amount on the balance sheet date	**197,314**	**214,408**
	When valuing investment and domicile properties, a required rate of return between 5.5% and 10.0% is applied. No external experts were involved in the valuations of investment and domicile properties.		
29	**Other tangible assets**		
	Cost		
	Cost at the end of the previous financial year without depreciation and write-downs	65,919	54,982
	Additions on merger	0	10,108
	Additions during the year, including improvements	12,888	4,395
	Disposals during the year	0	-3,566
	Total cost on the balance sheet date	**78,807**	**65,919**
	Depreciation and write-downs		
	Depreciation and write-downs at the end of the previous financial year	41,399	36,171
	Depreciation for the year	17,353	8,777
	Reversal of previous years' write-downs for the year and reversal of total depreciation and write-downs on assets which were disposed of or taken out of operation during the year	0	-3,549
	Total depreciation and write-downs on the balance sheet date	**58,752**	**41,399**
	Total other tangible assets on the balance sheet date	**20,055**	**24,520**
30	**Deferred tax assets**		
	The calculated provisions for deferred tax relates to the following balance sheet items:		
	Loans and other receivables	28,918	29,066
	Intangible assets	-27,848	-31,148
	Tangible assets	-2,690	327
	Securities and financial instruments	-11,303	-8,140
	Other balance sheet items	16,772	17,658
	Total deferred tax assets	**3,849**	**7,763**

Note no.		31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
31	**Other assets**		
	Interest and commission receivable	59,350	50,790
	Positive market value of derivative financial instruments	183,468	153,652
	Collateral under CSA agreements	29,372	36,377
	Miscellaneous debtors and other assets	103,837	89,611
	Other deposits	47,579	47,406
	Total other assets	**423,606**	**377,836**
32	**Debt to credit institutions and central banks**		
	Demand	744,719	726,673
	Up to and including 3 months	49,588	51,277
	More than 3 months and up to and including 1 year	172,328	145,128
	More than 1 year and up to and including 5 years	686,368	607,107
	More than 5 years	519,762	386,291
	Total debt to credit institutions and central banks	**2,172,765**	**1,916,476**
	Distributed as follows:		
	Debt to credit institutions	2,172,765	1,916,476
		2,172,765	**1,916,476**
33	**Deposits and other debt**		
	Demand*	27,360,670	26,379,274
	Deposits and other debt with notice:		
	Up to and including 3 months	719,625	818,592
	More than 3 months and up to and including 1 year	1,831,691	1,853,305
	More than 1 year and up to and including 5 years	1,281,235	1,572,923
	More than 5 years	2,658,272	2,582,001
	Total deposits and other debt	**33,851,493**	**33,206,095**
	of which deposits covered by the Guarantee Fund	63.6%	60.1%
	Distributed as follows:		
	Demand	27,230,601	26,220,891
	With notice	1,803,540	1,891,140
	Time deposits	437,582	642,563
	Long-term deposit agreements	1,394,999	1,751,158
	Special types of deposits*	2,984,771	2,700,343
		33,851,493	**33,206,095**
	** Special types of deposits are entered under the item “Demand” pending payment whereas, in the specification of the different types of deposits, the sum is included under “Special types of deposit”.*		
34	**Issued bonds at amortised cost***		
	More than 1 year and up to and including 5 years	1,550,609	748,100
	More than 5 years	662,100	679,924
	Total issued bonds at amortised cost	**2,212,709**	**1,428,024**
	** Cf. note 46.*		
35	**Other liabilities**		
	Interest and commission payable	36,360	28,138
	Negative market value of derivative financial instruments	120,347	114,889
	Collateral under CSA agreements	18,778	0
	Miscellaneous creditors and other liabilities	356,091	452,886
	Total other liabilities	**531,576**	**595,913**

Note no.		31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
36	**Provisions for pensions and similar liabilities**		
	Pension obligations taken over on the merger	2,398	2,882
	Total provisions for pensions and similar liabilities	**2,398**	**2,882**

37 Subordinated debt*

Type	Interest	Currency	Million	Due date	Possible early repayment date	31 Dec. 2019	31 Dec. 2018
Tier 2 capital							
Bond loan**	Fixed-rate	DKK	275	27 Feb. 2025	27 Feb. 2020	275,000	275,000
Bond loan***	Floating-rate	EUR	50	20 May 2025	20 May 2020	373,473	373,220
Bond loan****	Fixed-rate	DKK	500	13 June 2028	13 June 2023	500,000	500,000
Bond loan*****	Floating-rate	DKK	300	13 June 2030	13 June 2025	300,000	300,000
Bond loan******	Floating-rate	EUR	100	22 Aug. 2029	22 Aug. 2024	746,945	-
Total tier 2 capital (included in total capital)						**2,195,418**	**1,448,220**
Adjustment to amortised cost and fair value adjustment						5,439	254
Total subordinated debt						**2,200,857**	**1,448,474**

* *Cf. note 46.*

** *Issued on 27 February 2015 (taken over on merger). The interest rate is a fixed rate corresponding to a five-year mid-swap plus 5% p.a., after which the interest rate will be a floating rate corresponding to the Cibor 6M plus 5% p.a. Interest expenses – 2019: tDKK 15,705, 2018: tDKK 8,866.*

*** *Issued on 20 May 2015. The interest rate is a floating rate corresponding to the Euribor 3M plus 1.80% p.a. Interest expenses – 2019: tDKK 5,716, 2018: tDKK 5,798.*

**** *Issued on 13 June 2018. The interest rate is a fixed rate corresponding to a 5-year mid-swap plus 1.65% p.a., after which the interest rate will be a floating rate corresponding to Cibor 6M plus 1.65% p.a. Interest expenses – 2019: tDKK 11,283, 2018: tDKK 6,343. Costs of raising loan: tDKK 2,500.*

***** *Issued on 13 June 2018. The interest rate is a floating rate corresponding to the Cibor 6M plus 1.85% p.a. Interest expenses – 2019: tDKK 5,325, 2018: tDKK 3,027. Costs of raising loan: tDKK 1,500*

****** *Issued on 22 August 2019. The interest rate is a floating rate corresponding to the Euribor 6M plus 1.75% p.a. Interest expenses – 2019: tDKK 3,903. Costs of raising loan: tDKK 2,462*

Note no.		31 Dec. 2019	31 Dec. 2018
38	**Share capital**		
	Number of DKK 1 shares:		
	Beginning of year	30,994,258	22,350,000
	Cancellation during the year	-1,332,462	-538,000
	Issue of new shares in connection with the merger	0	9,182,258
	End of year	**29,661,796**	**30,994,258**
	Reserved for subsequent cancellation	433,475	1,087,875
	Total share capital	**29,662**	**30,994**
	The whole share capital has been admitted for listing on Nasdaq Copenhagen.		
39	**Own shares**		
	Own shares included in the balance sheet at	0	0
	Market value	222,933	382,726
	Number of own shares:		
	Beginning of year	1,125,666	538,685
	Purchase during the year	2,202,299	2,328,984
	Sale during the year	-1,561,782	-1,204,003
	Cancellation during the year	-1,332,462	-538,000
	End of year	433,721	1,125,666
	Reserved for subsequent cancellation	433,475	1,087,875

Note no.		31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
39	**Own shares – continued**		
	Nominal value of holding of own shares, end of year	434	1,126
	Own shares' proportion of share capital, end of year (%):		
	Beginning of year	3.8	1.7
	Purchase during the year	7.4	7.5
	Sale during the year	-5.2	-3.9
	Cancellation during the year	-4.5	-1.7
	End of year	1.5	3.6
	The purchases and sales of own shares during the year were effected on the basis of the bank's ordinary trading in shares and share buy-back programmes.		
40	**Contingent liabilities etc.**		
	Contingent liabilities		
	Financial guarantees	2,607,892	2,506,093
	Guarantees against losses on mortgage credit loans	2,562,301	2,285,909
	Registration and refinancing guarantees	3,685,346	2,235,726
	Sector guarantees	104,802	134,604
	Other contingent liabilities	704,333	667,085
	Total contingent liabilities	**9,664,674**	**7,829,417**
	Other contractual obligations		
	Irrevocable credit commitments etc.	281,000	13,531
	Total other contractual obligations	**281,000**	**13,531**
41	**Assets provided as security**		
	First-mortgage loans are provided for renewable energy projects. The loans are funded directly by KfW Bankengruppe, to which security in the associated loans has been provided. Each reduction of the first-mortgage loans is deducted directly from the funding at KfW Bankengruppe. The balance sheet item is	**1,259,983**	**965,872**
	As security for clearing etc., the bank has pledged securities from its holding to the central bank of Denmark to a total market price of	**180,113**	**279,570**
	Amount deposited in a cover-for-liabilities account as security for a loss limit with regard to the Danish Growth Fund as a consequence of Ringkjøbing Landbobank's ownership interest in Landbrugets Finansieringsinstitut	**379**	**418**
	Collateral under CSA agreements etc.	**46,270**	**42,947**

42 Contractual obligations

The following information is provided on material contractual obligations:

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

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

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

43 Legal proceedings etc.

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

Note no.

44 Related parties

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

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

There were no transactions during the year with the board of directors and the general management, apart from payments of salaries and fees etc., securities trading, loans and the provision of collateral security. All transactions performed in 2019 and 2018 with related parties were on market terms or on an at-cost basis.

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

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

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

	31 Dec. 2019 DKK 1,000	**31 Dec. 2018** DKK 1,000
Amounts of loans issued to and mortgages, sureties or guarantees issued for the members of the bank's:		
General management	840	3,245
Interest rate	3.85%	2.75% - 3.67%
Board of directors, including members elected by the employees	17,688	17,680
Interest rate	0.75% - 19.50%	0.37% - 12.00%
New exposures during the year have been granted for a net	1,000	0
Exposures taken over on the merger	-	13,465
All exposures are on market terms, including both interest and guarantee commission rates.		
Security provided by members of the bank's:		
General management	0	0
Board of directors, including members elected by the employees	4,355	2,369
Shareholdings* of the board of directors and general management in Ringkjøbing Landbobank at the end of the year	No. of shares	No. of shares
Board of directors:		
Martin Krogh Pedersen	30,015	50,015
Mads Hvolby (took office on 7 June 2018)	2,961	2,693
Jens Møller Nielsen	470	470
Morten Jensen (took office on 7 June 2018)	1,100	1,100
Jon Steingrim Johnsen	0	0
Jacob Møller	785	785
Lone Rejkjær Söllmann	906	906
Sten Uggerhøj (took office on 7 June 2018)	30,122	30,122
Dan Junker Astrup	71	1
Gitte E. S. H. Vigsø	98	90
Arne Ugilt (took office on 7 June 2018)	839	1,264
Finn Aaen (took office on 7 June 2018)	462	400
General management:		
John Bull Fisker	76,015	76,035
Claus Andersen (took office on 7 June 2018)	1,606	1,456
Jørn Nielsen	10,041	11,281
Carl Pedersen (took office on 7 June 2018)	1,140	990

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

Note no.

45 Fair value of financial instruments

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

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

Shares etc., investments in associated companies and group undertakings, assets linked to pooled schemes and derivative financial instruments are measured in the accounts at fair value. Recognised amounts equal fair values.

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

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

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

Deposits in pooled schemes are measured in the accounts at fair value. Recognised amounts equal fair values.

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

	31 Dec. 2019		31 Dec. 2018	
	Book value DKK 1,000	**Fair value** DKK 1,000	**Book value** DKK 1,000	**Fair value** DKK 1,000
Financial assets				
Cash in hand and demand deposits with central banks	685,380	685,380	657,913	657,913
Receivables from credit institutions and central banks*	2,668,915	2,668,915	3,165,947	3,165,947
Loans and other receivables at amortised cost*	35,516,493	35,689,369	33,388,819	33,653,496
Bonds at fair value*	6,779,713	6,779,713	5,438,659	5,438,659
Shares etc.	1,290,523	1,290,523	1,467,313	1,467,313
Investments in associated companies	457	457	480	480
Investments in group undertakings	12,035	12,035	11,811	11,811
Assets linked to pooled schemes	4,276,344	4,276,344	3,786,476	3,786,476
Derivative financial instruments	183,468	183,468	153,652	153,652
Total financial assets	**51,413,328**	**51,586,204**	**48,071,070**	**48,335,747**
Financial liabilities				
Debt to credit institutions and central banks*	2,173,272	2,174,736	1,917,010	1,918,836
Deposits and other debt*	34,054,327	34,054,764	33,209,145	33,296,199
Deposits in pooled schemes	4,276,344	4,276,344	3,786,476	3,786,476
Issued bonds at amortised cost*	2,226,210	2,226,210	1,432,798	1,432,798
Derivative financial instruments	120,347	120,347	114,889	114,889
Subordinated debt*	2,221,207	2,221,207	1,467,757	1,467,757
Total financial liabilities	**45,071,707**	**45,073,608**	**41,928,075**	**42,016,955**

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

Note no.		31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
46	**Hedging***		
	Loans at book value	**253,555**	**288,862**
	Hedged by currency swap (SEK/DKK), maturity 2022:		
	Synthetic principal	12,343	13,259
	Fair value	1,162	927
	Hedged by currency swap (EUR/DKK), maturity 2025:		
	Synthetic principal	149,762	149,661
	Fair value	-7,343	-5,075
	Hedged by interest rate swaps, maturity 2021-2035:		
	Synthetic principal	91,040	123,787
	Fair value	-2,501	-1,870
	Issued bonds at book value	**1,628,376**	**746,440**
	Hedged by currency swaps (EUR/DKK), maturity 2023-2039:		
	Synthetic principal	933,681	746,440
	Fair value	32,293	14,583
	Hedged by interest rate swaps, maturity 2023-2029:		
	Synthetic principal	694,695	0
	Fair value	4,024	0
	Tier 2 capital at book value	**500,000**	**500,000**
	Hedged by interest rate swap, maturity 2023:		
	Synthetic principal	500,000	500,000
	Fair value	16,216	10,734
	Hedging is thus:		
	Currency swaps – total synthetic principal	1,095,786	909,360
	Interest swaps – total synthetic principal	1,285,735	623,787
	Fair value – currency swaps	26,112	10,435
	Fair value – interest rate swaps	17,739	8,864

** Fair value hedging only.*

47 Risks and risk management

As described in the section on risk "Risks and risk management" in the management review, Ringkjøbing Landbobank is exposed to various types of risk. See the section on risks on pages 30-40 of the management review for a description of financial risks and policies and objectives for the management of these risks:

- Credit risks – page 31
- Market risks – page 35
- Interest rate risk – page 36
- Foreign exchange risk – page 36
- Share price risk – page 37
- Value at Risk – page 38
- Liquidity risk – page 39

The following notes to the financial statements contain detailed information and descriptions of the bank's credit and market risks.

Note no.		31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
48	**Credit risk**		
	Maximum credit exposure classified by balance sheet and off-balance sheet items (net)		
	Loans and other receivables at amortised cost	35,465,416	33,350,334
	Guarantees (contingent liabilities)	9,605,980	7,829,417
	Unutilised credit facilities and loan undertakings*	16,971,611	14,790,888
	Other exposures, including derivative financial instruments	736,227	780,098
	Total maximum credit exposure	**62,779,234**	**56,750,737**

** The bank has made unutilised credit facilities and loan undertakings to a total of DKK 17.0 billion available. Committed credit facilities and loan undertakings are DKK 281 million and the bank will be able to terminate the non-committed credit facilities and loan undertakings with immediate effect.*

			Security received				
Security received for maximum credit exposure	**Maximum credit exposure** DKK 1,000	**Loans and guarantees** DKK 1,000	**Real property** DKK 1,000	**Movables** DKK 1,000	**Securities and cash** DKK 1,000	**Other security*** DKK 1,000	**Total** DKK 1,000
2019							
Public authorities	**43,624**	**19,760**	**775**	**1,344**	**780**	**100**	**2,999**
Business customers:							
Agriculture, forestry and fishing	6,112,035	4,620,807	1,456,561	706,526	169,788	1,286,427	**3,619,302**
Industry and raw materials extraction	2,159,681	1,420,174	261,399	521,701	22,418	77,028	**882,546**
Energy supply	4,465,375	3,173,998	99,515	700	155,575	2,532,473	**2,788,263**
Building and construction	2,300,960	1,495,779	480,373	172,428	37,555	151,763	**842,119**
Trade	3,103,834	1,748,875	448,688	527,468	59,154	80,053	**1,115,363**
Transport, hotels and restaurants	971,457	812,537	192,783	59,168	61,926	280,138	**594,015**
Information and communication	310,133	220,299	85,214	51,545	16,510	9,076	**162,345**
Finance and insurance	5,407,596	3,492,707	164,311	396,449	1,244,465	542,556	**2,347,781**
Real property	10,049,472	7,568,682	4,401,454	8,503	243,892	339,112	**4,992,961**
Other business customers	5,382,752	2,975,092	1,162,143	159,768	411,869	328,799	**2,062,579**
Total business customers	**40,263,295**	**27,528,950**	**8,752,441**	**2,604,256**	**2,423,152**	**5,627,425**	**19,407,274**
Private individuals	**22,472,315**	**17,522,686**	**9,737,271**	**1,514,508**	**903,978**	**1,190,328**	**13,346,085**
Total	**62,779,234**	**45,071,396**	**18,490,487**	**4,120,108**	**3,327,910**	**6,817,853**	**32,756,358**

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

Note no.

48 Credit risk – continued

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

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

Description of security

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

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

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

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

Note no.

48 Credit risk – continued

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

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

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

The bank in 2019 changed its bookkeeping of guarantees for mortgage debt for the customers it took over from Nordjyske Bank in connection with the merger. From 2019 onwards these guarantees are recognised in the credit exposure to personal customers ("Private individuals") whereas they were previously included in the "Finance and insurance" industry.

Distribution by sector and industry

A more detailed distribution by sector and industry of the items "Loans and other receivables at amortised cost" and "Guarantees" is given below.

	31 Dec. 2019 Percent	31 Dec. 2018 Percent
Loans and guarantees in percent, end of year, by sector and industry (net)*		
Public authorities	**0.0**	**0.1**
Business customers:		
Agriculture, hunting and forestry		
Cattle farming etc.	1.4	1.3
Pig farming etc.	1.3	1.6
Other agriculture, hunting and forestry	5.5	5.2
Fishing	2.1	2.5
Industry and raw materials extraction	3.2	2.9
Energy supply		
Renewable energy	6.7	6.8
Other energy supply	0.3	0.3
Building and construction	3.3	3.2
Trade	3.9	3.8
Transport, hotels and restaurants	1.8	1.6
Information and communication	0.5	0.4
Finance and insurance	7.7	9.9
Real property		
First mortgage without prior creditors	12.0	10.6
Other real property financing	4.8	4.6
Other business customers	6.6	7.8
Total business customers	**61.1**	**62.5**
Private individuals	**38.9**	**37.4**
Total	**100.0**	**100.0**

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

Note no.

48 Credit risk – continued

Comments on the distribution by sector and industry

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

The bank has a well-diversified portfolio related to agriculture, with pig farms accounting for 1.3% of the total volume of loans and guarantees, cattle farms accounting for 1.4%, and others for 5.5%. 2019 was a very mixed year for agriculture. Prices paid to pig production were very favourable whereas the conditions for mink production continue to be very difficult. Security consists primarily of mortgages on agricultural property (land, buildings and other production facilities on the farms). To this must be added assignment to the bank of subsidies per hectare and other accounts etc.

The bank has financed wind turbines for many years and in recent years also granted loans to the establishment of solar cell and biogas plants. The "Renewable energy" portfolio accounts for a total of 6.7% of the bank's total loans and guarantees. Security consists of mortgages on renewable energy plants and assignment in electricity accounts etc.

Real property accounts for a total of 16.8% of the bank's total loans and guarantees. The proportion is higher than at the end of 2018 as the bank's first mortgage loans grew to 12.0% from 10.6% last year. These loans are first mortgages on real property and construction financing without prior creditors. The risk profile is judged to be lower than for traditional real property financing, which is typically junior to mortgage credit financing.

Finance and insurance comprise a total of 7.7% of the bank's total loans and guarantees and include exposure to well-consolidated financial counterparties, loans granted on mortgage deed portfolios and leasing companies and the bank's concept for securities lending. The security provided includes listed securities and mortgage deeds.

Personal customers account for a total of 38.9% of Ringkjøbing Landbobank's total loans and guarantees, which is higher than previous years. The main reason is that, in 2019, the bank changed its book-keeping of guarantees for mortgage debt for the customers it took over from Nordjyske Bank. From 2019 onwards these guarantees are recognised in the credit exposure to personal customers ("Private individuals") whereas they were previously included in the "Finance and insurance" industry. The quality of the loans is very good and the development in credit quality remains positive. The customers' finances are generally good and positively affected by low unemployment and increasing house prices. Collateral received from personal customers consists primarily of mortgages on real property (private homes).

Note no.

48 Credit risk – continued

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

Distribution by credit quality and stages

	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total	Total
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	Percent
2019						
Credit quality						
High	46,888,753	184,277	0	0	**47,073,030**	**74%**
Medium	7,953,793	1,307,302	0	0	**9,261,095**	**14%**
Low	1,566,051	3,671,773	0	0	**5,237,824**	**8%**
Credit-impaired	0	0	1,830,870	671,832	**2,502,702**	**4%**
Total	**56,408,597**	**5,163,352**	**1,830,870**	**671,832**	**64,074,651**	**100%**
Impairment charges etc.	**136,729**	**404,006**	**983,477**	**507,433**	**2,031,645**	
2018						
Credit quality						
High	39,086,748	256,512	0	0	**39,343,260**	**68%**
Medium	9,287,753	1,288,099	0	0	**10,575,852**	**18%**
Low	2,495,893	3,125,186	0	0	**5,621,079**	**10%**
Credit-impaired	0	0	1,000,695	1,396,715	**2,397,410**	**4%**
Total	**50,870,394**	**4,669,797**	**1,000,695**	**1,396,715**	**57,937,601**	**100%**
Impairment charges etc.	**182,963**	**287,174**	**730,741**	**839,529**	**2,040,407**	

Note
no.

48 Credit risk – continued

Loans, guarantees and unutilised credit facilities and loan undertakings by credit quality, sector and industry and IFRS 9 stages (before impairment and provisions) – continued

Distribution by sector and industry and stage

	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total	Total impairment charges etc.
	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000	DKK 1,000
2019						
Public authorities	**40,152**	**125**	**429**	**0**	**40,706**	**241**
Business customers:						
Agriculture, forestry and fishing	4,348,095	1,487,263	722,958	297,129	**6,855,445**	**832,829**
Industry and raw materials extraction	1,538,984	480,242	147,643	3,899	**2,170,768**	**92,318**
Energy supply	4,330,847	121,186	17,280	8,481	**4,477,794**	**26,009**
Building and construction	2,001,258	267,108	41,366	36,759	**2,346,491**	**45,663**
Trade	2,791,568	227,985	102,816	26,107	**3,148,476**	**94,830**
Transport, hotels and restaurants	886,766	72,249	35,372	15,328	**1,009,715**	**41,215**
Information and communication	259,175	30,531	26,586	2,558	**318,850**	**10,767**
Finance and insurance	5,067,558	183,675	40,719	499	**5,292,451**	**24,278**
Real property	9,055,221	656,506	267,771	63,809	**10,043,307**	**195,466**
Other business customers	4,934,323	340,538	108,610	31,753	**5,415,224**	**137,651**
Total business customers	**35,213,795**	**3,867,283**	**1,511,121**	**486,322**	**41,078,521**	**1,501,026**
Private individuals	**21,154,650**	**1,295,944**	**319,320**	**185,510**	**22,955,424**	**530,378**
Total	**56,408,597**	**5,163,352**	**1,830,870**	**671,832**	**64,074,651**	**2,031,645**
Total (percent)	**88%**	**8%**	**3%**	**1%**	**100%**	

Note no.

48 Credit risk – continued

Loans, guarantees and unutilised credit facilities and loan undertakings by credit quality, sector and industry and IFRS 9 stages (before impairment and provisions) – continued

Distribution by sector and industry and stage – continued

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

Note
no.

48 Credit risk – continued

Loans in stage 3	Loans (gross) with impairment charges	Impairment charges	Security for impaired loans
	DKK 1,000	DKK 1,000	DKK 1,000
2019			
Public authorities	**429**	**182**	**201**
Business customers:			
Agriculture, forestry and fishing	892,338	654,223	215,213
Industry and raw materials extraction	71,804	67,974	3,987
Energy supply	24,604	12,142	10,264
Building and construction	70,526	26,960	42,348
Trade	117,160	71,298	43,590
Transport, hotels and restaurants	44,734	33,237	10,192
Information and communication	28,488	8,198	12,786
Finance and insurance	12,120	4,887	7,385
Real property	325,533	127,130	174,556
Other business customers	132,658	104,768	23,063
Total business customers	**1,719,965**	**1,110,817**	**543,384**
Private individuals	**480,009**	**350,383**	**115,462**
Total	**2,200,403**	**1,461,382**	**659,047**
2018			
Public authorities	**1,197**	**384**	**365**
Business customers:			
Agriculture, forestry and fishing	1,129,074	721,577	478,485
Industry and raw materials extraction	122,304	109,630	9,947
Energy supply	42,776	27,110	17,494
Building and construction	63,333	32,563	30,892
Trade	158,055	96,179	61,258
Transport, hotels and restaurants	51,413	36,186	13,384
Information and communication	6,040	5,427	942
Finance and insurance	1,278	1,081	0
Real property	160,794	88,572	58,718
Other business customers	122,012	90,271	29,369
Total business customers	**1,857,079**	**1,208,596**	**700,489**
Private individuals	**495,197**	**338,195**	**119,301**
Total	**2,353,473**	**1,547,175**	**820,155**

Note
no.

48 Credit risk – continued

Comments on the distribution by credit quality
The quality of the bank's exposures is generally strong. The table shows exposures by high, medium and low credit quality as well as credit-impaired and shows that the credit quality is high for 74% of the bank's exposures, a considerable improvement compared to the 68% last year. This shows the positive economic conditions which generally strengthen the finances of customers. In addition, the interest rate fall and the resulting refinancing activity has temporarily increased the bank's provision of guarantees, primarily to customers with high credit quality. The group "Credit-impaired on initial recognition" concerns customers from Nordjyske Bank who were at stage 3 on the date of the merger. The quantity was reduced significantly during 2019.

The categories high, medium and low credit quality do not translate directly into the Danish FSA's rating classes but, as a principal rule, high credit quality can be viewed as FSA rating classes 3 and 2a, medium credit quality as the best part of FSA rating class 2b, while low credit quality covers the rest of FSA rating classes 2b and 2c. Credit-impaired exposures are those where losses are expected in the most probable scenario.

Comments on the distribution by stages
Eighty-eight percent of the bank's exposures are in stage 1 (with no significant increase in credit risk since initial recognition), while 8% are in stage 2 (significant increase in credit risk). The bank's exposures in stage 3 (credit-impaired) account for 4% of total exposures. The group "Credit-impaired on initial recognition" is considered to be stage 3. The table shows that exposures in agriculture in particular are in stage 3.

The management estimate is incorporated into the bank's stage 2 impairment charges. In 2019, the total management estimate increased by DKK 74 million from DKK 52 million at the end of 2018 to DKK 126 million at the end of 2019.

The increase relates to the fishing segment where impairment charges are recognised for potential risks resulting from the consequences of Brexit and of reduced fishing quotas in the North Sea. In addition, the bank has increased the management estimate due to concern that the macroeconomic adjustment in the model might not be sufficient.

The principles for classification in stages are described in note 1 "Accounting policies etc." in the section "Model for impairment of expected credit losses on loans and other receivables etc."

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

Note no.		31 Dec. 2019 DKK 1,000	31 Dec. 2018 DKK 1,000
48	**Credit risk – continued**		
	Suspended calculation of interest		
	Loans and other receivables with suspended calculation of interest on the balance sheet date	**212,195**	**209,642**
	Credit risk on derivative financial instruments		
	Positive market value (by counterparty risk) after netting		
	Counterparty risk weighting 20%	30,824	126,328
	Counterparty risk weighting 50%	35,058	53,362
	Counterparty risk weighting 75%	25,455	31,481
	Counterparty risk weighting 100%	73,346	86,500
	Counterparty risk weighting 150%	7	1,399
	Total risk weighting	**164,690**	**299,070**
49	**Foreign exchange risk**		
	Total assets in foreign currency	5,270,939	4,698,387
	Total liabilities in foreign currency	5,975,130	5,278,553
	Foreign exchange indicator 1	83,526	61,842
	Foreign exchange indicator 1 in percent of tier 1 capital (%)	**1.4**	**1.1**
	Foreign exchange indicator 2	104	196
	Foreign exchange indicator 2 in percent of tier 1 capital (%)	**0.0**	**0.0**
50	**Interest rate risk**		
	Total interest rate risk	**54,197**	**52,103**
	Interest rate risk (%)	**0.9**	**1.0**
	Interest rate risk by foreign currency:		
	DKK	44,635	46,598
	EUR	10,039	5,429
	NOK	202	104
	USD	92	57
	SEK	-118	202
	CHF	-217	-160
	GBP	-387	-119
	Other currencies	-49	-8
	Total	**54,197**	**52,103**

Note no.

51 **Value at Risk / Market risk**

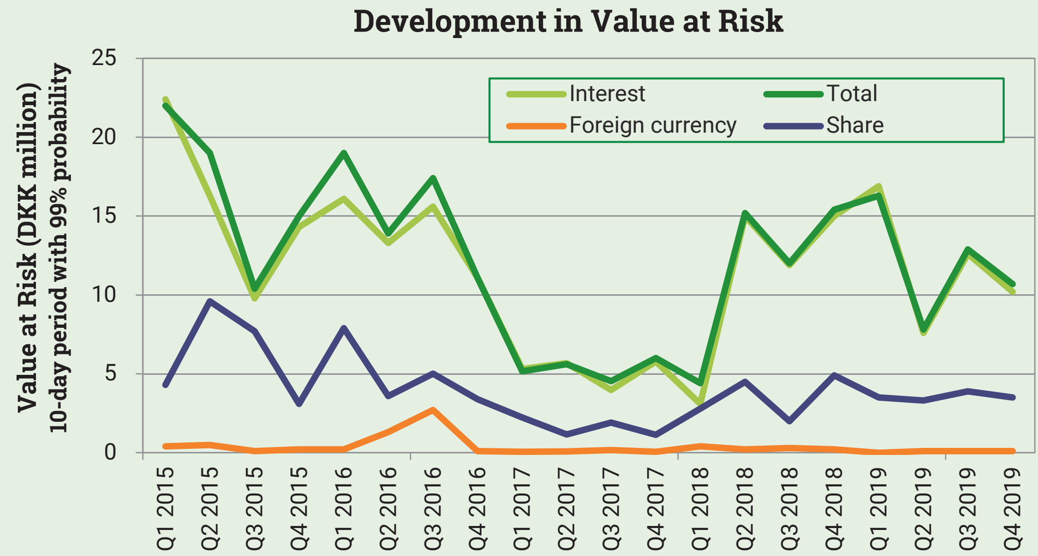
Ringkjøbing Landbobank uses a Value at Risk (VaR) model as a sensitivity analysis for market risks. The model is a parametric VaR model based on a historic analysis of the covariance (the correlations) between the prices of various financial assets etc. The model combines historical knowledge of covariance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

Reference is made to pages 35 and 38-39 of this annual report for further description of the model etc.

Risk type	**Average VaR figure**	**Minimum VaR figure***	**Maximum VaR figure***	**End of year VaR figure**
(DKK million)				
Interest	14.5	6.0	29.0	10.2
Foreign exchange	0.1	0.1	0.4	0.1
Share price	3.6	3.3	3.7	3.5
Diversification	-3.5	-3.0	-4.1	-3.1
Total VaR figure	**14.7**	**6.4**	**29.0**	**10.7**

** Determined by the total VaR figure.*

Sensitivity analysis of sector shares (DKK 1,000)	
Sector shares cf. note 25	1,236,255
Impact on the profit of a 10% price change	123,626



Note
no.

52 Derivative financial instruments

Remaining time to maturity

DKK 1,000	Up to and including 3 months		More than 3 months and up to and including 1 year	
	Nominal value	Net market value	Nominal value	Net market value
Currency contracts				
Spot, purchase	68,860	-1,520		
Spot, sale	68,862	-164		
Forward transactions / futures, purchase	857,021	12,369	220,121	4,881
Forward transactions / futures, sale	1,058,403	12,423	194,685	-1,343
Options, acquired	100	10		
Options, issued	100	-14		
Interest-rate contracts				
Spot, purchase	162,220	66		
Spot, sale	161,472	239		
Forward transactions / futures, purchase	135	457	16	90
Forward transactions / futures, sale	196	202	28	-32
Swaps	17,465	-3	182,993	-545
Options, acquired	15,950	26	26,803	
Options, issued	15,950	-26	26,803	
Share contracts				
Spot, purchase	63,020	-270		
Spot, sale	61,832	498		
Forward transactions / futures, purchase	0	-67		
Forward transactions / futures, sale	0	67		
Options, acquired	0	115	0	69
Options, issued	0	-115	0	-69

	More than 1 year and up to and including 5 years		More than 5 years	
	Nominal value	Net market value	Nominal value	Net market value
Currency contracts				
Forward transactions / futures, purchase	10,271	133		
Forward transactions / futures, sale	13,782	-114		
Swaps	875,575	-3,883	719,458	32,315
Interest-rate contracts				
Swaps	1,777,817	4,098	939,397	3,228
Options, acquired	90,478	3,305	84,861	1,398
Options, issued	90,478	-3,305	84,861	-1,398

Note no.

52 Derivative financial instruments – continued

DKK 1,000	Total nominal value		Total net market value	
	2019	2018	2019	2018
Currency contracts				
Spot, purchase	68,860	77,740	-1,520	50
Spot, sale	68,862	41,243	-164	-38
Forward transactions / futures, purchase	1,087,413	2,606,113	17,383	-201
Forward transactions / futures, sale	1,266,870	2,031,580	10,966	12,758
Swaps	1,595,033	1,116,981	28,432	17,046
Options, acquired	100	17,580	10	130
Options, issued	100	17,580	-14	-142
Interest-rate contracts				
Spot, purchase	162,220	495,774	66	-144
Spot, sale	161,472	67,981	239	3
Forward transactions / futures, purchase	151	144	547	1,567
Forward transactions / futures, sale	224	218	170	-842
Swaps	2,917,672	3,575,825	6,778	8,461
Options, acquired	218,092	222,102	4,729	5,461
Options, issued	218,092	222,102	-4,729	-5,461
Share contracts				
Spot, purchase	63,020	76,249	-270	358
Spot, sale	61,832	75,672	498	-243
Forward transactions / futures, purchase		0	-67	-9
Forward transactions / futures, sale		0	67	9
Options, acquired		1	184	7
Options, issued		1	-184	-7
Total net market value			**63,121**	**38,763**

Note
no.

52 Derivative financial instruments – continued

DKK 1,000	Market value				Average market value			
	Positive		Negative		Positive		Negative	
	2019	2018	2019	2018	2019	2018	2019	2018
Currency contracts								
Spot, purchase	117	72	1,637	22	131	126	884	240
Spot, sale	37	56	201	94	49	161	107	70
Forward transactions / futures, purchase	18,976	11,720	1,593	11,921	14,970	15,136	2,550	6,803
Forward transactions / futures, sale	16,422	18,382	5,456	5,624	14,583	14,522	4,957	4,246
Swaps	47,391	25,270	18,959	8,224	47,670	17,443	16,587	6,935
Options, acquired	10	130			55	230		
Options, issued			14	142			56	233
Interest-rate contracts								
Spot, purchase	94	57	28	201	656	480	120	1,087
Spot, sale	274	47	35	44	242	758	362	227
Forward transactions / futures, purchase	618	1,567	71		3,570	1,112	106	
Forward transactions / futures, sale	400	58	230	900	524	661	2,784	1,261
Swaps	92,775	89,817	85,997	81,356	96,797	80,189	98,193	75,118
Options, acquired	4,729	5,461			4,481	6,016		
Options, issued			4,729	5,461			5,266	6,016
Share contracts								
Spot, purchase	410	664	680	306	3,238	936	557	522
Spot, sale	964	335	466	578	638	552	3,168	910
Forward transactions / futures, purchase			67	9	133	29	23	2
Forward transactions / futures, sale	67	9			23	2	133	29
Options, acquired	184	7			145	305		
Options, issued			184	7			145	305
Total market value	**183,468**	**153,652**	**120,347**	**114,889**	**187,905**	**138,659**	**135,988**	**104,002**

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

FIVE-YEAR MAIN FIGURES

Summary (DKK 1,000)	**2019**	**2018**	**2017**	**2016**	**2015**
Income statement					
Interest income	1,299,449	1,031,664	694,136	749,021	736,995
Interest expenses	131,144	105,169	53,094	69,743	91,165
Net interest income	**1,168,305**	**926,495**	**641,042**	**679,278**	**645,830**
Dividends from shares etc.	70,409	27,619	10,258	18,995	13,010
Fee and commission income	833,082	538,862	322,717	297,328	301,076
Fee and commission expenses	78,541	48,293	42,486	42,417	41,687
Net interest and fee income	**1,993,255**	**1,444,683**	**931,531**	**953,184**	**918,229**
Value adjustments	+168,906	+179,833	+143,225	+63,784	+29,583
Other operating income	13,582	5,770	4,979	7,560	4,964
Staff and administration expenses	778,458	704,778	327,024	306,670	281,634
Amortisation, depreciation and write-downs on intangible and tangible assets	37,959	22,690	4,249	8,638	7,351
Other operating expenses	3,934	2,816	3,174	2,318	17,301
Impairment charges for loans and receivables etc.	-110,172	-86,955	-10,320	-48,378	-60,367
Results from investments in associated companies and group undertakings	+201	+80	-20	+2,842	+2,137
Profit before tax	**1,245,421**	**813,127**	**734,948**	**661,366**	**588,260**
Tax	267,156	149,935	146,308	121,868	129,595
Net profit for the year	**978,265**	**663,192**	**588,640**	**539,498**	**458,665**

Summary (DKK 1,000)	**End of 2019**	**End of 2018**	**End of 2017**	**End of 2016**	**End of 2015**
Balance sheet					
Assets					
Cash in hand and deposits with credit institutions and central banks	3,354,295	3,823,860	1,519,788	2,361,235	1,049,165
Loans and other receivables at amortised cost	35,465,416	33,350,334	19,350,866	17,481,838	17,299,920
Securities	8,076,548	6,906,742	4,574,388	3,974,371	3,584,437
Assets linked to pooled schemes	4,276,344	3,786,476	-	-	-
Intangible assets	1,049,838	1,064,838	-	-	-
Tangible assets	228,936	266,265	74,458	75,051	68,493
Other assets	489,517	452,013	276,983	365,642	315,414
Total assets	**52,940,894**	**49,650,528**	**25,796,483**	**24,258,137**	**22,317,429**
Liabilities and equity					
Debt to credit institutions and central banks	2,172,765	1,916,476	1,599,416	1,457,792	1,502,586
Deposits and other debt	33,851,493	33,206,095	19,110,127	18,314,427	16,986,543
Deposits in pooled schemes	4,276,344	3,786,476	-	-	-
Issued bonds	2,212,709	1,428,024	673,436	297,370	0
Other liabilities	533,417	599,966	214,570	256,511	143,867
Provisions for liabilities	83,433	76,327	10,263	6,287	16,057
Subordinated debt	2,200,857	1,448,474	371,753	371,095	372,278
Share capital	29,662	30,994	22,350	22,850	23,350
Reserves	7,580,214	7,157,696	3,794,568	3,531,805	3,272,748
Total shareholders' equity	7,609,876	7,188,690	3,816,918	3,554,655	3,296,098
Total liabilities and equity	**52,940,894**	**49,650,528**	**25,796,483**	**24,258,137**	**22,317,429**
Contingent liabilities etc.					
Contingent liabilities	9,664,674	7,829,417	3,183,874	2,459,509	2,234,381
Irrevocable credit commitments	281,000	13,531	392,000	516,724	0
Total contingent liabilities etc.	**9,945,674**	**7,842,948**	**3,575,874**	**2,976,233**	**2,234,381**

FIVE-YEAR KEY FIGURES

		2019	2018	2017	2016	2015
Capital ratios:						
Total capital ratio	%	20.3	18.8	17.8	18.3	18.8
Tier 1 capital ratio	%	15.0	15.0	16.5	16.9	17.1
MREL capital ratio*	%	27.5	25.2	-	-	-
Earnings:						
Return on equity before tax	%	16.8	14.8	19.9	19.3	18.4
Return on equity after tax	%	13.2	12.1	16.0	15.8	14.3
Income / cost ratio	DKK	2.34	1.99	3.13	2.81	2.60
Return on assets	%	1.8	1.3	2.3	2.2	2.1
Market risk:						
Interest rate risk	%	0.9	1.0	1.1	1.8	2.2
Foreign exchange position	%	1.4	1.1	1.1	0.6	0.8
Foreign exchange risk	%	0.0	0.0	0.0	0.0	0.0
Liquidity risk:						
Liquidity Coverage Ratio (LCR)	%	204	183	193	185	106
Loans and impairments thereon relative to deposits	%	98.1	95.5	106.1	100.5	107.4
Credit risk:						
Loans relative to shareholders' equity		4.7	4.6	5.1	4.9	5.2
Growth in loans for the year (Pro forma growth in loans in 2018: 7.7%)	%	6.3	72.9	10.7	2.7	14.0
Total large exposures**	%	121.0	106.0	136.1	29.5	63.4
Cumulative impairment ratio	%	4.3	4.7	4.0	4.5	4.6
Impairment ratio for the year	%	0.21	0.20	0.04	0.23	0.29
Proportion of receivables at reduced interest	%	0.4	0.5	0.1	0.3	0.4
Share return:						
Earnings per share*** / *****	DKK	3,310.7	2,486.5	2,604.6	2,335.5	1,941.4
Book value per share*** / ****	DKK	26,036	24,068	17,500	15,916	14,428
Dividend per share***	DKK	1,100	1,000	900	720	600
Market price relative to earnings per share*** / *****		15.5	13.7	12.3	12.5	15.5
Market price relative to book value per share*** / ****		1.97	1.41	1.84	1.84	2.08

* *Comparative figures are only stated for the years when the key figure has applied.*

** *Comparative figures for 2015 and 2016 are based on the previous calculation method.*

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

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

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

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

Total capital ratio
Total capital in percent of total risk exposure.

Tier 1 capital ratio
Tier 1 capital in percent of total risk exposure.

MREL capital ratio*
MREL capital in percent of total risk exposure.

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

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

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

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

Interest rate risk
Interest rate risk in percent of tier 1 capital.

Foreign exchange position
Foreign exchange indicator 1 in percent of tier 1 capital.

Foreign exchange risk
Foreign exchange indicator 2 in percent of tier 1 capital.

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

Loans and impairments thereon relative to deposits
Loans plus impairments thereon in percent of deposits.

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

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

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

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

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

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

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

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

Dividend per share***
Proposed dividend / share capital.

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

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

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

OTHER INFORMATION

Shareholders' committee

Name	Position	Home town	Born
Kristian Skannerup chairman of the shareholders' committee	Manufacturer	Tim	14 June 1959
Allan Sørensen deputy chairman of the shareholders' committee	Attorney-at-law (High Court)	Ringkøbing	26 June 1982
Anette Ørbæk Andersen	Manager	Skjern	4 March 1963
Hejne Fomsgaard Andersen	Manufacturer	Ringkøbing	30 August 1954
Per Lykkegaard Christensen	Farmer	Hjallerup	12 December 1959
Claus Dalgaard	Vice president	Ringkøbing	28 April 1962
Ole Kirkegård Erlandsen	Butcher	Snejbjerg	19 December 1962
Thomas Sindberg Hansen	Grocer	Kloster	12 December 1978
Tonny Hansen	College principal	Ringkøbing	27 May 1958
Leif Haubjerg	Farmer	No	18 December 1959
Mads Hvolby*	Chartered surveyor	Nørresundby	9 December 1956
Poul Johnsen Høj	Fishing boat skipper	Hvide Sande	10 November 1964
Kim Jacobsen	Commercial estate agent	Aalborg	25 September 1969
Erik Jensen	Manager	Skjern	7 September 1965
Morten Jensen*	Attorney-at-law (Supreme Court)	Dronninglund	31 October 1961
Poul Søe Jeppesen	Former manager	Aalborg	14 November 1952
Toke Kjær Juul	CEO	Herning	15 August 1978
Anne Kaptain	Vice president, attorney-at-law (High Court)	Sæby	14 March 1980
Kasper Lykke Kjeldsen	Manager	Aarhus	27 February 1981
Carl Erik Kristensen	Manager	Hvide Sande	28 January 1978
Henrik Lintner	Pharmacist	Hjørring	7 May 1955
Niels Erik Burgdorf Madsen	Manager	Ølgod	25 October 1959
Jacob Møller*	CEO	Ringkøbing	2 August 1969
Lars Møller	Municipal chief executive	Holstebro	30 November 1957
Bjarne Bjørnkjær Nielsen	Manager	Skjern	11 March 1973
Jens Møller Nielsen*	Manager	Ringkøbing	25 August 1956
Ole Nygaard	Manager	Frederikshavn	9 June 1964
Bente Skjørbæk Olesen	Shop owner	Vemb	16 February 1971
Martin Krogh Pedersen*	CEO	Ringkøbing	7 June 1967
Poul Kjær Poulsgaard	Farmer	Madum	21 February 1974

Name	Position	Home town	Born
Karsten Sandal	Manager	Ølstrup	25 June 1969
Jens Otto Størup	Manager	Hjørring	10 August 1967
Lone Rejkjær Söllmann*	Finance manager	Tarm	26 January 1968
Egon Sørensen	Insurer	Spjald	16 June 1965
Jørgen Kolle Sørensen	Car dealer	Hvide Sande	17 September 1970
Peer Buch Sørensen	Draper	Frederikshavn	20 May 1967
Lise Kvist Thomsen	Manager	Virum	24 May 1984
Sten Uggerhøj*	Car dealer	Frederikshavn	6 July 1959
Lasse Svoldgaard Vesterby	Manager	Ringkøbing	25 April 1978
John Christian Aasted	Manager	Aalborg	12 February 1961

** Member of the board of directors*

Board of directors

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

Born on 7 June 1967
Independent
Member of the board of directors since 27 April 2011
End of current term of office: 2023

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

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

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

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

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

Born on 25 August 1956
Independent
Member of the board of directors since 22 April 2015
End of current term of office: 2023

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

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

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

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

Jon Steingrim Johnsen, CEO, Humlebæk

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

No other managerial activities

Jacob Møller, CEO, Ringkøbing

Born on 2 August 1969
Independent
Member of the board of directors since 26 April 2017
End of current term of office: 2023

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

Lone Rejkjær Söllmann, finance manager, Tarm

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

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

Sten Uggerhøj, car dealer, Frederikshavn

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

Other managerial activities – member of the management of:

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

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

Born on 20 January 1989
Member of the board of directors since 1 March 2015
End of current term of office: 2023

No other managerial activities

BOARD OF DIRECTORS

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

Born on 24 April 1976
Member of the board of directors since 1 March 2011
End of current term of office: 2023

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

Arne Ugilt, credit consultant, Hjørring
Elected by the employees

Born on 6 August 1956
Member of the board of directors since 7 June 2018
End of current term of office: 2023

No other managerial activities

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

Born on 22 April 1970
Member of the board of directors since 7 June 2018
End of current term of office: 2023

No other managerial activities

The board members' other managerial activities are stated as at the date of closing the accounts.

Board committees

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

Information on the individual board committees is provided below:

Remuneration committee

The following are members of the remuneration committee:

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

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

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

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

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

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

Nomination committee

The following are members of the nomination committee:

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

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

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

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

Audit committee

The following are members of the audit committee:

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

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

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

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

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

Risk committee

The following are members of the risk committee:

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

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

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

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

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

** Judged to be independent.*

Board of directors – competences

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

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

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

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

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

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

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

Reference is made to note 44 on page 93 for information on holdings of Ringkjøbing Landbobank shares by members of the board of directors.

General management

John Bull Fisker, CEO

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

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

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

Claus Andersen, general manager

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

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

Jørn Nielsen, general manager

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

No other managerial activities

Carl Pedersen, general manager

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

On the board of directors of the following company etc.:
Board member of Byggesocietetet Aalborg, Aalborg
Board member of Direktør Carl Nøhr Frandsens Familiefond, Nørresundby
Board member of Vækst-Invest Nordjylland A/S, Aalborg

The board members' other managerial activities are stated as at the date of closing the accounts.

Holdings of Ringkjøbing Landbobank shares by the general management

Reference is made to note 44 on page 93 for information on holdings of Ringkjøbing Landbobank shares by members of the general management.

Ringkjøbing Landbobank Aktieselskab

Torvet 1
DK-6950 Ringkøbing
Denmark

Founded: 1886

Phone: +45 9732 1166
Telefax: +45 7624 4913
E-mail: post@landbobanken.dk
Website: www.landbobanken.com

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

Share capital

Ringkjøbing Landbobank's share capital is DKK 29,661,796, divided into 29,661,796 nom. DKK 1 shares.

Ownership

On 31 December 2019, Ringkjøbing Landbobank had registered shares of DKK 28,671,595, equivalent to 96.66% of the total share capital.

The number of registered shareholders on 31 December 2019 totalled 51,663.

Major shareholders

On 31 December 2019, two shareholders had advised that they hold between 5% and 9.99% of Ringkjøbing Landbobank's share capital:

- Nykredit Realkredit, of Copenhagen, Denmark owned 5.20% of the bank's share capital on 31 December 2019.
- ATP, of Hillerød, Denmark owned 5.05% of the bank's share capital on 31 December 2019.

Both shareholders have 3,000 votes each.

Distribution of shareholders

	End of 2019	End of 2018
Danish institutional shareholders	27%	36%
Other Danish shareholders	40%	43%
Foreign institutional shareholders	29%	17%
Other foreign shareholders	4%	4%
	100%	100%

Company announcements 2019

Summary of Ringkjøbing Landbobank's company announcements to Nasdaq Copenhagen and others in 2019:

02 January 2019	Share buy-back programme – week 52
07 January 2019	Share buy-back programme – week 1
14 January 2019	Share buy-back programme – week 2
21 January 2019	Share buy-back programme – week 3
28 January 2019	Share buy-back programme – week 4
04 February 2019	Share buy-back programme – week 5
07 February 2019	Election of employee representatives to the board of directors
11 February 2019	Share buy-back programme – week 6
18 February 2019	Share buy-back programme – week 7
21 February 2019	Conclusion of share buy-back programme
26 February 2019	Announcement of the financial statements for 2018
26 February 2019	Annual report 2018
26 February 2019	Notice convening annual general meeting
01 March 2019	Conditional agreement concerning the sale of 75% of Sparinvest Holdings SE
20 March 2019	Minutes of the annual general meeting on 20 March 2019
20 March 2019	Implementation of share buy-back programme
25 March 2019	Share buy-back programme – week 12
27 March 2019	Articles of association
30 March 2019	Large shareholder announcement under the Danish Act on Capital Markets
01 April 2019	Share buy-back programme – week 13
08 April 2019	Share buy-back programme – week 14
15 April 2019	Share buy-back programme – week 15
23 April 2019	Share buy-back programme – week 16
29 April 2019	Share buy-back programme – week 17
01 May 2019	Quarterly report 1st quarter 2019
06 May 2019	Share buy-back programme – week 18
07 May 2019	Implementation of capital reduction
07 May 2019	Articles of association
13 May 2019	Share buy-back programme – week 19

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20 May 2019	Share buy-back programme – week 20
27 May 2019	Share buy-back programme – week 21
03 June 2019	Share buy-back programme – week 22
11 June 2019	Share buy-back programme – week 23
12 June 2019	Large shareholder announcement under the Danish Act on Capital Markets
17 June 2019	Share buy-back programme – week 24
24 June 2019	Share buy-back programme – week 25
28 June 2019	Sale of ownership interest in Sparinvest Holdings SE
01 July 2019	Share buy-back programme – week 26
08 July 2019	Share buy-back programme – week 27
15 July 2019	Share buy-back programme – week 28
22 July 2019	Share buy-back programme – week 29
29 July 2019	Share buy-back programme – week 30
01 August 2019	Conclusion of share buy-back programme
07 August 2019	Interim report 2019
07 August 2019	Implementation of share buy-back programme
12 August 2019	Share buy-back programme – week 32
13 August 2019	Exploring the possibility of issuing tier 2 capital
14 August 2019	Sale of ownership interest in Sparinvest Holdings SE
15 August 2019	Tier 2 capital issue
19 August 2019	Share buy-back programme – week 33
26 August 2019	Share buy-back programme – week 34
30 August 2019	Sale of 75% of the bank's shares in Sparinvest Holdings SE completed
02 September 2019	Share buy-back programme – week 35
09 September 2019	Share buy-back programme – week 36
16 September 2019	Share buy-back programme – week 37
23 September 2019	Share buy-back programme – week 38
30 September 2019	Share buy-back programme – week 39
03 October 2019	Upward adjustment of expectations for 2019
07 October 2019	Share buy-back programme – week 40
14 October 2019	Share buy-back programme – week 41
21 October 2019	Share buy-back programme – week 42
23 October 2019	Quarterly report 1st-3rd quarters 2019

23 October 2019	Financial calendar 2020
28 October 2019	Share buy-back programme – week 43
05 November 2019	Share buy-back programme – week 44
11 November 2019	Share buy-back programme – week 45
18 November 2019	Share buy-back programme – week 46
25 November 2019	Share buy-back programme – week 47
02 December 2019	Share buy-back programme – week 48
09 December 2019	Share buy-back programme – week 49
16 December 2019	Share buy-back programme – week 50
23 December 2019	Conclusion of share buy-back programme

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

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

FINANCIAL CALENDAR

Financial calendar 2020

The financial calendar for the upcoming publications is as follows:

04 March 2020	Annual general meeting
29 April 2020	Quarterly report 1st quarter 2020
05 August 2020	Interim report 2020
28 October 2020	Quarterly report 1st-3rd quarters 2020

THE BANK'S BRANCHES

Branch	Address	Telephone
Ringkøbing, head office	Torvet 1, DK-6950 Ringkøbing	+45 9732 1166
Brønderslev	Algade 39-41, DK-9700 Brønderslev	+45 9870 4500
Frederikshavn	Jernbanegade 4-8, DK-9900 Frederikshavn	+45 9870 6000
Hasseris	Thulebakken 34, DK-9000 Aalborg	+45 9870 5900
Herning	Torvet 18, DK-7400 Herning	+45 9721 4800
Hirtshals	Jørgen Fibigersgade 16, DK-9850 Hirtshals	+45 9633 5530
Hjallerup	Hjallerup Centret 5, DK-9320 Hjallerup	+45 9870 5100
Hjørring	Østergade 4, DK-9800 Hjørring	+45 9633 5520
Holstebro	Den Røde Plads 2, DK-7500 Holstebro	+45 9610 9500
Holte	Kongevejen 356, DK-2840 Holte	+45 7624 9550
Hvide Sande	Stormgade 10, DK-6960 Hvide Sande	+45 9731 1500
Kastetvej	Kastetvej 87, DK-9000 Aalborg	+45 9870 4100
Copenhagen	Frederiksborggade 1, 1.th., DK-1360 Copenhagen K	+45 9633 5240
Læsø	Byrum Hovedgade 79, DK-9940 Læsø	+45 9633 5480
Nibe	Grønnegade 42, DK-9240 Nibe	+45 9870 6100
Nørresundby	Torvet 4, DK-9400 Nørresundby	+45 9870 5000
Sindal	Nørregade 2, DK-9870 Sindal	+45 9633 5450
Skagen	Sct. Laurentii Vej 39 B, DK-9990 Skagen	+45 9633 5210
Sæby	Vestergade 21, DK-9300 Sæby	+45 9633 5320
Tarm	Storegade 6-10, DK-6880 Tarm	+45 9737 1411
Vejgaard	Vejgaard Bymidte 2, DK-9000 Aalborg	+45 9870 4400
Vejle	Lysholt Allé 10, DK-7100 Vejle	+45 7624 9780
Vestbjerg	Bakkelyvej 2 A, DK-9380 Vestbjerg	+45 9870 4900
Viborg	Gravene 18, DK-8800 Viborg	+45 8662 5501
Vildbjerg	Søndergade 6, DK-7480 Vildbjerg	+45 9713 3166
Aabybro	Østergade 12, DK-9440 Aabybro	+45 9870 5400
Aarhus	Marselis Boulevard 9, DK-8000 Aarhus C	+45 7624 9760

Ringkjøbing Landbobank A/S
Torvet 1
DK-6950 Ringkøbing
Denmark

Telephone: +45 9732 1166

E-mail: post@landbobanken.dk

Web: www.landbobanken.com

CVR-no.: 37 53 68 14

Rasmussens Bogtrykkeri, Ringkøbing