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CREDIT OPINION
10 September 2020

Update

Rate this Research

RATINGS

Ringkjobing Landbobank A/S

Domicile	Ringkobing, Denmark
Long Term CRR	Aa3
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Not Assigned
Long Term Deposit	Aa3
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Ringkjobing Landbobank A/S

Update following ratings upgrade, outlook changed to stable

Summary

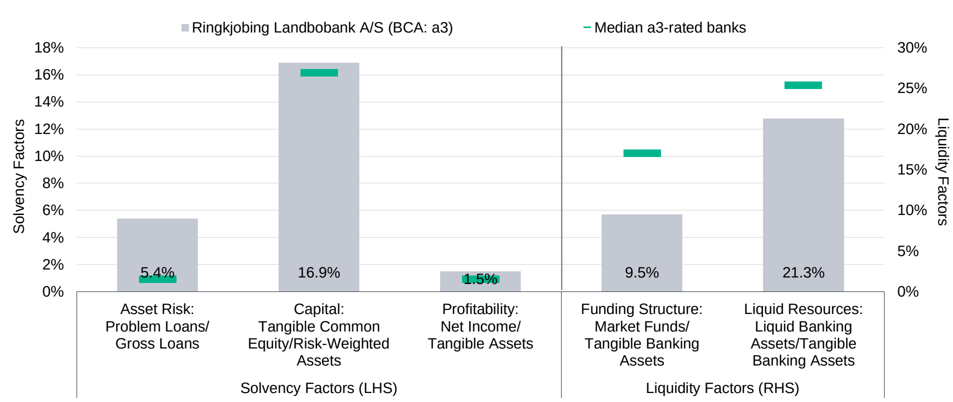
On 8 September, we upgraded Ringkjøbing Landbobank A/S' (Ringkjøbing)'s long-term deposit and issuer ratings, the outlook on these ratings was changed to stable from positive.

Ringkjøbing's Aa3 deposit rating incorporates three notches of rating uplift, and the A1 issuer rating two notches of uplift, from the bank's a3 Baseline Credit Assessment (BCA) based on our Advanced Loss Given Failure (LGF) analysis. LGF takes into account the risks faced by different debt and deposit classes should the bank enter into resolution.

Ringkjøbing's a3 standalone BCA reflects its (1) strong capitalisation, with a 16.9% tangible common equity (TCE)/risk-weighted assets (RWAs) ratio and a 12.2% TCE/total assets ratio as of June 2020; (2) relatively high profitability, despite the current macroeconomic pressures, and improving efficiency; and (3) solid funding profile, reflecting ample deposits and low reliance on market funding. However, the bank's BCA is constrained by elevated asset risks from a loan book which is somewhat concentrated by geography, industry and single borrowers.

We expect the economic fallout from the coronavirus-induced disruption will lead to modest asset quality deterioration for Ringkjøbing in the coming quarters once government support measures are gradually lifted. However, the bank's stock of existing provisions and relatively robust revenue generating capacity provide a substantial buffer against these pressures.

Exhibit 1
Rating Scorecard - Key financial ratios



These are our Banks Methodology scorecard ratios. Asset risk and profitability reflect the weaker of the three-year average and the latest figure. Capital is the latest reported figure. Funding structure and liquid resources reflect the latest fiscal year-end figures.
Source: Moody's Investors Service

Credit strengths

» Strong capitalisation, including a strong leverage ratio

» Profitability will remain relatively high despite the economic downturn and margin pressure, cost efficiency is improving

» Stable funding profile and adequate liquidity

Credit challenges

» Problem loans will rise modestly due to the economic fallout, mitigated by existing provisions

» Elevated asset risks from credit concentrations by geography, industry and single names

Outlook

Ringkjøbing's long-term deposit and issuer ratings carry a stable outlook, reflecting our expectation that the bank's strong capital, existing management provisions and relatively robust revenue generating capacity will provide a substantial buffer against the deteriorating credit environment.

The stable outlook also reflects our expectation of a broadly stable liability structure, resulting in unchanged rating uplift over the next 12-18 months from the bank's Advanced LGF analysis.

Factors that could lead to an upgrade

» Ringkjøbing's ratings could be upgraded following a material improvement in its fundamental profile, as indicated by the bank's BCA, as a result of: (1) a significant reduction in concentrations, particularly to volatile sectors and to single borrowers, leading to lower susceptibility to adverse events, as well as, a long period with lower than historic losses; (2) increased geographic diversification, a constraint at the bank's current level, without an increase in risk taken; and (3) a substantial improvement in the bank's liquidity.

» The bank's issuer rating could also be upgraded following changes in the bank's liability structure, such as, issuances of substantial additional amounts of junior senior unsecured debt, beyond what we currently expect.

Factors that could lead to a downgrade

» Downward pressure on Ringkjøbing's ratings could emerge from a deterioration in the bank's fundamental credit profile, for instance if we observe: (1) a material weakening in capital metrics; (2) a substantial increase in problem loans and higher through-the-cycle losses, compared to the low levels experienced in the past for Ringkjøbing, or, an increase in credit concentrations to single borrowers or higher risk sectors; (3) a persistent weakening of the bank's recurring earnings power and operating efficiency; or (4) an increase in the bank's reliance on market funding from the currently expected low level.

» Ringkjøbing's deposit and issuer ratings could also be downgraded if there is a material shift in the bank's funding mix, or, the bank's assets grow more rapidly without a corresponding increase in junior senior debt or Tier 2 issuances and that results in lower rating uplift, than currently assumed, under our Advanced LGF framework.

Key indicators

Exhibit 2
Ringkjobing Landbobank A/S (Consolidated Financials) [1]

	06-20[2]	12-19[2]	12-18[2]	12-17[2]	12-16[2]	CAGR/Avg.[3]
Total Assets (DKK Million)	53,984.3	52,940.9	49,650.5	25,796.5	24,258.1	25.7[4]
Total Assets (USD Million)	8,135.1	7,952.7	7,605.8	4,160.5	3,441.1	27.9[4]
Tangible Common Equity (DKK Million)	6,568.8	6,559.6	6,123.6	3,816.8	3,554.5	19.2[4]
Tangible Common Equity (USD Million)	989.9	985.4	938.1	615.6	504.2	21.3[4]
Problem Loans / Gross Loans (%)	3.8	6.7	6.8	4.1	5.0	5.3[5]
Tangible Common Equity / Risk Weighted Assets (%)	16.9	15.9	16.8	19.4	19.4	17.7[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	16.3	29.4	29.6	17.7	20.4	22.7[5]
Net Interest Margin (%)	2.3	2.2	2.4	2.5	2.9	2.5[5]
PPI / Average RWA (%)	3.1	3.4	3.1	4.0	4.0	3.5[6]
Net Income / Tangible Assets (%)	1.5	1.8	1.4	2.3	2.2	1.8[5]
Cost / Income Ratio (%)	38.8	37.8	44.5	31.0	31.0	36.6[5]
Market Funds / Tangible Banking Assets (%)	9.2	9.5	7.7	9.2	8.0	8.7[5]
Liquid Banking Assets / Tangible Banking Assets (%)	23.0	21.3	20.6	21.2	26.1	22.5[5]
Gross Loans / Due to Customers (%)	105.5	110.5	106.4	106.1	100.5	105.8[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; LOCAL GAAP. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.
Sources: Moody's Investors Service and company filings

Profile

Ringkjøbing is a Danish regional and niche bank, established in 1886, with operations primarily in central, western and northern Jutland. The bank provides retail and commercial banking products and services; financing for private medical practices and dentists; funding of wind turbines, solar plants and bio mass; and private banking.

On 8 June 2018, Ringkjøbing merged with Nordjyske Bank A/S. Ringkjøbing was the surviving legal entity.

The bank reported a consolidated asset base of DKK54.0 billion (around €7.2 billion) as of the end of June 2020. As of end-June 2020, Ringkjøbing operated through a network of 24 branches and had 640 full-time employees.

Ringkjøbing shares are listed on the NASDAQ Copenhagen Stock Exchange (Ticker: RILBA). As of 31 December 2019, the bank's largest shareholders with more than a 5% stake were Nykredit Realkredit A/S (A3 stable, baa1[1]) and pension provider Arbejdsmarkedets Tillægspension (ATP). Nykredit Realkredit's ownership stake fell below 5% in February 2020.

Recent developments

We expect advanced economies collectively to contract in 2020, followed by growth in 2021. An economic recovery is underway, but its continuation will be closely tied to containment of the virus. However, pandemic fears will continue to hinder a complete recovery. Even with a gradual recovery, we expect 2021 real GDP in advanced economies to be below pre-coronavirus levels.

We expect the coronavirus outbreak to weigh on Denmark's economy, leading to an uptick in problem loans from a low base, and to exacerbate pressure on banking sector profitability. The Danish government's comprehensive policy response for those affected is providing some initial relief to businesses and households and banks are offering payment holidays to affected borrowers, which will mitigate the short-term credit impact. The impact on asset quality will become apparent only once these measures are lifted, and Danish banks have been taking IFRS 9 provisions to cover potential credit losses ahead of the expected deterioration. A deeper and more prolonged economic disruption would have a more adverse impact on loan quality. Generally, however, low interest rates, combined with macroprudential measures, a preceding period of modest credit growth and a decline in overall indebtedness have made Danish businesses and households potentially more resilient to the current downturn compared to previous macroeconomic shocks.

Detailed credit considerations

Problem loans will rise modestly due to the economic fallout, mitigated by existing provisions; we continue to see elevated asset risks from credit concentrations

We expect Ringkjøbing's asset quality to deteriorate modestly over the coming quarters as a result of the economic disruption and once government support measures to businesses and households are gradually lifted. The full extent of the asset quality deterioration will, however, depend on the length and depth of the economic fallout. Impairments will also remain elevated, but mitigated by a growing buffer of management provisions amounting to DKK524 million (1.4% of gross loans) as of June 2020. Our assigned ba1 Asset Risk score reflects these expectations. It also indicates that elevated risks from credit concentrations, particularly geographical, sector and borrower concentrations, remain a relative weakness for the bank's rating level. Our assessment, however, also takes into account the bank's low average realised credit losses and strong coverage of these losses from pre-provision income through a number of economic cycles.

Ringkjøbing's problem loan ratio (defined as IFRS 9 stage 3 and credit-impaired on initial recognition loans over gross loans) improved to 3.8% as of June 2020, from 6.7% as of the end of 2019, returning back to pre-merger levels (end-2017: 4.1%). The reduction followed a review of the bank's significant individually impaired exposures, which resulted in a migration of some exposures to stage 2 from stage 3. Stage 2 exposures increased to 10.1% as of June 2020 from 8.1% as of the end of 2019.[2] Despite the resultant decrease in the cumulative impairment charges in stage 3, coverage of problem loans by provisions has remained relatively robust at 64% as of June 2020 (end-2019: 60%).

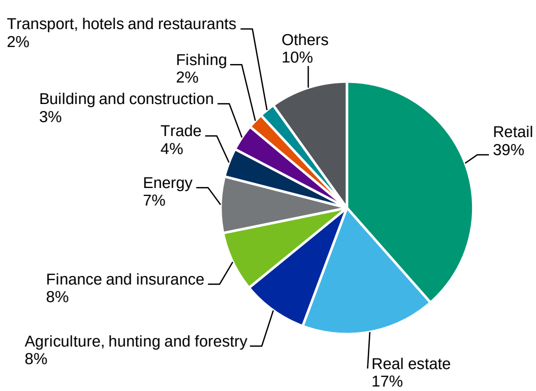
The bank conservatively booked additional management provisions in the first half of 2020, equivalent to 1.1% of gross loans, to cover for potential future impairment charges. However, the bank's net loan loss provisions were equivalent to 0.8% of average gross loans in the same period following impairment reversals, mainly in the agricultural sector.

Ringkjøbing's loan book continues to exhibit relatively high concentration to the volatile real estate sector, with the exposure accounting for 17% of total loans and guarantees as of June 2020 (see Exhibit 3). In light of the weakening economic conditions, commercial real estate borrowers who rely on rental income especially from the most vulnerable sectors pose increased credit risk. However, more than 70% of these loans benefited from a first-lien mortgage, a relatively unique feature in Denmark for loans not provided through a mortgage credit institution. Ringkjøbing's exposure to sectors most exposed to the coronavirus-induced disruption, such as, transport, hotels and restaurants, was contained at 2% of the total, while overall exposure to trade, of which part may be negatively affected by sharp shifts in supply and demand, made up an additional 4%. The agricultural sector made up a further 8% as of the same date. The historically challenged sector has not been particularly affected by the current economic disruption and the bank continues to enjoy reversals of impairment charges from its exposures to agriculture.

Exhibit 3

Ringkjøbing has some concentration to real estate and agriculture, exposure to the most coronavirus-exposed industries is relatively low

Loans portfolio and guarantees breakdown by sector as of June 2020



Sources: Moody's Investors Service, bank's reports

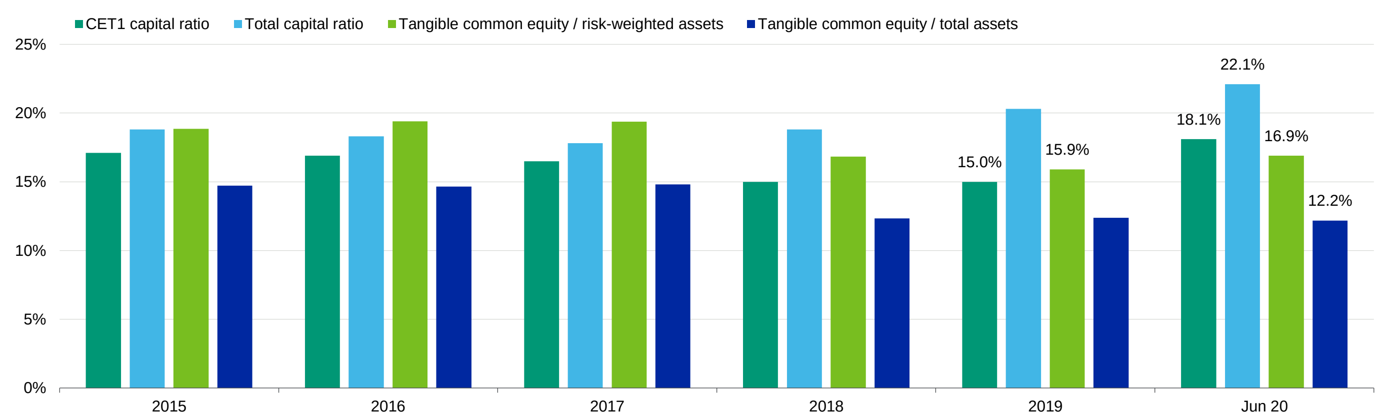
Ringkjøbing's loan book also continues to exhibit some geographic and single borrower concentrations. Around 63% of lending was to customers in the bank's key markets in North, West and Central Jutland as of the end of 2019. Lending remains heavily concentrated in Denmark and only 5% of loan book was to customers located outside Denmark. Further, the bank's top 20 large exposures were equivalent to 104% of the bank's Common Equity Tier 1 (CET1) capital as of June 2020 (end-2019: 121%). These concentrations are, however, well below the regulatory limit of 175% of CET1 capital.

Solid capitalisation, including a strong leverage ratio

Our assigned aa3 Capital score, which supports Ringkjøbing's standalone credit profile, reflects the bank's solid risk-weighted capital ratios, including regulatory metrics that are well in excess of requirements, and strong leverage metrics. This year the bank's capital levels are supported by the recent suspension of its share buyback program along with more modest loan growth and the use of the standardised approach in calculating regulatory capital ratios that render them less susceptible to a rise in risk exposure amounts from the macroeconomic downturn, as well as, various regulatory measures. For 2021, we expect the bank's capital metrics to decline modestly but to remain solid following a pick-up in credit growth to prior levels and a potential resumption of profit distribution to shareholders absent specific guidance from the Danish authorities. We also note the bank's historically strong capacity to generate capital internally that has also supported stable capital levels.

Ringkjøbing's TCE/RWAs ratio, our preferred capital metric, was a strong 16.9% as of end-June 2020 (end-2019: 15.9%, see Exhibit 4). Also its TCE/total assets ratio was 12.2%, one of the highest such ratios among those of Nordic and international banks (which are typically within 4%-10% range), further underpinning our favourable capital assessment. The bank reported regulatory CET1 and total capital ratios of 18.1% and 22.1% respectively as of June 2020. Both metrics were substantially above the bank's requirements for that period. These were 7.7% for the CET1 ratio and 11.8% for the total capital ratio and included the Danish Financial Supervisory Authority's (FSA) pillar 1 and pillar 2 components (the latter is 1.3% on total capital for Ringkjøbing), a 2.5% capital conservation buffer, and a 0% countercyclical buffer.[3]

Exhibit 4
Ringkjøbing's capitalisation remains solid



Source: Moody's Investors Service

Earnings retention and lower growth contributed to an improvement by 0.8 percentage points to the bank's CET1 ratio in Q2 2020. Authorities have recommended that financial institutions suspend dividend payouts and share buybacks in 2020. Ringkjøbing complied with this recommendation and announced the suspension of its share buyback program. During this period, the bank's regulatory capital metrics also benefited from the application of the European Union's revised Capital Requirement Regulation (known as the CRR2 "quick fix"). A lower risk-weighting for small and medium enterprises exposures (the permanent change in the SME discount factor) contributed 0.9 percentage points to the CET1 ratio and the flexibility to initially neutralise and spread over years the effect of stage 1 and stage 2 provisions on CET1 capital that were booked since 1 January 2020 and were driven by the coronavirus crisis, which added another 1.4 percentage points. The latter change does not affect our own TCE/RWAs ratio, however.

Finally, we note that Ringkjøbing applies the standardised approach to calculate credit-related risk-weighted assets (RWAs). Therefore, the bank's risk density, measured as the ratio of RWAs to total assets, was relatively high at 72% as of June 2020, rendering the bank's capital metrics less sensitive to potential amendments in regulatory methods to calculating RWAs, including floor requirements, or to macroeconomic shocks that could increase RWAs of more risk-sensitive models.

Profitability will remain relatively high despite the economic downturn and margin pressure, cost efficiency is improving

Our assigned Profitability score of a2 is informed by our forward-looking view of Ringkjøbing's profitability and the bank's track record of consistent earnings and operating cost containment. Despite elevated impairments and reduced securities portfolio returns in the first half of the year, the bank's profitability declined modestly and remained relatively high, a trend that we expect will continue despite the economic downturn, helped by the bank's efforts to support margins and keep costs flat. Even at slightly lower levels, we consider the bank's profitability to be relatively strong, providing ample capacity to generate capital internally and absorb losses.

In March, the bank revised its profit before tax guidance for 2020 downward to DKK800-1,100 million from DKK950-1,250 million previously, in light of the macroeconomic uncertainty. The bank's profit before tax was DKK1,245 million in 2019. The guidance remains unchanged following the publication of the bank's half year 2020 results.

The bank's net income to tangible assets declined to 1.5% in the first half of 2020 from 1.8% during 2019, weighed down by higher provisioning charges (as mentioned above) and losses on the bank's securities' portfolio because of financial markets' volatility. These pressures were somewhat offset by reduced costs, which declined 4% up to June 2020 compared to the same period last year, aided by the closing of branches and lower employee numbers. At the same time, net interest income grew by 5% year-over-year, supported by an increase in loan volumes (of 2% since June 2019) and the introduction of negative rates on private depositors. As a result, Ringkjøbing's efficiency continued to improve, with its cost-to-income declining to 36.8% in the first half of 2020 (2019: 38%), gradually converging towards the pre-merger level with a cost-to-income ratio of 33% in 2017. The bank was historically and remains one of Denmark's most efficient banks, driven by a lean business model. The bank aims to maintain flat costs in the next two years.

In addition to flat operating costs, the bank's decision to widen the private depositor pool subject to negative rates will help alleviate margin pressure arising from the prolonged low interest rate environment and recent issuances of more costly junior senior debt. The bank has expanded the scope of negative rates for private customer deposits above DKK250,000 (around €33,500) effective from 1 August.[4]

Despite a marked slowdown in loan growth in the first half of the year, similarly to the general market trend, we expect growth to resume in the fourth quarter of 2020 and in 2021. Over the medium term, the bank's ability to further grow its lending activities raises Ringkjøbing's capacity to cope with the challenges arising from low interest rates, supported by the bank's ability to attract new customers amid high customer satisfaction.

Stable funding profile and adequate liquidity

Ringkjøbing's stable funding profile supports the bank's BCA. As of June 2020, customer deposits (excluding pooled schemes) accounted for 66% of assets. Furthermore, the bank's reliance on more confidence-sensitive market funding remained low at 9.2% of tangible banking assets. We expect the bank's market funding reliance to remain broadly stable going forward following junior senior debt issuances to meet its minimum requirement for own funds and eligible liabilities (MREL) totaling DKK1.3 billion as of June 2020 and a reduced need for MREL-eligible issuances going forward. The bank has, so far, issued small tickets of junior senior debt with relatively long maturities reducing its refinancing risk. These strengths and expectations are reflected in our assigned a1 Funding Structure score.

As with other medium-sized Danish banks, Ringkjøbing can secure mortgage financing through specialised mortgage lenders, for example, Totalkredit A/S or DLR Kredit A/S. Loans funded by these specialised lenders are transferred to these institutions and do not appear on Ringkjøbing's balance sheet.

We consider Ringkjøbing's liquidity to be adequate compared with its lending-driven business model, as well as its large and stable deposit base. This view is reflected in our assigned baa2 score for Liquid Resources, which also takes into account that some of the bank's financial securities are pledged for clearing and other purposes. As of June 2020, liquid banking assets accounted for around 23% of assets, and the bank reported a liquidity coverage ratio of 239% (2019: 204%) over the same period. Ringkjøbing's liquidity coverage ratio is comfortably above the 100% minimum requirement, set by the Danish FSA.

Source of facts and figures cited in this report

Unless noted otherwise, we have sourced data relating to systemwide trends and market shares from the central bank. Bank-specific figures originate from banks' reports and Moody's Banking Financial Metrics. All figures are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to the document Financial Statement Adjustments in the Analysis of Financial Institutions, published on 9 August 2018.

ESG considerations

In line with our general view for the banking sector, Ringkjøbing has a low exposure to Environmental risks, see our Environmental risks heatmap for further information.

The most relevant Social risks for banks arise from the way they interact with their customers, see our Social risks heatmap for further information. Social risks are particularly high in the area of data security and customer privacy which is partly mitigated by sizeable technology investments and banks' long track record of handling sensitive client data. Fines and reputational damage due to product misselling or other types of misconduct is a further social risk. Societal trends are also relevant in a number of areas, such as shifting customer preferences towards digital banking services, increasing information technology cost, aging population concerns in several countries, including Denmark, impacting demand for financial services or socially driven policy agendas that may translate into regulation that affects banks' revenue base. We also regard the coronavirus outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. Overall, we consider banks, including Ringkjøbing, to face moderate social risks.

Governance is highly relevant for Ringkjøbing, as it is to all players in the banking industry. Corporate governance weaknesses can lead to a deterioration in a company's credit quality, while governance strengths can benefit its credit profile. Governance risks are largely internal rather than externally driven, and for Ringkjøbing we do not have material governance concerns. Nonetheless corporate governance remains a key credit consideration and requires ongoing monitoring.

Support and structural considerations

Loss Given Failure analysis

We apply our Advanced LGF analysis to Ringkjøbing's liabilities because the bank is subject to the European Union Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime.

For this analysis, which considers the risks faced by different debt and deposit classes across the liability structure should the bank enter resolution, we use our standard assumptions and assume residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets. We also assume a 25% runoff in "junior" wholesale deposits, a 5% run-off in preferred deposits, and a proportion of 26% of deposits as junior. We assign a 25% probability to deposits being preferred to senior unsecured debt.

Under these assumptions, for Ringkjøbing's Aa3 rated deposits, our forward-looking LGF analysis indicates an extremely low loss-given-failure, leading to a three-notch uplift from the bank's a3 Adjusted BCA from which these ratings are notched.

For Ringkjøbing's A1 issuer rating, our LGF analysis indicates very low loss-given-failure, leading to two notches of rating uplift from the bank's a3 Adjusted BCA. Issuer ratings are opinions of the bank's ability to honour senior unsecured debt and debt-like obligations.

Both of these senior classes benefit from the subordination afforded by substantial buffers of loss-absorbing liabilities, predominantly junior senior debt (also known as senior non-preferred) and Tier 2 instruments. Ringkjøbing meets its bank-specific MREL of 20.2% as of June 2020 through a combination of grandfathered senior unsecured debt, junior senior debt, hybrid instruments and common equity driving a reported MREL ratio of 30.0% as of that date.[5] We expect that Ringkjøbing will maintain these higher volumes of loss-absorbing debt given in line with the bank's current capital and MREL minimum targets.

Government support considerations

We do not incorporate any government support uplift on Ringkjøbing's ratings because we consider the probability of government support, in case of need, to be low. Our government support assumptions are driven by the implementation of the EU's BRRD in Denmark.

Counterparty Risk Ratings (CRRs)

Counterparty Risk Ratings (CRRs) are opinions of the ability of entities to honour the uncollateralised portion of non-debt counterparty financial liabilities (CRR liabilities) and also reflect the expected financial losses in the event such liabilities are not honoured. CRRs are distinct from ratings assigned to senior unsecured debt instruments and from issuer ratings because they reflect that, in a resolution, CRR liabilities might benefit from preferential treatment compared with senior unsecured debt. Examples of CRR liabilities include the uncollateralised portion of payables arising from derivatives transactions and the uncollateralised portion of liabilities under sale and repurchase agreements.

Ringkjøbing's CRR is positioned at Aa3/Prime-1

The CRR is positioned three notches above the adjusted BCA of a3, reflecting the extremely low loss-given-failure from the high volume of instruments that are subordinated to CRR liabilities.

Counterparty Risk (CR) Assessment

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails, and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than both the likelihood of default and the expected financial loss, and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (for example, swaps), letters of credit, guarantees and liquidity facilities.

Ringkjøbing's CR Assessment is positioned at Aa3(cr)/Prime-1(cr)

For Ringkjøbing, our LGF analysis indicates an extremely low loss-given-failure for the CR Assessment, leading to three notches of uplift from the bank's a3 Adjusted BCA.

Methodology and scorecard

About Moody's bank scorecard

Our Bank Scorecard is designed to capture, express and explain in summary form our Rating Committee's judgment. When read in conjunction with our research, a fulsome presentation of our judgment is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 5

Ringkjobing Landbobank A/S

Macro Factors							
Weighted Macro Profile	**Strong +**	**100%**					

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	5.4%	baa2	↓	ba1	Expected trend	Sector concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	16.9%	aa2	↓	aa3	Nominal leverage	Stress capital resilience
Profitability						
Net Income / Tangible Assets	1.5%	a2	←→	a2	Return on assets	
Combined Solvency Score		a2		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	9.5%	a1	←→	a1	Extent of market funding reliance	
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	21.3%	baa1	←→	baa2	Asset encumbrance	
Combined Liquidity Score		a2		a3		
Financial Profile				a3		
Qualitative Adjustments				Adjustment		
Business Diversification				0		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				0		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a2 - baa1		
Assigned BCA				a3		
Affiliate Support notching				0		
Adjusted BCA				a3		

Balance Sheet	in-scope (DKK Million)	% in-scope	at-failure (DKK Million)	% at-failure
Other liabilities	7,790	16.0%	11,404	23.4%
Deposits	35,430	72.7%	31,816	65.3%
Preferred deposits	26,218	53.8%	24,907	51.1%
Junior deposits	9,212	18.9%	6,909	14.2%
Senior unsecured bank debt	1,147	2.4%	1,147	2.4%
Junior senior unsecured bank debt	1,329	2.7%	1,329	2.7%
Dated subordinated bank debt	1,545	3.2%	1,545	3.2%
Equity	1,461	3.0%	1,461	3.0%
Total Tangible Banking Assets	48,702	100.0%	48,702	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	25.4%	25.4%	25.4%	25.4%	3	3	3	3	0	aa3
Counterparty Risk Assessment	25.4%	25.4%	25.4%	25.4%	3	3	3	3	0	aa3 (cr)
Deposits	25.4%	8.9%	25.4%	11.3%	3	3	3	3	0	aa3
Senior unsecured bank debt	25.4%	8.9%	11.3%	8.9%	3	1	2	2	0	a1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	aa3	0	Aa3	Aa3
Counterparty Risk Assessment	3	0	aa3 (cr)	0	Aa3(cr)	
Deposits	3	0	aa3	0	Aa3	Aa3
Senior unsecured bank debt	2	0	a1	0	A1	A1

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Investors Service

Ratings

Exhibit 6

Category	Moody's Rating
RINGKJOBING LANDBOBANK A/S	
Outlook	Stable
Counterparty Risk Rating	Aa3/P-1
Bank Deposits	Aa3/P-1
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Counterparty Risk Assessment	Aa3(cr)/P-1(cr)
Issuer Rating	A1
ST Issuer Rating	P-1

Source: Moody's Investors Service

Endnotes

1 The bank ratings shown here are the bank's issuer rating and baseline credit assessment

2 Exposures include loans, guarantees and unutilised credit facilities and loan undertakings.

3 In March 2020, against the prospect of a significant weakening in economic activity the Danish government decided to release the countercyclical capital buffer and cancel the planned future increases in order to support the provision of credit to the real economy.

4 Following the introduction of negative rates on private customer deposits exceeding DKK2 million effective 1 January and DKK500,000 effective 1 May.

5 The bank's MREL declined during the year following the release of Denmark's countercyclical capital buffer requirement. At the same time, the bank's reported MREL ratio increased because of the improvement in the capital ratio, a junior senior debt issuance and the overall decline in RWAs.

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Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Moody's
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