

ANNUAL REPORT 2020



Ringkjøbing
Landbobank

CONTENTS

Page	
2	Dear shareholder
3	Annual report – highlights
3	Main and key figures
	Management's review:
6	Financial review
24	Capital structure
31	Risks and risk management
44	Corporate governance etc.
53	Corporate social responsibility
	Statement and reports:
56	Management statement
57	Auditors' reports
	Financial statements:
64	Statements of income and comprehensive income
64	Proposed distribution of profit
65	Core earnings
66	Balance sheet
68	Statement of changes in equity
69	Statement of capital
71	Overview of notes
72	Notes
112	Five-year main figures
114	Five-year key figures
	Other information:
118	Shareholders' committee
120	Board of directors
130	General management
132	Company information
133	Company announcements
134	Financial calendar
137	The bank's branches

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DEAR SHAREHOLDER

The coronavirus became the order of the day in 2020. The virus has had far-reaching implications for the entire population and Denmark's many businesses. Our main focus in the past year has therefore been to support our customers and business partners – and naturally to ensure safe working conditions for our employees.

In the spring we updated our strategy, just under two years after merging with Nordjyske Bank. We did this to harmonise the bank's management structure and ensure that our bank rests on firm and future-proof foundations. We also confirmed our organic growth strategy.

We have spent 2020 implementing the strategy and adapting to market conditions. Both low interest rates and low economic growth rates are likely to characterise the coming years.

We continue to be really well received by our customers. The level of customer satisfaction remains high and our image is good, which strong growth in new customers and good customer retention confirm. Our total credit intermediation grew by 5% in 2020, with growth of 8% in mortgage loans and 2% in bank loans. This growth is considered highly satisfactory, given the sector-wide decrease in total bank loans due to the coronavirus pandemic.

The stock market also responded positively to the bank's development. The increase in the bank's share price and the dividend paid resulted in a positive return of 10% – compared to the flatlining Danish OMX Copenhagen Banks PI index.

Total income increased by 3% and total expenses decreased by 2% and we were thus able to reduce the bank's rate of costs from 38 to 36. We consider it satisfactory that we have been able to realise the planned synergies in just over two years.

Profit for the year before tax totalled DKK 1,144 million, equivalent to a return on equity of 15% p.a. The profit is just over DKK 100 million less than 2019, partly due to higher impairment charges for loans and partly due to negative value adjustments on the securities portfolio.

Distribution of half of the net profit for the year is recommended to the general meeting. This will be effected through a dividend of DKK 7 per share and a DKK 255 million share buy-back programme.

In recent years, we have worked to make our bank more sustainable and from 2020 the bank is carbon neutral. Read more about this in the bank's ESG report where we also describe our efforts to modify the products offered to our customers. Our support of and work with more than 1,400 associations, clubs and events are also very important to us.

We would like to thank our highly skilled employees who have made an extraordinary effort in a year where we have all had to be very flexible in various ways. The expertise, loyalty and indomitable spirit of our employees are an unsurpassed combination.

We believe that vaccines will enable reopening of society and that we will see normalisation in 2021. Serving our existing customers and continuing the increase in new customer relationships by winning additional market share will be our primary tasks. We expect profit before tax in the range DKK 1.1-1.3 billion.

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



John Bull Fisker
CEO

ANNUAL REPORT – HIGHLIGHTS

- Our main focus during the coronavirus pandemic has been to help our customers and business partners – and of course to ensure safe working conditions for our employees
- The profit before tax is DKK 1,144 million, equivalent to a 15% p.a. return on equity
- Income increases by 3% and expenses fall by 2%, reducing the rate of costs to 36.2%
- Impairment charges are DKK 223 million in 2020 after increasing management estimates of DKK 440 million to DKK 566 million
- The high level of customer satisfaction and large increase in new customers result in growth of 2% in bank loans
- Moody's upgraded the bank's long-term deposit rating from A1 to Aa3
- The pay-out ratio is 50 of net profit for the year and will be effected through a dividend of DKK 7 per share and a DKK 255 million share buy-back programme
- The bank is carbon neutral from 2020
- The profit before tax in 2021 is expected between DKK 1.0 billion and DKK 1.3 billion

MAIN AND KEY FIGURES

(2016-2018 pro forma)

	2020	2019	2018	2017	2016
Main figures for the bank (DKK million)					
Total core income	2,179	2,116	2,001	1,917	1,861
Total expenses and depreciation	788	805	866	845	815
Core earnings before impairments	1,391	1,311	1,135	1,072	1,046
Impairment charges for loans etc.	-223	-100	-43	-70	-211
Core earnings	1,168	1,211	1,092	1,002	835
Result for the portfolio etc.	-9	+49	+77	+84	+78
Special costs	15	15	217	22	22
Profit before tax	1,144	1,245	952	1,064	891
Net profit for the year	920	978	778	848	726
Equity	8,146	7,610	7,189	6,769	6,313
Deposits including pooled schemes	39,639	38,128	36,993	35,854	34,152
Loans	36,241	35,465	33,350	31,173	28,304
Balance sheet total	54,862	52,941	49,651	46,324	43,702
Key figures for the bank (percent)					
Profit before tax / average equity	14.5	16.8	13.8	16.3	14.6
Net profit for the year / average equity	11.7	13.2	11.3	13.0	11.9
Rate of costs	36.2	38.0	43.3	44.1	43.8
Common equity tier 1 capital ratio	17.5	14.7	14.6	15.8	15.8
Total capital ratio	21.1	20.0	18.4	17.3	17.5
MREL capital ratio	26.7	27.3	24.9	-	-
Key figures per DKK 1 share (DKK)					
Core earnings	40	41	37	31	28
Profit before tax	39	43	32	34	30
Net profit for the year	32	34	26	27	24
Book value	280	260	240	175	159
Price, end of year	554	514	340	322	293
Dividend	7	11	10	9	7

MANAGEMENT'S REVIEW

Page	
6	Financial review
24	Capital structure
31	Risks and risk management
44	Corporate governance etc.
53	Corporate social responsibility

Core earnings

Core income

Interest

Net interest income was DKK 1,256 million in 2020 compared to DKK 1,173 million in 2019, an increase of 7%. The bank is highly satisfied with this development.

The development is partly attributable to a 2% increase in lending compared to the end of 2019. The trend in lending was more volatile in 2020 than in previous years. Lending thus increased by approximately DKK 700 million in the first quarter of 2020, fell by approximately DKK 900 million in the second quarter, and increased again by approximately DKK 200 million and approximately DKK 800 million in the third and fourth quarters respectively.

This development was caused by diverging circumstances. The bank's business customers have drawn less on their lines of credit during the year, partly because they have reduced their inventories and debtors and partly because the payment deadlines for VAT and taxes were extended. In the second half-year, businesses resumed paying VAT and taxes. Personal customers have also been cautious and paid off debt in 2020. The bank's niche and wholesale loans developed positively in 2020 and the bank saw a large increase in customer numbers during the year.

A further reason for the positive trend in the net interest income is that the bank introduced negative interest rates on business accounts in general in the fourth quarter of 2019, on liquid deposited funds greater than DKK 2 million held by personal customers and on holdings in pension accounts with effect from 1 January 2020. During 2020, the bank lowered the threshold for negative interest twice and with effect from the beginning of 2021, so it now stands at DKK 100,000.

In 2020, the bank incurred more interest expenses on non-preferred senior capital than in 2019, but in February and May 2020 respectively the bank carried out early redemption of two issues of subordinated capital, which reduced interest expenses on this type of capital in 2020.

Fee, commission and foreign exchange income

Fee, commission and foreign exchange income amounted to DKK 770 million in 2020, compared to DKK 785 million in 2019. The trend reflects both increases and decreases in the different income items.

The income items "Securities trading", "Guarantee commission and mortgage credit commission etc." and "Foreign exchange income" have developed positively due to higher levels of activity. "Asset management and custody accounts" are also marginally higher than in 2019.

"Loan fees" decreased as expected, due to less refinancing activity in 2020. In addition, income from "Payment handling" decreased due to the implementation of harmonisation and restriction of payment fees within the EU. Finally, "Other fees and commission" decreased. This is partly because this item contained a large one-off payment in 2019 and partly because the bank harmonised its non-life insurance activities in 2020. This

change has meant falling payments from the bank's external business partner, but also fewer resources allocated by the advisers to these activities.

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

(DKK million)	2020	2019	2018	2017	2016
Securities trading	138	128	88	86	59
Asset management and custody accounts	150	148	160	183	205
Payment handling	63	79	91	83	85
Loan fees	82	103	40	31	31
Guarantee commission and mortgage credit commission etc.	225	217	214	200	175
Other fees and commission	71	80	63	53	53
Foreign exchange income	41	30	31	31	26
Total	770	785	687	667	634

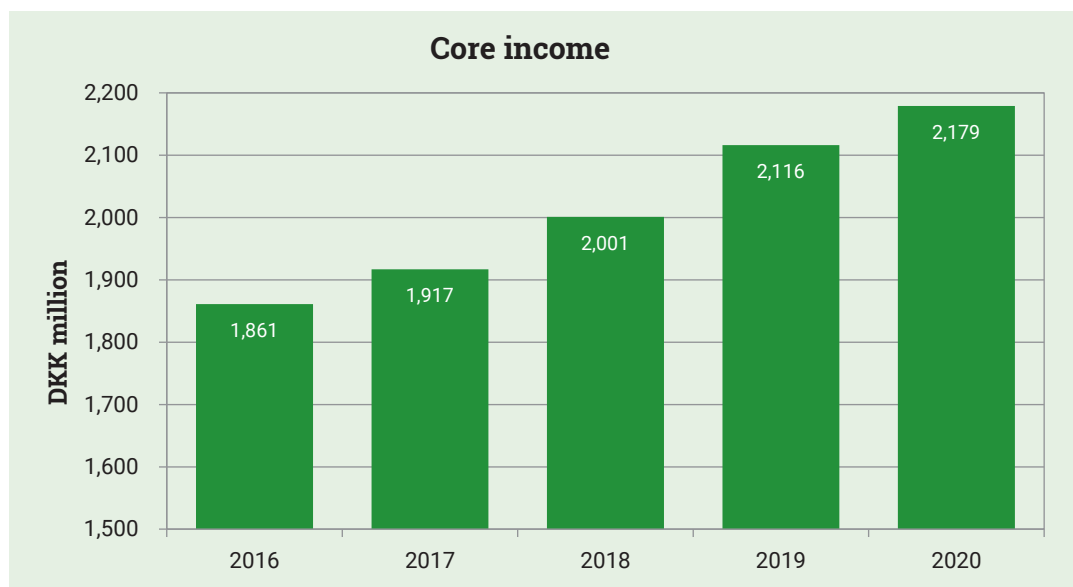
Sector shares and other operating income

Total earnings from banking sector shares amounted to DKK 151 million in 2020, which is slightly higher than in 2019, where earnings were DKK 145 million. The earnings derive primarily from returns on the bank's ownership interests in DLR Kredit, BankInvest (BI Holding) and PRAS.

Other operating income was DKK 2 million in 2020, in contrast to 2019, where this item totalled DKK 14 million, DKK 12 million of which was non-recurring income.

Core income

Total core income increased by 3% from DKK 2,116 million in 2019 to DKK 2,179 million in 2020. The bank considers the increase satisfactory.



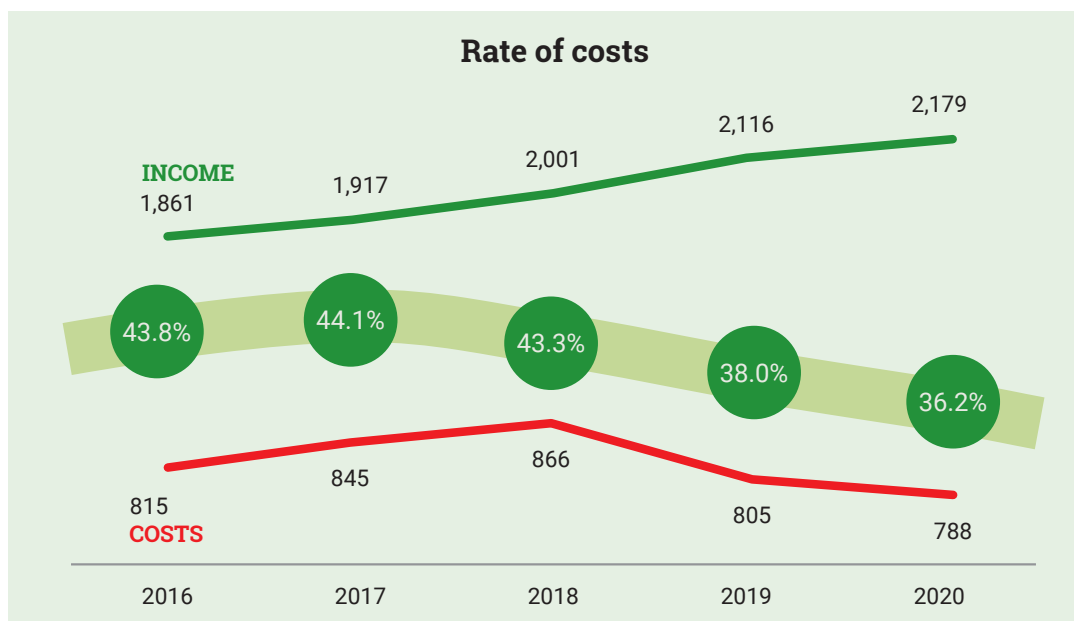
Expenses, depreciation and write-downs

Total expenses including depreciation and write-downs on tangible assets amounted to DKK 788 million in 2020, compared to DKK 805 million in 2019, a decrease of 2%.

The positive development in costs is attributable to saved double expenses and initiatives taken during both 2019 and 2020.

The rate of costs was 36.2 in 2020, compared to 38.0 in 2019.

We consider it highly satisfactory that our cost adjustment is in place as early as two years after the merger.



Impairment charges for loans etc.

Impairment charges for loans etc. represented an expense of DKK 223 million in 2020, compared to an expense of DKK 100 million in 2019. Impairment charges thus amounted to 0.48% of the total loans and guarantees at the end of 2020, compared to 0.21% the year before.

During 2020, the bank's total account for impairment charges increased from DKK 2,032 million to DKK 2,205 million and amounted to 4.6% of the bank's total loans and guarantees at the end of 2020.

The bank's expenditure for losses and impairment charges in 2020 was strongly influenced by the outbreak of coronavirus in March 2020 and the resulting economic impacts. During 2020, the bank intensified its follow-up on credits in selected customer segments (selected on the basis of industry and credit rating). The bank notes that the great majority of its customers have handled the economic situation relating to the coronavirus in a way which so far has limited the need for new individual impairment charges. In addition, our assessment is that the bank's credit exposure to the most vulnerable industries is modest. However, the bank is still very uncertain about how the economy will develop in the coming quarters when the many state aid schemes are phased out

and because of the risk of an increased R number and continued lockdown. On the positive side is the current deployment of vaccines.

In 2020 the picture in agriculture varied widely across the various production branches. Crop growers and cattle farmers generally received reasonable prices and sound operating results are expected. For pig farmers the year started with high prices and generally very satisfactory earnings. However, this picture deteriorated significantly during 2020 as a result of the combination of coronavirus and the outbreak of African swine fever in Eastern Germany. The outbreak of swine fever particularly hit the farmers producing and selling piglets to Germany, whereas the effect on producers of fattening pigs is more moderate. The bank's total impairment ratio for pig farmers is currently 23%. Loans and guarantees to pig farms account for 1.2% of the bank's total loans and guarantees.

The situation for Denmark's mink farmers changed dramatically in 2020 as a result of the outbreak and mutant strains of the coronavirus. As a result the herds on all mink farms have been culled. In the bank's judgment, the vast majority of our exposure to mink producers will be repaid when the producers receive the expected payments for their products and compensation payments.

At the end of 2020, the EU and the United Kingdom entered into a long-expected Brexit agreement. The bank's immediate judgment is that the agreement is positive for those of the bank's business customers which are trading with Great Britain. Elements in the trade agreement may, however, have a negative effect on a few businesses. Several of the bank's fisheries customers are also expected to be negatively affected by the agreed cuts in fishing quotas. How the individual skippers will be compensated is still uncertain, but the EU has apparently allocated funds to cushion the financial consequences. The bank's exposure to fisheries amounted to 1.8% at the end of 2020.

The quality of the bank's personal customer portfolio developed positively in 2020, despite the coronavirus. Unemployment remains relatively low and the housing market has also developed positively, supported among other things by the continuing low interest rates.

To counter the financial risk resulting from the coronavirus pandemic and sector-specific events and risks, the bank has made management estimates. These estimates increased during 2020 from DKK 126 million to DKK 566 million at the end of 2020.

The bank reviewed all significant exposures with impairment on an individual basis in the second quarter of 2020, to ensure they are classified appropriately in accordance with IFRS 9. As a principal rule, exposures where the bank assesses full repayment to be the most probable scenario are placed in stage 2. The review resulted in migration of impairment charges from stage 3 to stage 2 and a reduction of DKK 175 million in individual impairment charges.

Core earnings

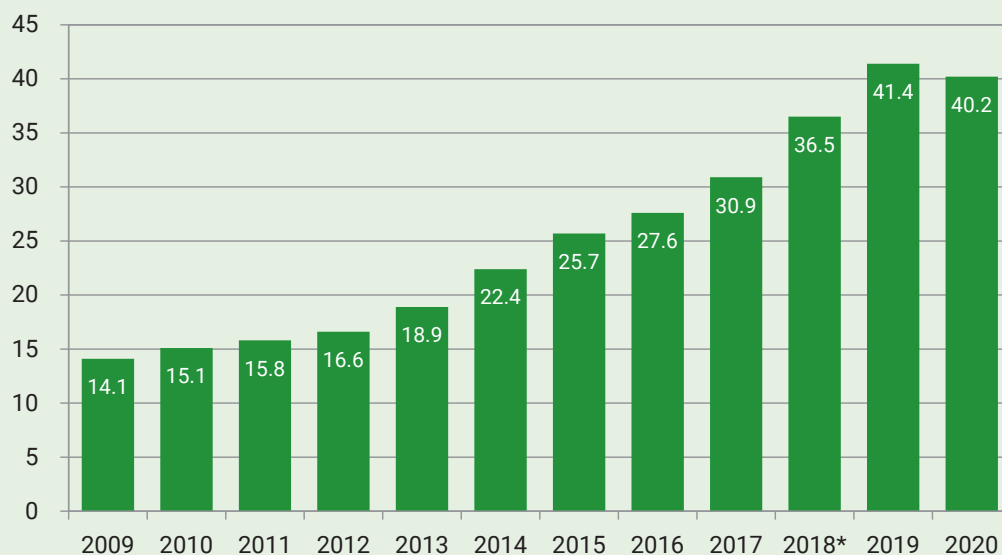
Core earnings in 2020 totalled DKK 1,168 million compared to the previous year's DKK 1,211 million, a decrease of 4%.

(DKK million)	2020	2019	2018	2017	2016
Total core income	2,179	2,116	2,001	1,917	1,861
Total expenses and depreciation	788	805	866	845	815
Core earnings before impairments	1,391	1,311	1,135	1,072	1,046
Impairment charges for loans etc.	-223	-100	-43	-70	-211
Core earnings	1,168	1,211	1,092	1,002	835

The bank places great emphasis on the key figure "Core earnings per share" and how it develops. Over the period 2009 to 2019, the bank has been able to increase core earnings per share each year.

In 2020 core earnings per share decreased, partly due to of the increasing impairment charges and partly due to a recommendation from Finance Denmark and the Government in March 2020 meant that the expected number of shares was not bought under the share buy-back programme initiated in 2020.

Core earnings per DKK 1 share (DKK)



* Pro forma figure

Core earnings per share were thus DKK 40.2 in 2020 compared to DKK 41.4 in 2019, a decrease of 3%.

Result for the portfolio etc.

The result for the portfolio etc. including portfolio funding costs was negative by DKK 8 million net for 2020. In 2019 the result for the portfolio etc. was positive by DKK 49 million net.

The development of the result for the portfolio was also very volatile in 2020. In March 2020, the prices of Danish mortgage credit bonds and shares fell and the credit spread of corporate bonds widened. This was attributable to the turmoil on the financial markets due to the coronavirus crisis. In the first quarter of 2020, the result for the portfolio was negative by DKK 70 million net.

The markets recovered during the next three quarters and the total result for the portfolio for the second to fourth quarters of 2020 was positive by DKK 62 million net.

Amortisation and write-downs on intangible assets

The bank treats amortisation and write-downs on intangible assets as a special item. Posting them to this item enhances the quality of equity and helps to reduce the deduction when computing total capital. Amortisation and write-downs on intangible assets amounted to DKK 15 million in 2020, unchanged relative to 2019.

Profit before and after tax and follow-up on financial expectations for 2020

The profit before tax was DKK 1,144 million, equivalent to a return on average equity of 14.5% p.a., which is considered satisfactory.

The net profit for the year was DKK 920 million, equivalent to a return on average equity of 11.7% p.a.

On publication of the 2019 annual report, the bank announced its expectations for 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.

On 23 March 2020 the bank downwardly adjusted its expected results for 2020 to core earnings in the range DKK 900-1,100 million and profit before tax in the range 800-1,100 million as a result of the coronavirus crisis and the macroeconomic uncertainty arising from it, including decreasing prices of mortgage bonds, widening credit spreads of corporate bonds and expected higher impairment charges for loans.

On 6 October 2020 the bank announced an upward adjustment of its expectations for 2020. The expectations for core earnings were upwardly adjusted to the DKK 1,000-1,150 million range and the expectations for profit before tax were upwardly adjusted to the DKK 950-1,150 million range.

The background to the upward adjustment was primarily a better income flow than previously expected including from a continued large inflow of customers and a high level of activity. The capital loss on the bank's bond portfolio had also been reduced.

Core earnings stood at DKK 1,168 million and profit before tax at DKK 1,144 million, both realised at the upper end of the upwardly adjusted expectations.

Balance sheet items and contingent liabilities

The bank's balance sheet total at the end of 2020 stood at DKK 54,862 million, compared to DKK 52,941 million the year before.

Deposits including pooled schemes increased by 4% in 2020: from DKK 38,128 million at the end of 2019 to DKK 39,639 million at the end of 2020. The bank's loans increased by 2%: from DKK 35,465 million at the end of 2019 to DKK 36,241 million at the end of 2020.

Equity increased from DKK 7,610 million at the end of 2019 to DKK 8,146 million at the end of 2020.

The bank's contingent liabilities, including guarantees, at the end of the year amounted to DKK 9,812 million, compared to DKK 9,665 million at the end of 2019.

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 is positive by 5% compared to the end of 2019. The development is shown in the following summary:

Total credit intermediation (DKK million)	31 Dec. 2020	31 Dec. 2019	31 Dec. 2018
Loans and other receivables at amortised cost	36,241	35,465	33,350
Arranged mortgage loans and funded home loans – Totalkredit	39,454	36,374	32,905
Arranged mortgage loans – DLR Kredit	9,511	9,029	8,693
Total	85,206	80,868	74,948

Securities and market risk

The item "Shares, etc." amounted to DKK 1,386 million at the end of 2020, with DKK 40 million in listed shares and investment fund certificates and DKK 1,346 million in sector shares etc., mainly in the companies DLR Kredit, BI Holding and PRAS. The bond portfolio amounted to DKK 6,637 million, of which the majority consisted of AAA-rated Danish government and mortgage credit bonds.

The total interest rate risk – the impact on profit of a 1 percentage point change in the interest level – was computed as 1.1% of the bank's tier 1 capital on 31 December 2020, the equivalent of DKK 80 million.

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 2020:

Value at Risk	Risk in DKK million	Risk relative to equity end of year in %
Highest risk of loss:	21.1	0.26%
Lowest risk of loss:	7.1	0.09%
Average risk of loss:	14.9	0.18%
End of year risk of loss:	13.7	0.17%

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.

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 1.4 billion, balanced by DKK 10.7 billion in short-term investments in Danmarks Nationalbank (the central bank of Denmark) and in liquid tradable securities.

The bank's deposits (excluding pooled schemes) and equity exceeded its loans by DKK 6.8 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 1.2 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 2020, the bank's LCR was 206%, which thus met the statutory requirement by a good margin.

Rating

The bank is rated by the international credit rating agency Moody's Investors Service.

In September 2020, Ringkjøbing Landbobank's long-term bank deposit rating was upgraded from A1 to Aa3. In addition, the bank's long-term issuer rating was upgraded from A2 to A1.

The most important ratings at the end of 2020 were as follows:

Rating	Assigned rating
Baseline Credit Assessment	a3
Adjusted Baseline Credit Assessment	a3
Long Term Bank Deposits	Aa3
Short Term Bank Deposits	P-1
Long Term Issuer Rating	A1
Short Term Issuer Rating	P-1
Outlook	Stable

The Supervisory Diamond

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

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

Benchmark	Limit value	2020	2019	2018	2017	2016
Funding ratio	<1	0.7	0.7	0.7	0.8	0.7
Liquidity benchmark	>100%	177.6%	193.2%	179.5%	-	-
Total large exposures	<175%	99.8%	121.0%	106.0%	136.1%	-
Growth in loans	<20%	2.2%	6.3%	72.3%*	10.7%	2.7%
Real property exposure	<25%	17.9%	17.5%	15.8%	18.0%	14.8%

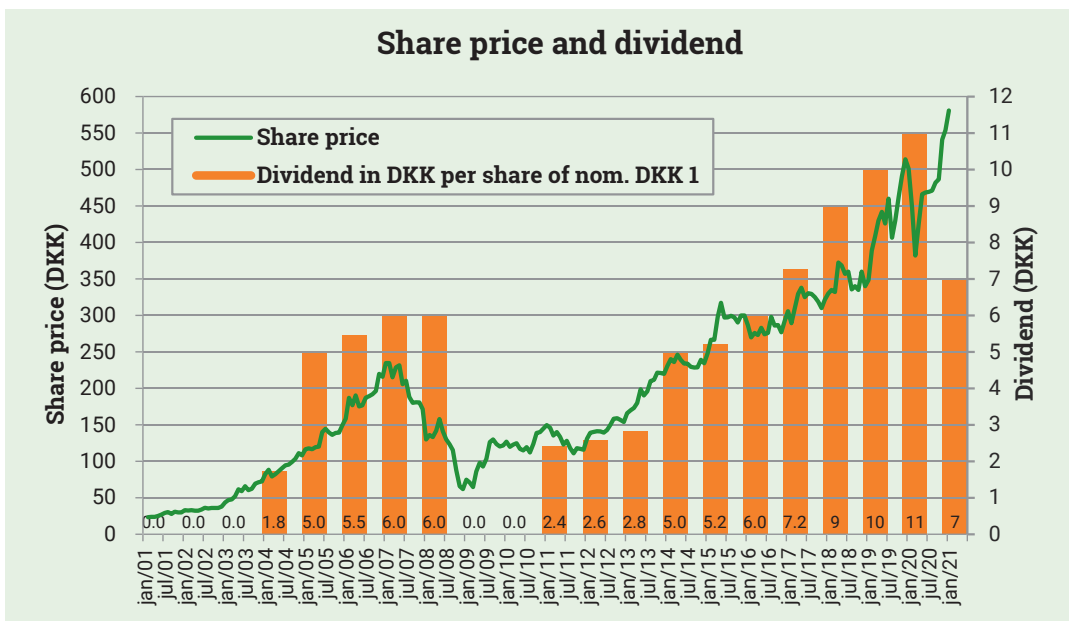
* The increase was mainly caused by the merger. The pro forma growth in loans relative to December 2017 was 7.0%.

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

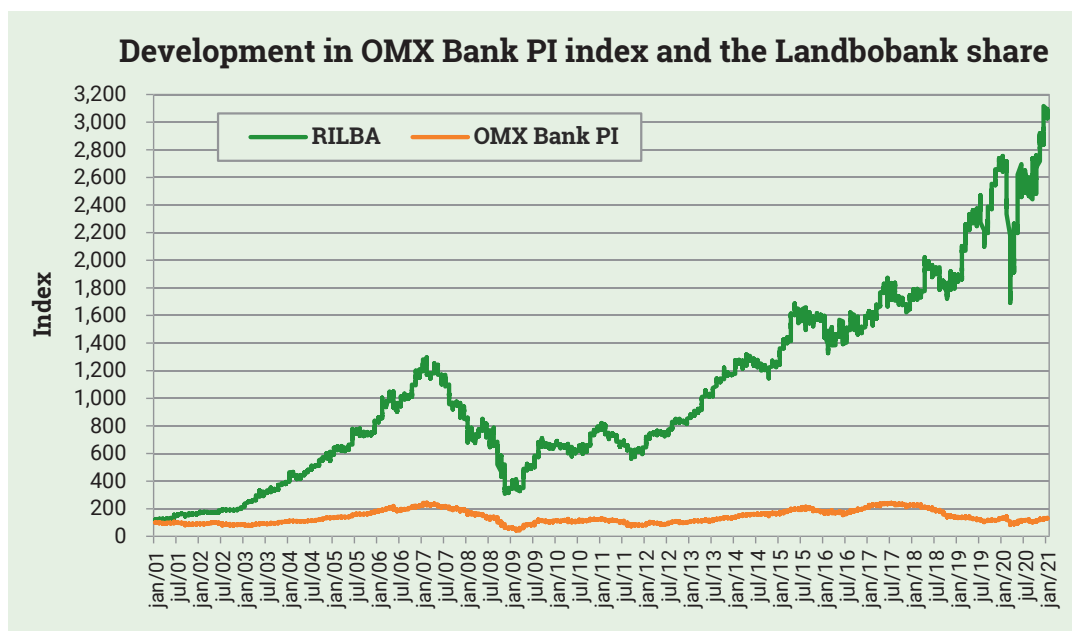
The bank's share

The bank's share at the beginning of the year was listed on the Nasdaq Copenhagen at 514.0. At the end of 2020, the share price had increased to 554.0 and the return on the share was thus 10% including the dividend of DKK 11.0 distributed in 2020.

Including dividends up to and including the 2019 financial year and given the share price on 31 December 2020, the average annual return on an investment in the bank's shares at the beginning of 2001 is 19%.



As indicated in the chart below, the bank's share has outperformed the index for banks (OMX Copenhagen Banks PI) in the same period.



Strategy update

In the report for the first quarter of 2020, the bank announced a strategy update. Overall, the bank will continue to have an organic growth strategy and has decided to implement a number of initiatives to ensure firm and future-proof foundations for a strong and competitive bank in West, Central and North Jutland, for the benefit of the customers.

The initiatives included harmonisation of the bank's management structure, merging of branches and automation of the last cashier functions.

Since publication of the strategy update, the bank has been working on implementing it.

Two area functions in North Jutland have therefore been closed down and general managers Claus Andersen and Carl Pedersen have taken over the direct management of the branch network in North Jutland. The management structure has thus been harmonised throughout the bank, resulting in a flatter organisation.

The bank's branch in Nibe was merged with the branch in Hasseris, the branches in Sindal and Hirtshals were merged with the branch in Hjørring and finally, the Private Banking branch in Frederikshavn was combined with the Private Banking branch in Aalborg.

The automation of the last cashier functions has also been completed, which means that they were closed and replaced by automated teller machines (ATMs) where the customers can deposit and withdraw Danish kroner and euros.

Central production departments were also established during 2020 and there are now a total of three located in Ringkøbing, Nørresundby and Frederikshavn respectively. The central production departments are responsible for preparing documents etc.

The bank also established customer service departments in 2020. The departments service personal customers whose advisory requirements are limited.

The bank's branch in Holte moved to a new address in 2020 and the new domicile will help to ensure that the framework is in place for continuing the positive development which has characterised the branch in recent years.

The bank's branch in Aarhus was expanded in 2020 to serve personal customers. In the future, the branch will thus serve Private Banking clients, business customers and personal customers. The physical framework of the Aarhus branch was enlarged at the beginning of 2021. In addition, the branch has been future-proofed and has the foundation in place to continue its positive development.

We will continue to market the bank under two brands using "Nordjyske Bank" in North Jutland and "Ringkjøbing Landbobank" in the rest of Denmark. The bank's branch in Copenhagen has changed its name and will be branded under the name "Ringkjøbing Landbobank" going forward.

The work of implementing the many strategy update initiatives has been a high priority throughout the second to fourth quarters of 2020 and has required management focus.

With the work complete, the full focus in 2021 will be on a concentrated effort in the bank's organic growth strategy.

To ensure that the framework is in place for this growth strategy, the bank's management has decided to proceed with the plans of enlarging the head office in Ringkjøbing in the hope that building work can start during 2021 with commencement of use in 2022.

Customer satisfaction and inflow

We are pleased to note that, measured on total customer satisfaction, of which image and reputation are parameters, the bank was high on the list of Danish financial institutions in 2020.

This was established in a Voxmeter survey published in January 2021 which places the bank among the best measured in terms of total customer satisfaction. The Voxmeter survey is by far the biggest in Denmark and based on more than 60,000 respondents.

The high level of customer satisfaction and the bank's image and reputation have contributed to the continued highly satisfactory growth in new customers and good retention of customers in 2020, like in previous years.

The coronavirus pandemic

We see it as an important part of our task, during the coronavirus pandemic, to support our customers and business partners.

Since March we have therefore placed a strong emphasis on supporting our customers in a difficult time. The bank has carefully studied the aid packages that have been launched during 2020 and its business banking departments have worked at full capacity.

Business customer advisers have been in contact with the business customers to follow up on their circumstances and give them help and advice. The bank has also offered personal customers the possibility, at no charge, of deferring installments on loans.

The bank has also supported its suppliers, and local communities and associations, partly by paying bills before they fall due and as soon as possible after receiving them, and partly by offering clubs and associations sponsored by the bank advances on agreed sponsorships. The bank has also renewed a number of sponsorship agreements, in some cases without the possibility for the other party to provide an agreed service in return.

In response to appeals from a number of mayors, the bank has also supported the local daily and weekly newspapers by placing full-page advertisements in them.

Finally, the bank naturally implemented a range of measures to protect its employees and lessen the risk of transmission of the virus.

In connection with the first wave of coronavirus in spring 2020, redesigned IT workstations with video links were thus installed for all the bank's employees, who were also offered training in the use of the Microsoft Teams application.

In addition, the layout of the workstations in the bank has been modified in the expectation that restrictions and recommendations will be in force for an extended period.

Most customer meetings were held virtually in the second half of 2020 and employee travel activities were very limited throughout the year.

In early January 2021, the Danish preparedness level was raised to tier 5 and the restrictions introduced in mid-December 2020 were extended. Some of the bank's employees are therefore working from home.

In most cases, the pandemic has not affected our customers and business partners as severely as feared at the start of the pandemic. The bank is prepared for operating in a changing environment for a long time.

Expected results and plans for 2021

Core earnings were DKK 1,168 million and profit before tax was DKK 1,144 million.

Both realised results are thus at the upper end of the upwardly adjusted ranges of DKK 1,000-1,150 million and DKK 950-1,150 million respectively for 2020.

2020 has been a historic year when the bank's customers and employees, and Danish society as a whole, were affected by the coronavirus pandemic.

2020 was also the year when the bank launched a strategy update in the second quarter. Implementing it has been a high priority since it was launched and the update and implementation also required great management focus throughout 2020.

The implementation of most of the planned initiatives has been completed. The emphasis in 2021 will be on pursuing the bank's organic growth strategy, under which it wishes to provide advice to existing customers on relevant bank products and to attract new customers and gain market shares.

From 2020, the bank is carbon neutral. The bank wants to be an active player in a sustainable transition of society and will continue to offer products that further this process in the years to come.

Based on the above, the bank's expectations for 2021 are as follows.

Total core income is expected to develop positively in 2021 as a result of an expected continued inflow of customers and increase in the business volume.

A small increase in total expenses is expected in 2021 compared to the expenses in 2020. The underlying rate of increase for the bank's cost base is expected to be approximately 3% p.a., but the initiatives implemented by the bank in 2020 are expected to neutralise a part of this increase. On this basis, the rate of costs is expected to be marginally lower.

Impairment charges in 2021 are expected to be at a lower level than in 2020.

On the basis of the above, the bank expects core earnings for 2021 in the range DKK 1,100-1,300 million and profit before tax in the range DKK 1,000-1,300 million.

Accounting policies

The bank changed its accounting policies with effect from the beginning of 2020 because rules in the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., compatible with the provisions of IFRS 16 – Leases, entered into force on 1 January 2020.

The changes in the rules and policies 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 lease assets 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 rule and policy changes thus resulted in an increase of DKK 21 million in the bank's tangible assets and debts on 1 January 2020. The effect on operations is insignificant since the bank has only entered into a limited number of leasing agreements/leases, mainly for the premises accommodating a few of its branches.

The accounting policies are otherwise unchanged relative to those in the submitted and audited 2019 annual report.

See "Accounting policies etc." in note 1 on page 72 for a detailed description.

Events after the reporting period

No events after 31 December 2020 are judged to have a material impact on the bank's circumstances.

Quarterly overviews

The following pages contain quarterly overviews comprising core earnings, balance sheet items and contingent liabilities, and statement of capital.

See note 1 on page 80 for further details on the different items.

Comments on the fourth quarter of 2020

Core income

Core income of DKK 566 million in the fourth quarter of 2020 is the highest ever realised by the bank.

Net fee and commission income excluding securities trading increased compared to previous quarters and reflect a high level of activity and a continued increase in customers.

The items "Net interest income" and "Foreign exchange income" also developed positively in the fourth quarter of 2020.

Expenses

Expenses in the quarter totalled DKK 212 million, which meant that total expenses for 2020 decreased by 2% relative to 2019.

Impairment charges for loans

Impairment charges decreased in the fourth quarter of 2020 relative to the previous quarters and amounted to DKK 38 million in the fourth quarter.

The management estimate increased during the fourth quarter of 2020: from DKK 541 million at the beginning of the quarter to DKK 566 million at the end of the quarter.

Result for the portfolio

The result for the portfolio in the fourth quarter was positive by DKK 15 million, thus reducing the first quarter's negative result for the portfolio, similarly to the second and third quarters.

Quarterly overviews

Core earnings

(DKK million)	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Net interest income	321	319	311	305	292	294	296	291
Net fee and commission income excluding securities trading	156	147	136	152	154	163	159	150
Income from sector shares etc.	43	38	35	35	36	36	36	37
Foreign exchange income	13	9	9	10	8	9	8	6
Other operating income	1	0	1	0	5	7	0	1
Total core income excluding securities trading	534	513	492	502	495	509	499	485
Securities trading	32	39	28	39	35	29	23	41
Total core income	566	552	520	541	530	538	522	526
Staff and administration expenses	206	179	190	191	202	180	198	198
Depreciation and write-downs on tangible assets	4	5	2	3	9	8	4	2
Other operating expenses	2	2	0	4	1	0	2	1
Total expenses etc.	212	186	192	198	212	188	204	201
Core earnings before impairment charges for loans	354	366	328	343	318	350	318	325
Impairment charges for loans and other receivables etc.	-38	-44	-66	-75	-25	-26	-24	-25
Core earnings	316	322	262	268	293	324	294	300
Result for the portfolio etc.	+15	+17	+29	-70	-4	+20	+7	+26
Amortisation and write-downs on intangible assets	4	3	4	4	4	3	4	4
Merger and restructuring costs	0	0	0	0	0	0	0	0
Non-recurring costs	0	0	0	0	0	0	0	0
Profit before tax	327	336	287	194	285	341	297	322
Tax	64	64	60	36	62	66	76	63
Net profit for the year	263	272	227	158	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 2020	End of Q3 2020	End of Q2 2020	End of Q1 2020	End of Q4 2019	End of Q3 2019	End of Q2 2019	End of Q1 2019
Loans	36,241	35,479	35,260	36,130	35,465	34,757	34,528	34,195
Deposits including pooled schemes	39,639	39,204	39,670	37,051	38,128	38,554	39,070	37,439
Equity	8,146	7,884	7,612	7,380	7,610	7,426	7,231	7,071
Balance sheet total	54,862	53,956	53,984	51,531	52,941	53,601	52,426	50,266
Contingent liabilities	9,812	9,590	9,379	9,992	9,665	10,836	10,466	7,976

Statement of capital

(DKK million)	End of Q4 2020	End of Q3 2020	End of Q2 2020	End of Q1 2020	End of Q4 2019	End of Q3 2019	End of Q2 2019	End of Q1 2019
Common equity tier 1	7,277	7,049	6,973	6,109	6,072	5,624	5,441	5,284
Tier 1 capital	7,277	7,049	6,973	6,109	6,072	5,624	5,441	5,284
Total capital	8,774	8,553	8,507	8,009	8,242	7,786	6,854	6,667
MREL capital	11,112	11,587	11,580	10,985	11,248	10,790	9,551	9,033
Total risk exposure	41,561	39,682	38,900	41,444	41,223	39,547	40,106	38,308
(Percent)								
Common equity tier 1 capital ratio	17.5	17.8	17.9	14.7	14.7	14.2	13.6	13.8
Tier 1 capital ratio	17.5	17.8	17.9	14.7	14.7	14.2	13.6	13.8
Total capital ratio	21.1	21.6	21.9	19.3	20.0	19.7	17.1	17.4
MREL capital ratio	26.7	29.2	29.8	26.5	27.3	27.3	23.8	23.6

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
5,326	5,099	4,978	5,185	5,381	5,263	5,175	4,909	5,032	4,955	4,863	4,718
5,326	5,099	4,978	5,185	5,381	5,263	5,175	4,909	5,032	4,955	4,863	4,718
6,711	6,470	6,348	5,757	5,921	5,811	5,722	5,442	5,556	5,513	5,431	5,284
9,057	-	-	-	-	-	-	-	-	-	-	-
36,385	34,123	33,784	34,314	34,162	32,618	32,197	31,517	31,772	30,973	30,070	29,744
14.6	15.0	14.7	15.1	15.8	16.1	16.1	15.6	15.8	16.0	16.2	15.9
14.6	15.0	14.7	15.1	15.8	16.1	16.1	15.6	15.8	16.0	16.2	15.9
18.4	19.0	18.8	16.8	17.3	17.8	17.8	17.3	17.5	17.8	18.1	17.8
24.9	-	-	-	-	-	-	-	-	-	-	-

Profit distribution

The bank's annual general meeting in March 2020 authorised the board of directors, 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.

The board of directors subsequently acted on the authorisation and initiated a share buy-back programme of DKK 150 million (of an expected total buy-back programme of DKK 300 million based on the 2019 profit) under the Safe Harbour regulation, for cancellation at a future general meeting.

On 30 March 2020, the board of directors decided to suspend the share buy-back programme in progress, based on a joint statement of 23 March 2020 made by Finance Denmark and the Government in light of the coronavirus outbreak. On 27 March 2020, 160,600 shares of a total value of DKK 57.5 million had been bought back. Following publication of the interim report for the first half of 2020 and the Danish FSA's recommendation of 26 June 2020, the board of directors decided not to buy back further shares or pay any dividends until the end of 2020.

The annual general meeting further decided to cancel 433,475 of the bank's own shares. The capital reduction was finalised in May 2020.

It is proposed to the general meeting in March 2021 that the 160,600 shares bought back in 2020 be finally cancelled in connection with a capital reduction, thus reducing the number of shares in the bank from 29,228,321 to 29,067,721.

The bank's actual share capital is thus DKK 29,067,721 in nom. DKK 1 shares, see below.

	Number of shares
Beginning of 2020	29,661,796
May 2020	
Capital reduction by cancellation of own shares	-433,475
End of 2020	29,228,321
Share buy-back programme – only partly completed in 2020	-160,600
Number of shares following capital reduction	29,067,721

Further to the Danish FSA's announcement of 18 December 2020 on capital conservation, the bank has engaged in dialogue with the FSA regarding capital distribution in 2021 based on the result for 2020.

Based on this dialogue, the board of directors proposes that 50% of the net profit for the year be distributed.

The board proposes a dividend of DKK 7 per share for the 2020 financial year, equivalent to a total of DKK 205 million. A dividend of DKK 11 per share was paid for the 2019 financial year.

Based on the dialogue, the board also intends to initiate a share buy-back programme totalling DKK 255 million, with the intention of cancelling the shares bought back under the programme at a future general meeting.

The share buy-back programme is effected in the period from 4 February to 30 July 2021 provided that the general meeting, as in previous years, authorises the board of directors to acquire the bank's own shares.

The DKK 255 million share buy-back programme based on the 2020 result must be deducted from the bank's total capital 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 2020.

Capital objectives and pay-out ratios

The management wants the bank's general capitalisation to be such as will 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 has regularly reassessed the capital targets since they were first announced.

At the beginning of 2020, the countercyclical capital buffer was 1.0%. Notice had been given during 2019 of additional 0.5 percentage point increases on 30 June 2020 and on 31 December 2020, so that the buffer would be 2.0% at the end of 2020.

The development described above was included in the bank's capital target for the MREL capital ratio at the beginning of 2020. On 12 March 2020, the Government released the countercyclical buffer in light of the uncertainties on the financial markets. This was subsequently maintained, most recently in an announcement from the Minister for Industry, Business and Financial Affairs on 17 December 2020.

After the countercyclical buffer was released, the board reassessed the capital targets and at the end of 2020, the capital targets specify that the common equity tier 1 capital ratio must be at least 13.5%, the total capital ratio at least 17% and the MREL capital ratio for covering the MREL requirement and capital buffers at least 23.5%.

All capital targets are minimum figures that must be met at the end of the year, but there may be fluctuations in the capital ratios over the year.

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

The Danish FSA's announcement means that it is not possible to continue the bank's profit distribution policy with respect to the capital distribution in 2021 based on the 2020 result.

Following the dialogue with the Danish FSA, the maximum total capital pay-out ratio based on the 2020 result is 50%.

CAPITAL STRUCTURE

The following summary shows the actual pay-out ratios in percent in recent years.

The summary lists the actual pay-out ratios for the 2016-2019 financial years and the expected ratio for 2020.

Pay-out ratios

(DKK million)	2020	2019	2018	2017	2016
Total comprehensive income for the year	919.2	978.3	777.9	588.6	539.5
Distributions					
Ordinary dividend	204.6	326.3	309.9	201.2	164.5
Share buy-back programme	255.0	57.5	190.0	170.0	169.9
Total	459.6	383.8	499.9	371.2	334.4
Pay-out ratio in %	50	39	64	63	62

See page 81 for detailed comments on the pay-out ratios in general.

Current capital structure

The bank's equity at the beginning of 2020 was DKK 7,610 million. The profit for the year must be added to this, while the dividend paid and the value of the bank's own shares bought must be subtracted. After this, equity at the end of 2020 was DKK 8,146 million.

In addition to the above, the bank's capital ratios were affected by a number of circumstances during the year.

The bank carried out early redemption: of DKK 275 million of tier 2 capital in February 2020; and of tier 2 capital equivalent to EUR 50 million in May 2020. Refinancing of these two issues was already in place in the third quarter of 2019.

In June 2020, the European Parliament adopted various rules on relaxation of capital requirements, which are described in detail on page 29.

In addition, the European Parliament introduced a new five-year phasing-in period for the dynamic component of the IFRS 9 transitional rules. This has meant that the bank can add back to its capital the difference between its current stage 1 and 2 impairment charges and the stage 1 and 2 impairment charges on 1 January 2020. The arrangement's positive effect on the bank's capital ratios is therefore only temporary.

The bank thus uses both the static and the dynamic components of the IFRS 9 transitional rules, including the simplified approach to recalculation of capital requirements.

The new phasing-in rules are also described in detail on page 29.

In addition, a build-up of capital has taken place in 2020 due to the suspended share buy-back programme and the lower, expected capital distribution for 2020.

The bank's tier 1 capital ratio was 17.5 at the end of 2020, and the total capital ratio was 21.1.

The bank's capital ratios as at the end of December 2016-2020 were as follows:

Capital ratios	2020	2019	2018	2017	2016
Common equity tier 1 capital ratio	17.5	14.7	14.6	16.5	16.9
Tier 1 capital ratio	17.5	14.7	14.6	16.5	16.9
Total capital ratio	21.1	20.0	18.4	17.8	18.3
MREL capital ratio	26.7	27.3	24.9	-	-

Calculated without the above IFRS 9 transition programmes, the bank's tier 1 capital ratio was 16.0% and the total capital ratio 20.1% on 31 December 2020.

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 percentage points, 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 2020 was calculated at 9.3%, which is unchanged relative to 2019. The capital conservation buffer of 2.5% should be added to this, while the countercyclical buffer is currently 0%.

The total requirement for the bank's total capital was thus 11.8% at the end of 2020. Compared with the actual total capital of DKK 8.8 billion, the capital buffer at the end of 2020 was thus DKK 3.9 billion, equivalent to 9.3 percentage points.

Further reference is made to the summary below.

Individual solvency requirement and excess cover	2020	2019	2018	2017	2016
Individual solvency requirement (%)	9.3	9.3	9.3	9.0	9.0
Capital conservation buffer (%)	2.5	2.5	1.9	1.3	0.6
Countercyclical buffer (%)	0.0	1.0	0.0	0.0	0.0
Total requirement for the bank's total capital (%)	11.8	12.8	11.2	10.3	9.6
Excess cover in percentage points relative to individual solvency requirement	11.8	10.7	9.1	8.8	9.3
Excess cover in percentage points relative to total requirement for total capital	9.3	7.2	7.2	7.5	8.7

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

CAPITAL STRUCTURE

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 2020 on the bank's website at the address: www.landbobanken.dk/solvency.

MREL requirement

In December 2020, the bank received an updated MREL requirement of 17.9% for 2021 applicable already from 28 December 2020. In future, the capital buffers are not included in the updated MREL requirement (minimum requirement for own funds and eligible liabilities which can be used to convert debt into share capital/bail-in).

The bank must always meet the current MREL requirement.

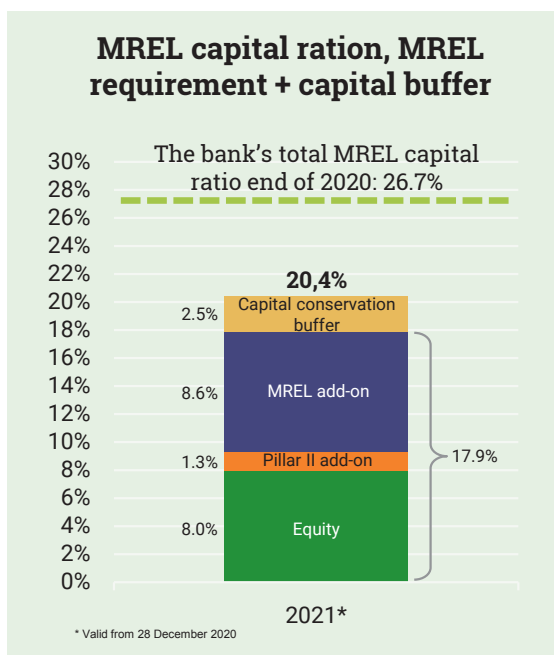
To comply with the MREL requirement, the bank had established funding meeting the requirements for grandfathering of contractual senior funding by the end of 2017. DKK 1.0 billion of the funding could be included to meet the bank's MREL requirement at the end of 2020 and, in the period December 2018 to December 2020, the bank has issued non-preferred senior capital totalling DKK 1.3 billion.

The bank's MREL capital ratio was 26.7% at the end of 2020, which thus met both the MREL requirement at the end of 2020 and the target fixed for the MREL capital ratio.

The excess cover for the MREL requirement at the end of 2020 was thus 8.8 percentage points.

The release of the countercyclical capital buffer in 2020, the subsequent adjustment of the bank's target MREL capital ratio and the permanent positive effects on capital in 2020 mean that the bank no longer requires the previously announced sum of approximately DKK 750 million per year to finance the non-preferred senior capital in 2020 and 2021. The bank is also not expected to require financing for non-preferred senior capital in 2022. Despite this, the bank expects to make minor issues both in 2021 and 2022.

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



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 less volatility in the total risk exposure amount.

As mentioned on page 26, various initiatives relaxing the capital requirements were introduced with effect from the end of June 2020.

In June 2020, the European Parliament adopted amendments to the CRR and CRR II regulations known as the “CRR Quick Fix”, which were implemented at the end of June 2020. This has greatly influenced the bank’s capital structure in 2020.

A permanent change of the SME discount for the calculation of credit risk in accordance with the standardised method for SMEs has also positively affected the bank’s credit risk exposure since the end of June 2020. The SME discount was previously 23.89% of exposures not exceeding EUR 1.5 million. The discount is now 23.89% for the part of the exposure that is less than EUR 2.5 million, and a 15% discount was also introduced for the part of the exposure that exceeds EUR 2.5 million.

In addition, a new five-year phasing-in period for the dynamic component of the IFRS 9 transitional rules was introduced. This has meant that the bank can add back to its capital the difference between its current stage 1 and 2 impairment charges and the stage 1 and 2 impairment charges on 1 January 2020.

Provided the stage 1 and 2 impairment charges have increased since 1 January 2020, the bank can thus add back the increase in impairment charges less the effect on tax.

The add-back is 100% for 2020, 100% for 2021, 75% for 2022, 50% for 2023, 25% for 2024 and 0% for 2025. The arrangement’s positive effect on the bank’s capital ratios is therefore only temporary.

The bank thus uses both the static and the dynamic components of the IFRS 9 transitional rules, including the simplified approach to recalculation of capital requirements.

CAPITAL STRUCTURE

In addition, in June 2020, the Danish FSA terminated the possibility of down-weighting agricultural property exposures (buildings only) when calculating the capital requirement, because it considered that there is currently no well-developed and established market for them in Denmark. This decision only had a small negative effect on the bank's capital ratios.

Risks and risk management

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

The credit risk is defined as the risk that payment obligations to the bank have to be rated non-recoverable because the debtor is either unable or unwilling to pay at the agreed time.

The market risk is defined as the risk that the market value of the bank's assets and liabilities will change 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.

The liquidity risk is defined as the risk that the bank's cash resources prevent 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. Another non-financial risk is the risk of non-compliance with financial sanctions.

The 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 IT risks associated 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 board of directors' review of the bank's business model and associated policies for each individual risk area is based on various risk reports which are supplied to the board.

The reports describe the various risks to which the bank is exposed, and give 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 reports also act 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 on 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 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 judgment is that the credit quality for those of the bank's loans and guarantees which have not been impaired has deteriorated marginally relative to the previous year.

This generally reflects a continued sound Danish economy with low unemployment and continued favourable conditions for the bank's niches. The coronavirus is a challenge to some industries, and although the bank is not severely exposed to particularly vulnerable industries, the result is marginal deterioration of the bank's credit quality. We refer to note 48 on page 98.

Actual net losses

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%	-0.36%
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	47,161,735	-0.40%	-0.25%
2020	-120,051	-60,373	264,721	2,204,620	48,257,615	-0.25%	-0.13%
34-year average (1987-2020)						-0.50%	-0.06%
10-year average (2011-2020)						-0.41%	-0.22%

* 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 34-year average are calculated as simple averages.

Supplementary comments on actual net losses in 2018, 2019 and 2020: In connection with the merger in 2018, the two banks' impairment policies for losses were harmonised. In 2018 this resulted in full and partial impairment losses on exposures taken over from Nordjyske Bank. This harmonisation continued to a lesser extent in 2019 and partly in 2020.

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 clients, medical practitioners' and dentists' purchases of private practices, loans for the financing of renewable energy including

RISKS AND RISK MANAGEMENT

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 key figure for large exposures is defined 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 very high. None of the exposures shows objective evidence of credit impairment, and none of them shows any material signs of weakness.

Credit concentration

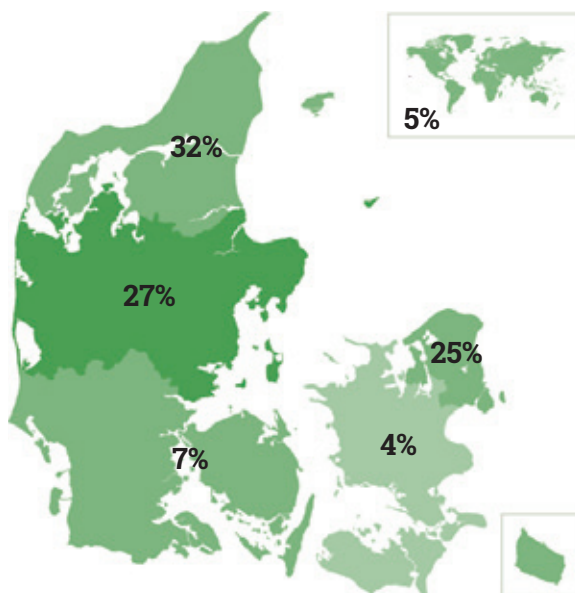
	End of 2020	End of 2019	End of 2018
Total large exposures	99.8%	121.0%	106.0%

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 the bank will not receive payment or securities corresponding to the securities and/or payments which it had made and delivered in the context of trades in securities and/or currency.

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 concerning 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 risk 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 with good credit quality.

Receivables from central banks and credit institutions

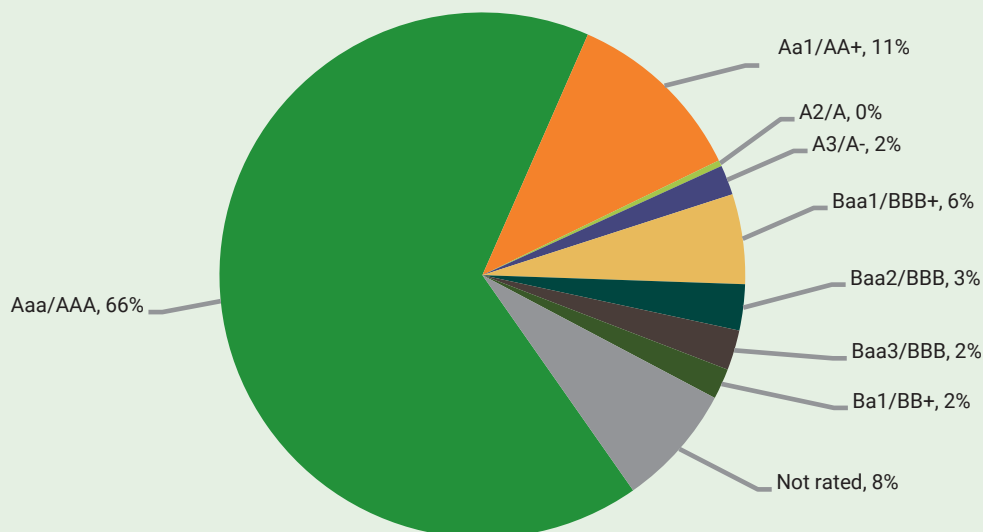
One of the major items of credit risk exposure to financial counterparties is receivables from central banks and credit institutions. The bank has assumed only a moderate risk on this item and, of the total receivables from central banks and credit institutions, 99% is thus due within three months.

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 is to keep total market 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 of 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 it has assumed. The bank has a mathematical/statistical model to compute market risks, in addition to more traditional methods. 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.

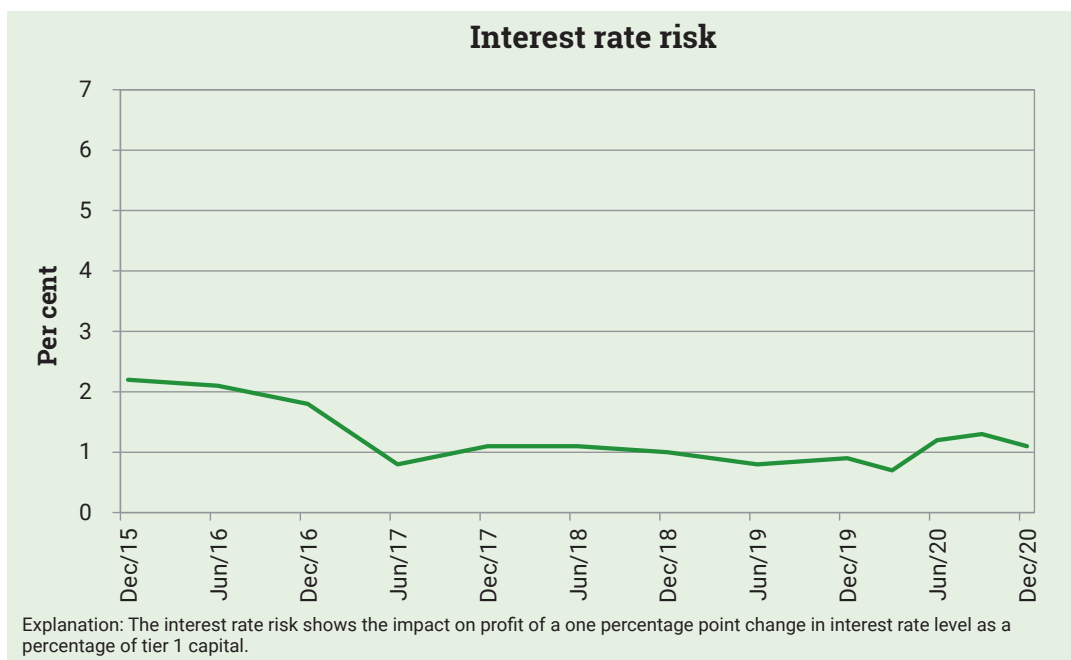
A separate VaR is calculated for interest rate, foreign exchange and listed share positions etc., and a total VaR is also calculated for all of the bank's market risks consisting of interest rate, foreign exchange and listed share positions etc. This possibility of calculating a VaR for the bank's market 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 risks

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

Ringkjøbing Landbobank's policy is to maintain a 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.



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 risks

The bank's principal currency is the Danish krone, but it has also entered into lending and deposit activities, owns securities, and has issued bonds and raised loans 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 2020 was at an insignificant level.

Share price risks

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 and others.

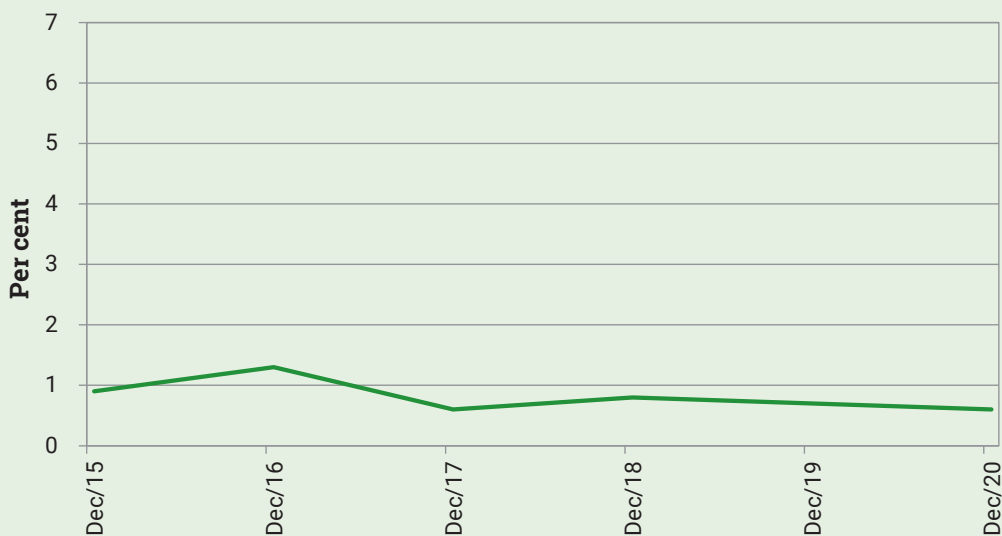
These holdings are comparable with the wholly owned subsidiaries of major banks, and the equity interests are thus not deemed to be a part of the bank's share price risk. The bank also holds a small portfolio of listed shares etc.

The holding of shares etc. amounted to DKK 1,386 million at the end of the year, with DKK 40 million in listed shares and investment fund certificates and DKK 1,346 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.

Share exposure



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 risks

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 investment properties should be added that are relatively modest relative to both the bank's balance sheet total and equity.

Value at Risk

The bank's total VaR was DKK 13.7 million at the end of 2020. 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	14.4	7.8	21.0	11.5
Foreign currency	0.2	0.0	0.3	0.0
Share	3.8	4.1	0.5	5.6
Diversification	-3.5	-4.8	-0.7	-3.4
Total VaR figure	14.9	7.1	21.1	13.7

* Determined by the total VaR figure.

In the first quarter of 2020, the extraordinary market situation arising from the coronavirus pandemic in March 2020 resulted in capital losses which lay outside the framework of fluctuations applied by the bank's Value at Risk model with 99% probability.

This was not unnatural in a situation where market volatility exceeded historical market dynamics. The increased volatility has subsequently become part of the model's underlying data.

As indicated in the table, the bank's total VaR throughout 2020 varied from DKK 7.1 million to DKK 21.1 million. The average VaR figure was DKK 14.9 million, the same level as 2019.

See note 51 on page 108 for the development in VaR figures for the years 2016-2020.

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. As stated, the model's underlying date was calibrated during the year, but the model's method is unchanged compared 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 risks

It is the bank's objective that the budgeted liquidity should meet the current LCR requirement for a period of at least 12 months. The bank seeks 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 2020 the bank's LCR was 206%, 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". The 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 178% on 31 December 2020, 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, but also by joint funding (bond issuance) of the bank's home loans, by taking out longer-term loans with other credit institutions, issuing both preferred and 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.

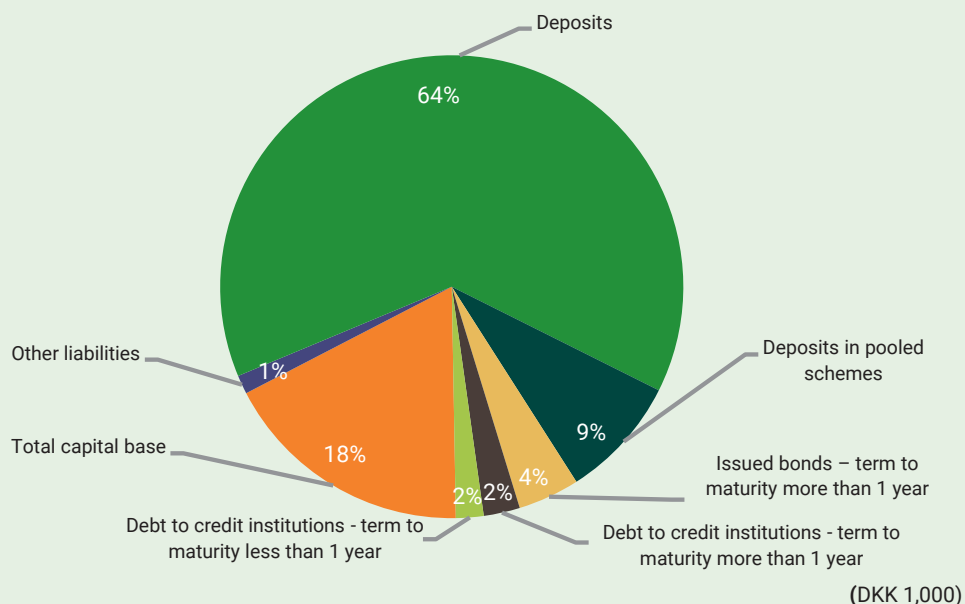
The composition of the bank's funding situation does not leave the bank dependent on individual business partners.

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 2020.

The bank issued non-preferred senior capital for the first time in 2018. In the period from December 2018 to December 2020, the bank issued non-preferred senior capital totalling DKK 1.3 billion. In addition, the bank has historically also used the EMTN bond programme to issue both ordinary senior capital and tier 2 capital.

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



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	1,389,267
Total	1,389,267

Covered as follows:

Cash in hand and demand deposits with Danmarks Nationalbank	659,004
Receivables with notice from central banks – certificates of deposit	3,211,482
Receivables from credit institutions – term to maturity less than 1 year	114,751
Listed bonds, shares and investment fund certificates at fair value	6,677,392
Total	10,662,629

Excess cover **9,273,362**

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 Danmarks Nationalbank, certificates of deposit, short-term placings with other credit institutions, and the bank's own portfolio of liquid securities. Surplus liquidity at the end of 2020 was DKK 9.3 billion, while the corresponding figure at the end of 2019 was DKK 9.1 billion.

Operational risks (non-financial risks)

Operational risks

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.

The bank regularly produces reports on the losses and events which are attributed to operational risks.

Based on these 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, the bank conducts thematic reviews of selected business areas, identifying and assessing the potential risk scenarios for each area and subsequently adjusting the bank's procedures etc. accordingly.

Combating money laundering etc.

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, monitoring 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. Further reference is made to page 48.

IT risks

IT supports a large part of the systems and tools used by both the bank's customers and its employees. IT security is therefore an important element in the assessment of the bank's operational risks.

The bank's board of directors sets and formulates the requirements regarding the bank's IT risks in the IT risk management policy and the IT security policy. These two policies form the basis for the bank's work with IT risks.

Part of the work with IT risks and their management is an annual risk analysis. The analysis assesses different IT risk scenarios for the bank's different systems and the probability and consequences of the different scenarios – before and after mitigating measures.

The risk analysis is expressed as a risk score for each individual system. Requirements for the confidentiality, availability and integrity of the bank's systems are also assessed annually.

Based on the above, the board of directors annually updates and approves the two policies.

In addition to addressing IT risk management risks and IT security risks, the bank's IT organisation and management also regularly decide on the IT preparedness plans made. Preparedness exercises are carried out regularly to ensure that the bank is able to handle events that may arise.

The bank's IT risk management policy, IT security policy and IT preparedness plans apply to all aspects of its use of IT, including IT that is fully or partly outsourced.

These requirements apply to the bank's internal IT organisation as well as its primary external IT supplier Bankdata, which the bank owns together with a number of other banks, and JN DATA which is a supplier to Bankdata and responsible for the daily operations.

Quantification of operational risks in the statement of capital

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.

Further information on the bank's risks

Danish banks are required by law to disclose information on risk. This annual report gives some of the required risk information 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 good long-term results and thus the best possible long-term returns for its owners, the shareholders, and to achieve an annual return on equity 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 segment 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 via 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 various 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.

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 2020 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 2020 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.

On 2 December 2020, the Committee on Corporate Governance adopted and published updated Recommendations on Corporate Governance applicable to financial years commencing on or after 1 January 2021. The bank’s management will later specify how it will act on the updated recommendations regarding the 2021 financial year.

Finance Denmark’s Corporate Governance Code

In 2013, the then Danish Bankers Association (now Finance Denmark) published a corporate governance code.

The code recommends Finance Denmark’s member companies give active consideration to a number of managerial matters, and make their management frameworks more transparent.

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 their annual reports.

When preparing the 2020 annual report, the bank’s board of directors and general management also specified how they viewed Finance Denmark’s Corporate Governance Code.

The bank’s management also supports Finance Denmark’s Corporate Governance Code, and board of directors and general management have thus elected to follow all 12 recommendations.

Stewardship

The Stewardship Code from 2016 published by the Committee on Corporate Governance has been phased out. A provision on a stewardship policy has instead been implemented in section 101a of the Danish Financial Business Act. Under the provision, a stewardship policy must either be prepared or an explanation given for why a policy has not been prepared.

The bank’s board of directors and general management assess that a stewardship policy is not necessary since the bank 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, for example by exercising the voting rights pertaining to investments in listed shares.

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 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 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 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 on management and corporate governance

The statutory complete statement on management and corporate governance in Ringkøbing 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 2020 and found no need for changes.

The intention of this policy is 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 the 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 (who has 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 need to change the target figure and/or the policy in November 2020 and identified a need for various linguistic adjustments to the policy and a specification of the target figure for the proportion of the under-represented gender on the bank's board of directors.

The policy specifies that the target figure for the proportion of board members of the under-represented gender should be at least 16.7% (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 2020, the gender distribution at the bank's other management levels was as follows:

- 26.1% women
- 73.9% 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.

Combating money laundering and financing of terrorism

At its annual meeting in 2018, Finance Denmark appointed an Anti-Money Laundering Task Force. In November 2019, the Anti-Money Laundering Task Force published a report containing 25 recommendations for anti-money laundering and counter-terrorist financing measures aimed at various stakeholders including authorities, the banking sector in general and the individual banks.

The bank's board of directors endorsed the 25 recommendations in 2020.

One of the 25 recommendations is that the banks dedicate a page on their websites to targeted and publicly available information about their anti-money laundering and counter-terrorist financing efforts.

The bank has complied with this recommendation in 2020 and created such a web page. The page is available at the bank's web address: www.landbobanken.dk/antimoneylaundering.

Another of the 25 recommendations is that the individual banks undertake to outline their commitment to action against money laundering and terrorist financing, including their anti-money laundering policy, in the management's review section of their annual reports.

The bank also wants to comply with this recommendation and details of how Ringkjøbing Landbobank combats money laundering and financing of terrorism is given below in this management's review.

Combating money laundering and financing of terrorism in Ringkjøbing Landbobank is generally a task for all employees, not least because the bank has a statutory obligation to know all its customers and the nature of their transactions. This task is carried out by collecting data, primarily by the individual customer advisers.

In addition, all employees have a right and duty to report unusual and/or suspicious activities or transactions to the bank's central anti-money laundering department.

The applicable procedures for combating money laundering and financing of terrorism are available to the employees on the bank's intranet.

The bank's employees regularly receive training and are tested in combating money laundering and financing of terrorism. Training follows a two-year cycle to keep the current employees up to date on new rules and on new methods and tools implemented by the bank and to familiarise new employees with the subject.

The bank's central anti-money laundering department is in charge of the overall anti-money-laundering and counter-terrorist financing commitment and supports the employees' effort.

The anti-money laundering department continuously monitors suspicious transactions and reports any such transactions to the Anti-Money Laundering Secretariat at the office of the State Prosecutor for Serious Economic and International Crime. The department works continuously to set up and adjust the criteria for identifying transactions that are picked out for further investigation by the department.

In addition, the department continuously checks that the necessary information on the individual customers' identity and ownership are registered. It also checks that the purpose and scope of the customers' relationship with the bank are registered and updated.

In December 2019, the Danish FSA conducted a functional inspection of Ringkjøbing Landbobank's anti-money laundering area. The outcome of the inspection was three orders in September 2020 regarding improvement of the bank's policy in the area and certain routines and procedures. The bank is satisfied with the Danish FSA's inspection and the outcome and has in autumn 2020 implemented the improvements ordered.

Communication with stakeholders

The bank also places great emphasis 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 going forward. The bank also gives high priority to having a website and a web and mobile 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 2020 and found that a few adjustments were needed.

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 November 2020. In connection with the annual assessment of the need for updates, various clarifications were thus made.

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

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 the board's remuneration committee have subsequently reviewed the remuneration policy each year to assess any need for updating. If changes have been adopted, the updated remuneration policy has been submitted to the bank's annual general meeting for approval.

The current policy from 2020, which was approved by the bank's annual general meeting held on 4 March 2020, 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 points 4 and 5 of the remuneration policy. Severance may also be paid unless deemed to be variable salary in the terms of the applicable law.

The remuneration policy also complies with the remuneration policy requirements of the Danish Companies Act applicable to public limited companies with shares admitted to trading on a regulated market.

In January 2021, the bank's board of directors and the board's remuneration committee assessed that additions and clarifications were needed in the bank's remuneration policy in connection with changes to the Danish Financial Business Act, the coming into force of a new executive order on wage policies and remuneration in financial institutions etc., the coming into force of the regulation on sustainability-related disclosures in the financial services sector (the Disclosure regulation) and other adjustments.

The updated remuneration policy, which must be submitted to the bank's annual general meeting in March 2021 for approval, is basically unchanged in respect of the above-mentioned matters but, as stated, contains various adjustments and clarifications.

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

Remuneration report and remuneration details

Pursuant to provisions in the Danish Companies Act, a new remuneration report has been prepared on the remuneration paid to the board of directors and the general management for the 2020 financial year.

The remuneration report must be submitted for a consultative vote at the annual general meeting in March 2021. The remuneration report contains a statement from the bank's external auditor.

In addition, a document with various remuneration details etc. is prepared pursuant to the executive order on wage policies and remuneration in financial institutions etc., Article 450 of the CRR and section 80c of the Danish Financial Business Act.

The remuneration report and the remuneration details document are 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 2020 was DKK 29,228,321 in 29,228,321 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.

ATP, of Hillerød, Denmark owned 5.05% of the bank's share capital on 31 December 2020, corresponding to 3,000 votes.

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 43,439,301 in one or more new issues for which the board of directors will determine the price. The capital increase must be fully paid up. The authorisation applies until 3 March 2025. 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 43,439,301 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 up. The authorisation applies until 3 March 2025. 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.

It will be proposed at the forthcoming annual general meeting in March 2021 to adjust the board of directors' authorisations to increase the capital so that they are in line with the market.

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 4 March 2020 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%.

This authority was used on 4 March 2020 to initiate a share buy-back programme of DKK 150 million of an expected total buy-back programme of DKK 300 million for execution in 2020.

In response to a joint statement of 23 March 2020 made by the government and Finance Denmark in the light of the coronavirus outbreak, the share buy-back programme was suspended on 30 March 2020. On 27 March 2020, the programme had been executed to the sum of DKK 57.5 million, the equivalent of 160,600 nom. DKK 1 shares. In connection with the publication of the interim report for the first half of 2020 and the Danish FSA's recommendation of 26 June 2020, the board of directors decided not to buy back further shares or pay any dividends until the end of 2020.

Cancellation of the 160,600 shares will be recommended at the bank's annual general meeting in March 2021.

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 good, long-term results for its shareholders and intends to contribute to creating a sustainable society, focusing on customers, employees, climate and 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 we are 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 for the 2019 financial year, the bank has prepared an Environmental, Social and Governance (ESG) report for 2020. The ESG report contains detailed information 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/csr.

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, however, and in the corporate social responsibility policy the bank's target is to be and remain carbon neutral.

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

Page	
56	Management statement
57	Auditors' 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 2020.

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 at 31 December 2020 and of the result of the bank's activities for the financial year 1 January to 31 December 2020. 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, 3 February 2021

General management:

John Fisker
CEO

Claus Andersen
General Manager

Jørn Nielsen
General Manager

Carl Pedersen
General Manager

Ringkøbing, 3 February 2021

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 2020, and of the results of the bank operations for the financial year 1 January to 31 December 2020 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 2020, 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 that 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 conclusion 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 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 review.

Ringkjøbing, 3 February 2021

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 2020, and of the results of the Bank operations and cash flows for the financial year 1 January to 31 December 2020 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 2020 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 annually by shareholder resolution for a total period of uninterrupted engagement of three years including the financial year 2020.

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 2020. 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 matter

How our audit addressed the key audit matter

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.

As a result of COVID-19, Management has significantly increased the impairment charges by way of its accounting estimate ('management estimate'). The impact of the COVID-19 pandemic on the Bank's customers is largely undetermined, which implies that the estimation uncertainty related to the calculation of the indication of impairment is increased.

Impairment of loans and advances is a key focus area because Management is making significant estimates in an area that is inherently complex and subjective. Estimates are made both in relation to whether loans and advances need to be written down for impairment and in relation to the amount of loan 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 outcomes of the customer's financial position (scenarios) and for the assessment of collateral value of, for example, 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 conditions and which are not included in the model-based calculations or individually assessed impairment charges, including in particular the impact of the COVID-19 pandemic on the Bank's customers.

We refer to note 2 'Accounting estimates and judgements', note 47 'Risk factors 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 2020 and in the balance sheet at 31 December 2020.

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 model-based impairment charges in stages 1 and 2, including assessment of Management's determination and adaptation of model variables to own issues.

Our review and assessment 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 underperforming loans in stage 2 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 value of, for example, 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 underperforming loans in stage 2 by testing the calculations of impairment charges and applied data to underlying documentation.

We tested a sample of other loans by making an assessment of stage and credit classification. This included samples of large loans as well as loans relating to segments with generally increased exposure, including segments which are particularly affected by the COVID-19 pandemic.

We reviewed and challenged the material assumptions underlying 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, the sectors and current market conditions. We focussed specifically on the Bank's calculation of management estimates for hedging of expected credit losses as a result of the COVID-19 pandemic.

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 for 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, 3 February 2021

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

H. C. Krogh
State Authorised Public Accountant
mne9693

Per Rolf Larsen
State Authorised Public Accountant
mne24822

FINANCIAL STATEMENTS

Page	
64	Statements of income and comprehensive income
64	Proposed distribution of profit
65	Core earnings
66	Balance sheet
68	Statement of changes in equity
69	Statement of capital
71	Overview of notes
72	Notes
112	Five-year main figures
114	Five-year key figures

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Note no.		2020 DKK 1,000	2019 DKK 1,000
3	Interest income	1,373,215	1,299,449
4	Interest expenses	120,910	131,144
	Net interest income	1,252,305	1,168,305
5	Dividends from shares etc.	71,241	70,409
6	Fee and commission income	814,821	833,082
6	Fee and commission expenses	85,545	78,541
	Net interest and fee income	2,052,822	1,993,255
7	Value adjustments	+126,079	+168,906
	Other operating income	2,054	13,582
8,9,10,11	Staff and administration expenses	765,933	778,458
12	Amortisation, depreciation and write-downs on intangible and tangible assets	29,241	37,959
	Other operating expenses	8,110	3,934
13	Impairment charges for loans and other receivables etc.	-233,348	-110,172
	Results from investments in associated companies and group undertakings	-13	+201
	Profit before tax	1,144,310	1,245,421
14	Tax	224,596	267,156
	Net profit for the year	919,714	978,265
	Other comprehensive income:		
	Value changes in pension obligations	-561	+50
	Total comprehensive income for the year	919,153	978,315

PROPOSED DISTRIBUTION OF PROFIT

	2020 DKK 1,000	2019 DKK 1,000
Total comprehensive income for the year	919,153	978,315
Total amount available for distribution	919,153	978,315
Appropriated for ordinary dividend	204,598	326,280
Appropriated for charitable purposes	2,000	1,000
Transfer to net revaluation reserve under the equity method	-13	201
Transfer to retained earnings	712,568	650,834
Total distribution of the amount available	919,153	978,315

CORE EARNINGS

Note no.		2020 DKK 1,000	2019 DKK 1,000
15	Net interest income	1,255,816	1,173,085
16	Net fee and commission income excluding securities trading	591,147	626,349
17	Income from sector shares etc.	150,935	144,702
	Foreign exchange income	40,759	30,749
	Other operating income	2,054	13,582
	Total core income excluding securities trading	2,040,711	1,988,467
16	Securities trading	138,129	128,192
	Total core income	2,178,840	2,116,659
18	Staff and administration expenses	765,933	778,458
18	Depreciation and write-downs on tangible assets	14,241	22,959
	Other operating expenses	8,110	3,934
18	Total expenses etc.	788,284	805,351
	Core earnings before impairment charges for loans	1,390,556	1,311,308
19	Impairment charges for loans and other receivables etc.	-223,052	-99,876
20	Core earnings	1,167,504	1,211,432
20	Result for the portfolio etc.	-8,194	+48,989
18	Amortisation and write-downs on intangible assets	15,000	15,000
20	Profit before tax	1,144,310	1,245,421
14	Tax	224,596	267,156
	Net profit for the year	919,714	978,265

BALANCE SHEET

Note no.		31 Dec. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
	Assets		
	Cash in hand and demand deposits with central banks	659,004	685,380
21	Receivables from credit institutions and central banks	3,376,233	2,668,915
22,23	Total loans and other receivables at amortised cost	36,241,166	35,465,416
	Loans and other receivables at amortised cost	35,088,380	34,205,433
	Loans for renewable energy projects with direct funding	1,152,786	1,259,983
24	Bonds at fair value	6,636,965	6,773,533
25	Shares etc.	1,385,807	1,290,523
	Investments in associated companies	482	457
	Investments in group undertakings	11,997	12,035
26	Assets linked to pooled schemes	4,700,080	4,276,344
27	Intangible assets	1,034,838	1,049,838
28	Total land and buildings	215,910	208,881
	Investment properties	7,667	11,567
	Domicile properties	186,971	197,314
	Domicile properties (leasing)	21,272	0
29	Other tangible assets	17,626	20,055
	Current tax assets	24,249	37,044
30	Deferred tax assets	17,868	3,849
	Temporary assets	6,368	3,756
31	Other assets	510,327	423,606
	Prepayments	23,209	21,262
	Total assets	54,862,129	52,940,894

Note no.		31 Dec. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
	Liabilities and equity		
32	Debt to credit institutions and central banks	2,448,918	2,172,765
	Total deposits and other debt	39,638,645	38,127,837
33	Deposits and other debt	34,938,565	33,851,493
	Deposits in pooled schemes	4,700,080	4,276,344
34	Issued bonds at amortised cost	2,361,796	2,212,709
	Preferred senior capital	1,032,489	1,030,961
	Non-preferred senior capital	1,329,307	1,181,748
35	Other liabilities	591,109	531,576
	Deferred income	1,728	1,841
	Total debt	45,042,196	43,046,728
36	Provisions for pensions and similar liabilities	2,560	2,398
23	Provisions for losses on guarantees	85,814	58,694
23	Other provisions for liabilities	36,534	22,341
	Total provisions for liabilities	124,908	83,433
	Tier 2 capital	1,549,150	2,200,857
37	Total subordinated debt	1,549,150	2,200,857
38	Share capital	29,228	29,662
	Net revaluation reserve under the equity method	406	419
	Retained earnings	7,909,643	7,252,515
	Proposed dividend etc.	206,598	327,280
	Total shareholders' equity	8,145,875	7,609,876
	Total liabilities and equity	54,862,129	52,940,894

STATEMENT OF CHANGES IN EQUITY

DKK 1,000	Share capital	Net revaluation reserve under the equity method	Retained earnings	Proposed dividend etc.	Total shareholders' equity
2020					
Shareholders' equity at the end of the previous financial year	29,662	419	7,252,515	327,280	7,609,876
Reduction of share capital	-434		434		0
Dividend etc. paid				-327,280	-327,280
Dividend received on own shares			4,966		4,966
Purchase of own shares			-680,099		-680,099
Sale of own shares			611,241		611,241
Other equity transactions (employee shares)			8,018		8,018
Total comprehensive income for the year		-13	712,568	206,598	919,153
Shareholders' equity on the balance sheet date	29,228	406	7,909,643	206,598	8,145,875
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. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
Credit risk	35,080,095	35,824,915
Market risk	2,912,209	2,491,568
Operational risk	3,568,376	2,906,665
Total risk exposure	41,560,680	41,223,148
Shareholders' equity	8,145,875	7,609,876
Proposed dividend etc.	-206,598	-327,280
Addition for transition programme concerning IFRS 9	661,258	38,960
Deduction for the sum of equity investments etc. above 10%	-244,297	-157,688
Deduction for prudent valuation	-16,284	-15,233
Deduction for intangible assets	-1,034,838	-1,049,838
Deferred tax on intangible assets	24,548	27,848
Deduction for trading limit for own shares	-55,000	-55,000
Actual utilisation of the trading limit for own shares	2,794	126
Common equity tier 1	7,277,458	6,071,771
Tier 1 capital	7,277,458	6,071,771
Tier 2 capital	1,543,925	2,195,418
Deduction for the sum of equity investments etc. above 10%	-46,950	-24,781
Total capital	8,774,433	8,242,408
Contractual senior funding (grandfathered)	1,031,852	1,824,492
Non-preferred senior capital	1,305,374	1,181,431
MREL capital	11,111,659	11,248,331
Common equity tier 1 capital ratio	17.5	14.7
Tier 1 capital ratio	17.5	14.7
Total capital ratio	21.1	20.0
MREL capital ratio	26.7	27.3
Pillar I capital requirements	3,324,854	3,297,852
MREL requirement (%) – fixed by the Danish FSA*	17.9	20.7
Excess cover in percentage points relative to MREL requirement	8.8	6.6

* The requirement as of end of 2019 includes the capital conservation buffer of 2.5%.

OVERVIEW OF NOTES

	Page
1 Accounting policies etc.	72
2 Accounting estimates and assessments	81
3 Interest income	83
4 Interest expenses	83
5 Dividends from shares etc.	83
6 Fees and commission	84
7 Value adjustments.....	84
8 Staff and administration expenses	85
9 Number of full-time employees	85
10 Salaries paid to other major risk-takers and employees in control functions	86
11 Fee to the auditor elected by the annual general meeting.....	86
12 Amortisation, depreciation and write-downs on intangible and tangible assets	86
13 Impairment charges for loans and other receivables etc.	86
14 Tax	86
15 Net interest income	87
16 Net fee and commission income excluding securities trading	87
17 Income from sector shares etc.....	87
18 Total expenses etc.....	87
19 Impairment charges for loans and other receivables etc.	87
20 Profit before tax and core earnings.....	87
21 Receivables from credit institutions and central banks	88
22 Loans and other receivables at amortised cost	88
23 Impairment charges for loans and other receivables and provisions for losses on guarantees, unutilised credit facilities and credit undertakings.....	88
24 Bonds at fair value.....	90
25 Shares etc.	90
26 Assets linked to pooled schemes.....	90
27 Intangible assets	90
28 Land and buildings	91
29 Other tangible assets	91
30 Deferred tax assets	92
31 Other assets.....	92
32 Debt to credit institutions and central banks.....	92
33 Deposits and other debt.....	92
34 Issued bonds at amortised cost.....	92
35 Other liabilities	93
36 Provisions for pensions and similar liabilities	93
37 Subordinated debt	93
38 Share capital	93
39 Own shares	94
40 Contingent liabilities etc.	94
41 Assets furnished as security.....	94
42 Contractual obligations	94
43 Legal proceedings etc.	95
44 Related parties.....	95
45 Fair value of financial instruments	96
46 Hedging	97
47 Risks and risk management.....	97
48 Credit risk	98
49 Foreign exchange risk	107
50 Interest rate risk	107
51 Value at Risk/Market risk	108
52 Derivative financial instruments	109

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).

Changes in accounting policies resulting from changes in the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.

The accounting policies changed on 1 January 2020 as a result of changes in the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. in the form of new provisions compatible with the provisions of IFRS 16 – Leases.

The changes in the rules and policies 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 lease assets 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.

Lease assets recognised at the beginning of the year as a consequence of the implementation of the new leasing rules consist only of operating leases with the bank as lessee and concern rental contracts for properties used by the branch network (domicile properties).

When assessing the expected lease terms, the bank identified the fixed lease term in the agreements at 3-25 years. The lease assets are depreciated on a straight-line basis over the expected periods of use of 3-25 years and the lease liabilities are repaid according to the principle of annuities and measured at amortised cost.

The lease liabilities are discounted to present value using the bank's incremental borrowing rate, which is the cost of raising external finance for a similar asset with a financing term similar to the term of the lease. When measuring the lease liability, the bank used borrowing rates of 1-2% for discounting future lease payments.

The bank has chosen not to recognise low-value asset leases and short-term leases in the balance sheet. Lease payments for these leases are instead recognised in the income statement.

The bank has applied the transitional rules and recognised the lease assets at a value corresponding to the lease liabilities calculated as at 1 January 2020 without restating comparative figures. As at 1 January 2020, lease assets amounting to DKK 21 million are recognised under domicile properties and corresponding lease liabilities under other liabilities. Thus the effect on equity is DKK 0.

Rent was previously recognised as an administration expense in the income statement. The cost is now recognised as depreciation of the lease asset and interest on the lease liability. The effect on net profit for the year is insignificant compared to the previous practice.

Apart from the above, and a few adaptations and linguistic adjustments, the accounting policies are unchanged since last financial year.

Changes in comparative figures

The various items presenting the bank's capital and capital ratios as stated on pages 23 and 27 have been adjusted retrospectively for the period from the end of the second quarter of 2018 to the end of the second quarter of 2020, because the Danish FSA advised the bank in 2020 that it cannot include the IFRS 9 addition taken over from Nordjyske Bank in the calculation of the transition programme concerning IFRS 9. The change has a small effect on the various items presenting the bank's capital and capital ratios.

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.

Note
no.

1 Accounting policies etc. – continued

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 Danmarks Nationalbank. 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 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 (2016-2017) 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, of Ringkjøbing. Consolidated accounts have not been prepared, as the subsidiary's business is insignificant with respect to both balance sheet and activity compared to the bank.

Note
no.

1 **Accounting policies etc. – continued**

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.

Negative interest income is recognised as interest expenses and negative interest expenses are recognised as interest income. Negative interest is presented separately in the notes to interest income and interest expenses.

On stage 3 loans which have been written down or off, the interest income relating to the written-down 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."

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 expenses 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 87.

Note
no.

1 Accounting policies etc. – continued

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.

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 same applies to the part of the impaired instruments that are classified as weak stage 2 for presentation purposes: see the section “Definition of credit-impaired and default”.

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.

Note
no.

1 Accounting policies etc. – continued

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 overdue.

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 judges 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 judged to be substantial.

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 (weak stage 2).

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 close 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.

In addition, a management estimate reflecting macroeconomic expectations and uncertainties in models is allocated.

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.

Note
no.

1 Accounting policies etc. – continued

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, Danmarks Nationalbank 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 thus calculated up to two years ahead for the individual sectors and industries. For terms of more than two years, a linear interpolation is applied between the impairment ratio for year 2 and the impairment ratio for year 10. The model assumes that long-term equilibrium will exist in the form of a normal impairment level. The calculated impairment ratios are then transformed into adjustment factors adjusting the data centre's estimates in the individual sectors and industries. The bank adapts these based on its own expectations for the future and based on the composition of loans.

Practice for derecognising financial assets from the balance sheet

Financial assets are derecognised fully or partly from the balance sheet when the exposure 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, 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.

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".

Note
no.

1 Accounting policies etc. – continued

Investments in group undertakings and associated companies

Investments in group undertakings and associated companies are recognised and measured by the equity method, which means that the investments are measured at the proportionate share of the entity's equity value.

The bank's share of the entity's profits after tax and any gain or loss on sale of the investment are recognised in the income statement.

Net revaluation of investments in group undertakings is transferred to the net revaluation reserve by the equity method, subject to statutory reserves, to the extent that the equity value exceeds the cost price. Write-downs are recognised in and deducted from any positive statutory reserves as long as a reserve for offsetting exists.

Group undertakings and associated companies with negative equity values are recognised at DKK 0. If the bank has an obligation in law or in fact to cover the entity's deficit, a provision will be recognised.

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 impairment charges.

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 three items "Investment properties", "Domicile properties" and "Domicile properties (leasing)". 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 at 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 "Provisions for revaluation" unless the increase corresponds to a reduction in value which was previously recognised in the income statement.

Note
no.

1 Accounting policies etc. – continued

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 improvements 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. The item also includes domicile properties for sale. 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.

A provision is recognised in respect of financial guarantees and unutilised loan 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".

Note
no.

1 Accounting policies etc. – continued

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). Thus both the static and the dynamic components of the IFRS 9 transitional rules are now used, including the simplified approach to recalculation of capital requirements. The negative effect of the transition to the IFRS 9 impairment rules will thus not take full effect on total capital until the beginning of 2025.

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 and 2020 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 and 2020 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 and 2020 are the actual figures.

“Key figures per DKK 1 share” are calculated on the basis of 2020: 29,067,721 shares, and 2019: 29,228,321 shares, and 2018: 29,906,383 shares, and 2017: 21,812,000 shares and 2016: 22,350,000 shares.

Statements in the financial review (pages 6-23)

Core earnings and the associated specifications on pages 7, 8 and 10 for the years 2016, 2017 and 2018 and the income statement items for the first quarter of 2016 up to and including the second quarter of 2018 in the quarterly overview “Core earnings”, on page 21, are pro forma figures (i.e. as if the merger had taken effect on 1 January 2016). The figures were calculated by adding up figures from Ringkjøbing Landbobank’s statement of the alternative measure of performance “Core earnings” and pro forma figures from Nordjyske Bank, converted and adjusted to Ringkjøbing Landbobank’s statement of the alternative performance measure “Core earnings”. The core earnings for 2020 and 2019, on page 20, and the core earnings from the third quarter of 2018 onwards, on page 21, 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 23, are pro forma figures (i.e. as if the merger had taken 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 22-23, are for the post-merger entity.

Core earnings per DKK 1 share (page 10)

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 and 2020, the actual core earnings for 2019 and 2020 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, end of 2019: 29,228,321 shares, and end of 2020: 29,067,211 shares.

Note
no.

1 Accounting policies etc. – continued

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 2020:

The percentage for 2020 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 2021 based on the profit for 2020.

Share buy-back programme used:

As stated, the share buy-back programme adopted at the bank’s annual general meeting in March 2020 was suspended at the end of March 2020 and not fully utilised. Only DKK 57.5 million of the programme was used (the equivalent of 160,600 shares), and it is recommended at the forthcoming annual general meeting in March 2021 that the 160,600 shares be cancelled in connection with a capital reduction.

2 Accounting estimates and judgments

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.

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

Expected impairment is computed as a combination of individual calculations for facilities with objective evidence of impairment and model-based calculations for facilities without objective evidence of impairment.

The calculations for facilities with objective evidence of impairment involve a number of estimates. The assessment involves estimates of various scenarios of future cash flows which the customer is expected to generate. In addition to the calculated impairment charges which are based on probability-weighted scenarios, a management estimate is also allocated for facilities with objective evidence of impairment. This estimate comprises considerations regarding the industry, i.e. not the individual exposure, and the macro-economic impact of the probability weightings used for calculating the individual facilities. In 2020 the coronavirus pandemic and Brexit in particular have given rise to the management estimates for customers with objective evidence of impairment.

Note
no.

2 **Accounting estimates and assessments – continued**

Facilities that do not show objective evidence of impairment are included in a portfolio of exposures where automated impairment 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. The historical data is translated into forward-looking expectations via a macroeconomic adjustment. This adjustment is included as part of the management estimate, which also includes other 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. 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 impact of the coronavirus pandemic has therefore largely been included in the calculations via the management estimate for customers without objective evidence of impairment and the management estimate is largely related to the coronavirus pandemic.

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 of calculation of expected loss.

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 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 unlisted financial instruments at fair value, including all derivative financial instruments and unlisted shares.

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 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 at least 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 land and buildings

Land and buildings are valued using a return-based model. The future cash flows are based on the bank's estimate of the future profit or loss and the required rate of return for each property, taking into account location, maintenance etc. A number of these assumptions and estimates significantly influence the calculations.

The management used available market statistics including average market rent and required rates of return for properties in the same geographical area to determine the properties' market values. For a few properties with special circumstances the management used its own required rates of return.

Please also see the section "Land and buildings" under "Accounting policies etc." in note 1 and note 28 "Land and buildings".

Note
no.

	2020 DKK 1,000	2019 DKK 1,000
3 Interest income		
Receivables from credit institutions and central banks – net	-15,917	-12,804
Loans and other receivables	1,251,394	1,272,826
Discounts – amortisation concerning loans taken over etc.	10,296	10,296
Loans – interest on the impaired part of loans	-59,678	-68,853
Bonds – net	13,188	17,314
Total derivative financial instruments – net	20,424	26,043
Of which currency contracts – net	9,740	10,589
Of which interest-rate contracts – net	10,684	15,454
Other interest income	2,862	4,594
Total interest income after offsetting of negative interest	1,222,569	1,249,416
Negative interest income transferred to interest expenses		
Receivables from credit institutions and central banks	17,969	14,260
Bonds	10,883	9,838
Total derivative financial instruments	4,064	3,937
Of which currency contracts	1,102	1,199
Of which interest-rate contracts	2,962	2,738
Total negative interest income transferred to interest expenses	32,916	28,035
Negative interest expenses transferred from interest expenses		
Debt to credit institutions and central banks	161	273
Deposits and other debt	117,569	21,725
Total negative interest expenses transferred from interest expenses	117,730	21,998
Total interest income	1,373,215	1,299,449
4 Interest expenses		
Credit institutions and central banks – net	11,885	12,197
Deposits and other debt – net	-97,803	9,725
Issued bonds	21,538	17,131
Subordinated debt	32,003	41,932
Other interest expenses	2,641	126
Total interest expenses after offsetting of negative interest	-29,736	81,111
Negative interest expenses transferred to interest income		
Debt to credit institutions and central banks	161	273
Deposits and other debt	117,569	21,725
Total negative interest expenses transferred to interest income	117,730	21,998
Negative interest income transferred from interest income		
Receivables from credit institutions and central banks	17,969	14,260
Bonds	10,883	9,838
Total derivative financial instruments	4,064	3,937
Of which currency contracts	1,102	1,199
Of which interest-rate contracts	2,962	2,738
Total negative interest income transferred from interest income	32,916	28,035
Total interest expenses	120,910	131,144
5 Dividends from shares etc.		
Shares	71,241	70,409
Total dividends from shares etc.	71,241	70,409

NOTES

Note no.		2020 DKK 1,000	2019 DKK 1,000
6	Fees and commission		
	Gross fee and commission income		
	Securities trading	154,196	137,452
	Asset management and custody accounts	165,388	160,958
	Payment handling	100,790	113,046
	Loan fees	91,361	115,134
	Guarantee commission and mortgage credit commission etc.	224,817	217,465
	Other fees and commission	78,269	89,027
	Total gross fee and commission income	814,821	833,082
	Fee and commission expenses		
	Securities trading	16,067	9,260
	Asset management and custody accounts	15,376	13,099
	Payment handling	37,718	33,805
	Loan fees	9,322	11,329
	Guarantee commission and mortgage credit commission etc.	0	0
	Other fees and commission	7,062	11,048
	Total fee and commission expenses	85,545	78,541
	Net fee and commission income		
	Securities trading	138,129	128,192
	Asset management and custody accounts	150,012	147,859
	Payment handling	63,072	79,241
	Loan fees	82,039	103,805
	Guarantee commission and mortgage credit commission etc.	224,817	217,465
	Other fees and commission	71,207	77,979
	Total net fee and commission income	729,276	754,541
	Foreign exchange income	40,759	30,749
	Total net fee, commission and foreign exchange income	770,035	785,290
7	Value adjustments		
	Other loans and receivables, fair value adjustment*	1,292	2,675
	Bonds	10,658	31,350
	Shares etc.	76,441	101,018
	Investment properties	0	-256
	Foreign exchange	40,759	30,749
	Total derivative financial instruments	24,106	26,136
	Of which currency contracts	22,235	12,711
	Of which interest-rate contracts	1,870	13,071
	Of which share contracts	1	354
	Assets linked to pooled schemes	124,574	417,435
	Deposits in pooled schemes	-124,574	-417,435
	Issued bonds etc.*	-27,177	-22,766
	Total value adjustments	126,079	168,906

* Cf. note 46.

Note
no.

8 Staff and administration expenses

Payments to general management, board of directors and shareholders' committee:

General management:

	2020 DKK 1,000	2019 DKK 1,000
John Bull Fisker	6,394	6,069
Salary	5,155	4,855
Pension	1,239	1,214
Taxable value of company car: 2020: tDKK 164, 2019: tDKK 200.		
Claus Andersen	4,094	3,707
Salary	3,725	3,351
Pension	369	356
Taxable value of company car: 2020: tDKK 130, 2019: tDKK 130.		
Jørn Nielsen	3,714	2,985
Salary	3,294	2,573
Pension	420	412
Taxable value of company car: 2020: tDKK 79, 2019: tDKK 79.		
Carl Pedersen	2,972	3,079
Salary	2,705	2,820
Pension	267	259
Taxable value of company car: 2020: tDKK 108, 2019: tDKK 111.		
Total payments	17,174	15,840
The taxable amounts for company cars are not included in the salary amounts stated.		

Board of directors:

Martin Krogh Pedersen, chairman	464	450
Mads Hvolby, deputy chairman	309	300
Jens Møller Nielsen, deputy chairman	309	300
Morten Jensen	232	225
Jon Steingrim Johnsen	232	225
Jacob Møller	232	225
Lone Rejkjær Söllmann	232	225
Sten Uggerhøj	232	225
Dan Junker Astrup	232	225
Gitte E.S.H. Vigsø	232	225
Arne Ugilt	232	225
Finn Aaen	232	225
Total payments	3,170	3,075

Shareholders' committee

Total payments	857	781
Total	21,201	19,696

Staff expenses:

Salaries	344,570	362,703
Pensions	41,958	39,478
Social security expenses	5,244	6,444
Costs depending on number of staff	60,840	56,420
Total	452,612	465,045

Other administration expenses

	292,120	293,717
Total staff and administration expenses	765,933	778,458

9 Number of full-time employees

Average number of employees during the financial year converted into full-time employees

	632	657
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Number of full-time employees at end of year

	612	652
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NOTES

Note no.		2020 DKK 1,000	2019 DKK 1,000
10	Salaries paid to other major risk-takers and employees in control functions		
	Fixed salary	15,399	15,224
	Variable salary	340	325
	Pension	1,570	1,487
	Total	17,309	17,036
	Number of full-time employees at end of year	18	16
11	Fee to the auditor elected by the general meeting		
	Statutory audit	743	577
	Other assurance engagements	60	344
	Advice on tax	0	0
	Other services	263	194
	Total fee to the auditor elected by the general meeting	1,066	1,115
	Fees for other assurance engagements primarily concern reports to public authorities.		
	Fees for other services include issue of the comfort letter regarding the bank's EMTN programme and verification of regular recognition of profit in common equity tier 1.		
	The bank has also an internal auditor.		
12	Amortisation, depreciation and write-downs on intangible and tangible assets		
	Intangible assets		
	Customer relationships, amortisation	15,000	15,000
	Tangible assets		
	Domicile properties, depreciation	1,964	606
	Domicile properties, write-down to reassessed value	1,500	5,000
	Domicile properties (leasing), depreciation	3,852	-
	Other tangible assets, depreciation	6,925	17,353
	Total amortisation, depreciation and write-downs on intangible and tangible assets	29,241	37,959
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	172,975	-8,762
	Actual realised net losses	120,051	187,787
	Interest on the impaired part of loans	-59,678	-68,853
	Total impairment charges for loans and other receivables etc.	233,348	110,172
14	Tax		
	Tax calculated on income for the year	223,794	250,816
	Adjustment of deferred tax	-3,689	3,914
	Adjustment of tax calculated for previous years	4,491	12,426
	Total tax	224,596	267,156
	Effective tax rate (%):		
	Tax rate currently paid by the bank	22.0	22.0
	Non-taxable income and non-deductible costs*	-2.5	-1.5
	Adjustment of tax calculated for previous years	0.1	1.0
	Total effective tax rate	19.6	21.5

* Primarily value adjustment of and dividends from sector shares.

Note no.	2020 DKK 1,000	2019 DKK 1,000
	Explanation of the correlation between profit before tax and core earnings	
15	Net interest income	
	Net interest income – income statement	1,252,305
	Discounts – amortisation concerning loans taken over etc.	1,168,305
	Funding income – own portfolio	-10,296
	Bond yields etc.	-10,296
	Net interest income – core earnings	34,610
		-19,534
		1,255,816
		1,173,085
16	Net fee and commission income excluding securities trading	
	Fee and commission income – income statement	814,821
	Fee and commission expenses – income statement	833,082
	Securities trading – core earnings	-85,545
	Net fee and commission income excluding securities trading – core earnings	-138,129
		626,349
17	Income from sector shares etc.	
	Value adjustment of sector shares etc.	81,525
	Dividends from sector shares etc.	74,896
	Income from sector shares etc. – core earnings	69,410
		144,702
18	Total expenses etc.	
	Staff and administration expenses – income statement	765,933
	Amortisation, depreciation and write-downs on intangible and tangible assets – income statement	778,458
	Other operating expenses – income statement	29,241
	Amortisation and write-downs on intangible assets – core earnings	8,110
	Total expenses etc. – core earnings	-15,000
		805,351
19	Impairment charges for loans and other receivables etc.	
	Impairment charges for loans and other receivables etc. – income statement	-233,348
	Discounts – amortisation concerning loans taken over etc.	-110,172
	Impairment charges for loans and other receivables etc. – core earnings	10,296
		-99,876
20	Profit before tax and core earnings	
	Profit before tax	1,144,310
	Value adjustments – income statement	1,245,421
	Results from investments in associated companies and group undertakings – income statement	126,079
	Value adjustment of sector shares etc.	168,906
	Foreign exchange income – core earnings	-13
	Funding expenses – own portfolio	-81,525
	Bond yields etc.	-74,896
	Dividends – not sector shares	-40,759
	Result for the portfolio – core earnings (minus)	-30,749
	Special costs – core earnings (plus)	-29,028
	Core earnings	15,221
		19,534
		1,831
		603
		15,000
		1,211,432

NOTES

Note no.		31 Dec. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
21	Receivables from credit institutions and central banks		
	Demand	114,751	132,760
	Up to and including 3 months	3,211,482	2,486,155
	More than 1 year and up to and including 5 years	5,000	5,000
	More than 5 years	45,000	45,000
	Total receivables from credit institutions and central banks	3,376,233	2,668,915
	Distributed as follows:		
	Receivables from central banks	3,211,482	2,486,155
	Receivables from credit institutions	164,751	182,760
		3,376,233	2,668,915
22	Loans and other receivables at amortised cost*		
	Demand	3,859,843	3,503,230
	Up to and including 3 months	1,252,486	1,646,467
	More than 3 months and up to and including 1 year	7,954,602	8,170,271
	More than 1 year and up to and including 5 years	10,053,336	9,543,370
	More than 5 years	13,120,899	12,602,078
	Total loans and other receivables at amortised cost	36,241,166	35,465,416

* Cf. note 46.

23 Impairment charges for loans and other receivables and provisions for losses on guarantees, unutilised credit facilities and credit 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
2020				
Loans and other receivables at amortised cost	304,520	839,303	938,449	2,082,272
Guarantees	23,665	23,886	38,263	85,814
Unutilised credit facilities and credit undertakings	18,659	17,875	0	36,534
Total impairment charges and provisions by stages	346,844	881,064	976,712	2,204,620
Of which management estimates*	205,137	255,284	105,765	566,186
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 credit undertakings				22,341
Total impairment charges and provisions by stages				2,031,645
Of which management estimates				126,000

In addition, a discount on loans and guarantees taken over from Nordjyske Bank amounted to

	31 Dec. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
	25,099	35,395
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	507,433	839,529
Changes during the year	-259,824	-332,096
Total stage 3 impairment charges and provisions taken over	247,609	507,433

* See the description of distribution by stages on page 106.

Note
no.

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

Impairment charges and provisions

	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
2020					
Impairment charges and provisions at the end of the previous financial year	136,729	404,006	1,490,910	2,031,645	-
Impairment charges and provisions for new exposures during the year, including new accounts for existing customers	110,102	86,720	122,077	318,899	318,899
Reversed impairment charges and provisions for repaid accounts	-35,138	-70,486	-180,189	-285,813	-285,813
Change in impairment charges and provisions at beginning of year for/from stage 1	147,307	-58,732	-88,575	0	0
Change in impairment charges and provisions at beginning of year for/from stage 2*	-10,189	453,417	-443,228	0	0
Change in impairment charges and provisions at beginning of year for/from stage 3	-1,573	-17,205	18,778	0	0
Impairment charges and provisions during the year resulting from credit risk change	-394	83,344	153,320	236,270	236,270
Previously written down, now definitively lost	-	-	-96,381	-96,381	0
Lost, not previously written down	-	-	-	-	66,781
Received on receivables previously written off	-	-	-	-	-102,789
Total impairment charges and provisions	346,844	881,064	976,712	2,204,620	233,348
Of which regarding credit institutions etc.	2,005	0	0	2,005	1,094
2019					
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
Of which regarding credit institutions etc.	911	0	0	911	354

* See the description of distribution by stages on page 106.

NOTES

Note no.		31 Dec. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
24	Bonds at fair value*		
	Listed on the stock exchange**	6,636,965	6,773,533
	Total bonds at fair value	6,636,965	6,773,533
	* The bank has no held-to-maturity bonds.		
	** See page 36 of the management review, where the rating classes are stated.		
25	Shares etc.		
	Listed on Nasdaq Copenhagen	10,850	6,094
	Investment fund certificates	29,577	32,598
	Unlisted shares at fair value	14,186	15,576
	Sector shares at fair value	1,331,194	1,236,255
	Total shares etc.	1,385,807	1,290,523
26	Assets linked to pooled schemes		
	Cash deposits	101,854	50,067
	Bonds:		
	Index-linked bonds	0	61,673
	Other bonds	1,513,905	1,459,712
	Total bonds	1,513,905	1,521,385
	Shares:		
	Other shares	672,557	531,933
	Investment fund certificates	2,411,764	2,172,959
	Total shares	3,084,321	2,704,892
	Total assets linked to pooled schemes	4,700,080	4,276,344
27	Intangible assets		
	Goodwill		
	Cost at the end of the previous financial year	923,255	923,255
	Total cost on the balance sheet date	923,255	923,255
	Write-downs at the end of the previous financial year	0	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	150,000
	Total cost on the balance sheet date	150,000	150,000
	Amortisation at the end of the previous financial year	23,417	8,417
	Amortisation for the year	15,000	15,000
	Total amortisation on the balance sheet date	38,417	23,417
	Total customer relationships on the balance sheet date	111,583	126,583
	Total intangible assets on the balance sheet date	1,034,838	1,049,838

Goodwill was impairment-tested at the end of 2020. 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 2021. "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.

28

Land and buildings

Investment properties

Fair value at the end of the previous financial year

11,567 27,337

Disposals during the year

-1,500 -12,930

Disposals on reclassification due to changed use

-2,400 0

Value adjustments to fair value for the year

0 -2,840

Fair value on the balance sheet date

7,667 11,567

Domicile properties

Revalued amount at the end of the previous financial year

197,314 214,408

Additions on reclassification due to changed use

2,400 0

Disposals during the year

-4,529 -11,512

Disposals on reclassification due to changed use

-6,784 0

Depreciation for the year

-1,964 -606

Write-downs after revaluation for the year

-1,500 -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

2,034 24

Total revalued amount on the balance sheet date

186,971 197,314

Domicile properties (leasing)

Recognised amount at the end of the previous financial year

0 -

Effect of transition to new accounting rules, beginning of year

21,777 -

Additions during the year

3,347 -

Depreciation for the year

-3,852 -

Total recognised amount on the balance sheet date

21,272 -

When valuing investment and domicile properties, a required rate of return between 6% and 10% 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

78,807 65,919

Additions during the year, including improvements

4,767 12,888

Disposals during the year

-873 0

Total cost on the balance sheet date

82,701 78,807

Depreciation and write-downs

Depreciation and write-downs at the end of the previous financial year

58,752 41,399

Depreciation for the year

6,925 17,353

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

-602 0

Total depreciation and write-downs on the balance sheet date

65,075 58,752

Total other tangible assets on the balance sheet date

17,626 20,055

The bank is lessee under leases for other tangible assets, which are recognised at:

311 -

NOTES

Note no.		31 Dec. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
30	Deferred tax assets		
	The calculated provisions for deferred tax relates to the following balance sheet items:		
	Loans and other receivables	24,790	28,918
	Securities and financial instruments	-1,475	-11,303
	Intangible assets	-24,548	-27,848
	Tangible assets	5,597	-2,690
	Other balance sheet items	13,504	16,772
	Total deferred tax assets	17,868	3,849
31	Other assets		
	Interest and commission receivable	68,888	59,350
	Positive market value of derivative financial instruments	185,190	183,468
	Collateral under CSA agreements	35,193	29,372
	Miscellaneous debtors and other assets	173,758	103,837
	Other deposits	47,298	47,579
	Total other assets	510,327	423,606
32	Debt to credit institutions and central banks		
	Demand	711,366	744,719
	Up to and including 3 months	292,643	49,588
	More than 3 months and up to and including 1 year	385,258	172,328
	More than 1 year and up to and including 5 years	562,413	686,368
	More than 5 years	497,238	519,762
	Total debt to credit institutions and central banks	2,448,918	2,172,765
	Distributed as follows:		
	Debt to credit institutions	2,448,918	2,172,765
		2,448,918	2,172,765
33	Deposits and other debt		
	Demand*	29,973,193	27,360,670
	Deposits and other debt with notice:		
	Up to and including 3 months	418,740	719,625
	More than 3 months and up to and including 1 year	1,395,528	1,831,691
	More than 1 year and up to and including 5 years	668,580	1,281,235
	More than 5 years	2,482,524	2,658,272
	Total deposits and other debt	34,938,565	33,851,493
	of which deposits covered by the Guarantee Fund	64.1%	63.6%
	Distributed as follows:		
	Demand	29,849,983	27,230,601
	With notice	1,328,132	1,803,540
	Time deposits	277,918	437,582
	Long-term deposit agreements	1,050,783	1,394,999
	Special types of deposits*	2,431,749	2,984,771
		34,938,565	33,851,493
	<i>* 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".</i>		
34	Issued bonds at amortised cost*		
	More than 1 year and up to and including 5 years	1,675,470	1,550,609
	More than 5 years	686,326	662,100
	Total issued bonds at amortised cost	2,361,796	2,212,709
	<i>* Cf. note 46.</i>		

Note no.		31 Dec. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000					
35	Other liabilities							
	Interest and commission payable	22,309	36,360					
	Negative market value of derivative financial instruments	103,115	120,347					
	Collateral under CSA agreements	41,802	18,778					
	Miscellaneous creditors and other liabilities	423,883	356,091					
	Total other liabilities	591,109	531,576					
36	Provisions for pensions and similar liabilities							
	Pension obligations taken over on the merger	2,560	2,398					
	Total provisions for pensions and similar liabilities	2,560	2,398					
37	Subordinated debt*							
			Possible early repayment date					
	Type	Interest	Cur- rency	Mil- lion	Due date			
	Tier 2 capital							
	Bond loan**	Fixed-rate	DKK	275	27 Feb. 2025	27 Feb. 2020	-	275,000
		Floating-rate						
	Bond loan***	Fixed-rate	EUR	50	20 May 2025	20 May 2020	-	373,473
	Bond loan****	Fixed-rate	DKK	500	13 June 2028	13 June 2023	500,000	500,000
		Floating-rate						
	Bond loan*****	Fixed-rate	DKK	300	13 June 2030	13 June 2025	300,000	300,000
		Floating-rate						
	Bond loan*****	Fixed-rate	EUR	100	22 Aug. 2029	22 Aug. 2024	743,925	746,945
		Floating-rate						
	Total tier 2 capital (included in total capital)						1,543,925	2,195,418
	Adjustment to amortised cost and fair value adjustment						5,225	5,439
	Total subordinated debt						1,549,150	2,200,857
	* Cf. note 46.							
	** Issued on 27 February 2015 (taken over on merger). Redeemed at call on 27 February 2020. The interest rate was a fixed rate corresponding to a five-year mid-swap plus 5% p.a., after which the interest rate was a floating rate corresponding to the Cibur 6M plus 5% p.a. Interest expenses – 2020: tDKK 2,462, 2019: tDKK 15,705.							
	*** Issued on 20 May 2015. Redeemed at call on 20 May 2020. The interest rate was a floating rate corresponding to the Euribor 3M plus 1.80% p.a. Interest expenses – 2020: tDKK 2,081, 2019: tDKK 5,716							
	**** 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 Cibur 6M plus 1.65% p.a. Interest expenses – 2020: tDKK 11,246, 2019: tDKK 11,283. Costs of raising loan: tDKK 2,500							
	***** Issued on 13 June 2018. The interest rate is a floating rate corresponding to the Cibur 6M plus 1.85% p.a. Interest expenses – 2020: tDKK 5,528, 2019: tDKK 5,325. 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 – 2020: tDKK 10,686, 2019: tDKK 3,903. Costs of raising loan: tDKK 2,462							
38	Share capital							
	Number of DKK 1 shares:							
	Beginning of year						29,661,796	30,994,258
	Cancellation during the year						-433,475	-1,332,462
	End of year						29,228,321	29,661,796
	Reserved for subsequent cancellation						160,600	433,475
	Total share capital						29,228	29,662
	The whole share capital has been admitted for listing on Nasdaq Copenhagen.							

NOTES

Note no.		31 Dec. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
39	Own shares		
	Own shares included in the balance sheet at	0	0
	Market value	91,767	222,933
	Number of own shares:		
	Beginning of year	433,721	1,125,666
	Purchase during the year	1,525,629	2,202,299
	Sale during the year	-1,360,231	-1,561,782
	Cancellation during the year	-433,475	-1,332,462
	End of year	165,644	433,721
	Reserved for subsequent cancellation	160,600	433,475
	Nominal value of holding of own shares, end of year	166	434
	Own shares' proportion of share capital, end of year (%):		
	Beginning of year	1.5	3.8
	Purchase during the year	5.2	7.4
	Sale during the year	-4.6	-5.2
	Cancellation during the year	-1.5	-4.5
	End of year	0.6	1.5
	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	3,536,326	2,607,892
	Guarantees against losses on mortgage credit loans	2,813,424	2,562,301
	Registration and refinancing guarantees	2,684,855	3,685,346
	Sector guarantees	104,802	104,802
	Other contingent liabilities	672,423	704,333
	Total contingent liabilities	9,811,830	9,664,674
	Other contractual obligations		
	Irrevocable credit commitments etc.	0	281,000
	Total other contractual obligations	0	281,000
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	1,152,786	1,259,983
	As security for clearing etc., the bank has pledged securities from its holding to Danmarks Nationalbank to a total market price of	168,512	180,113
	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	0	379
	Collateral under CSA agreements etc.	35,193	46,270
42	Contractual obligations		
	The following information is provided on material contractual obligations:		
	<ul style="list-style-type: none"> • 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. 		

Note
no.

43 Legal proceedings etc.

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

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 2020 and 2019 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.

Amounts of loans issued to and mortgages, sureties or guarantees issued for the members of the bank's organs:

	31 Dec. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
General management	1,330	840
Interest rate	2.75% - 5.95%	3.85%
Board of directors, including members elected by the employees	18,903	17,688
Interest rate	0.75% - 19.50%	0.75% - 19.50%
New exposures during the year have been granted for a net	3,250	1,000

All exposures are on market terms, including both interest and guarantee commission rates.

Security provided by members of the bank's organs:

General management	0	0
Board of directors, including members elected by the employees	4,091	4,355

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	30,015
Mads Hvolby	2,961	2,961
Jens Møller Nielsen	270	470
Morten Jensen	1,100	1,100
Jon Steingrim Johnsen	0	0
Jacob Møller	785	785
Lone Rejkjær Söllumann	930	906
Sten Uggerhøj	30,122	30,122
Dan Junker Astrup	130	71
Gitte E.S.H. Vigsø	124	98
Arne Ugilt	839	839
Finn Aaen	533	462
General management:		
John Bull Fisker	76,015	76,015
Claus Andersen	1,774	1,606
Jørn Nielsen	9,519	10,041
Carl Pedersen	1,198	1,140

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

NOTES

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 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. This, in turn, 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. 2020		31 Dec. 2019	
	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	659,004	659,004	685,380	685,380
Receivables from credit institutions and central banks*	3,376,233	3,376,233	2,668,915	2,668,915
Loans and other receivables at amortised cost*	36,295,300	36,661,341	35,516,493	35,689,369
Bonds at fair value*	6,646,627	6,646,627	6,779,713	6,779,713
Shares etc.	1,385,807	1,385,807	1,290,523	1,290,523
Investments in associated companies	482	482	457	457
Investments in group undertakings	11,997	11,997	12,035	12,035
Assets linked to pooled schemes	4,700,080	4,700,080	4,276,344	4,276,344
Derivative financial instruments	185,190	185,190	183,468	183,468
Total financial assets	53,260,720	53,626,761	51,413,328	51,586,204
Financial liabilities				
Debt to credit institutions and central banks*	2,449,288	2,450,219	2,173,272	2,174,736
Deposits and other debt*	34,935,357	34,935,497	33,851,696	33,852,132
Deposits in pooled schemes	4,700,080	4,700,080	4,276,344	4,276,344
Issued bonds at amortised cost*	2,375,239	2,375,239	2,226,210	2,226,210
Derivative financial instruments	103,115	103,115	120,347	120,347
Subordinated debt*	1,556,389	1,556,389	2,221,207	2,221,207
Total financial liabilities	46,119,468	46,120,539	44,869,076	44,870,976

* 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. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
46	Hedging*		
	Loans at book value	211,801	253,555
	Hedged by currency swap (SEK/DKK), maturity 2022:		
	Synthetic principal	12,020	12,343
	Fair value	572	1,162
	Hedged by currency swap (EUR/DKK), maturity 2025:		
	Synthetic principal	149,157	149,762
	Fair value	-7,372	-7,343
	Hedged by interest rate swaps, maturity 2021-2035:		
	Synthetic principal	51,168	91,040
	Fair value	-2,358	-2,501
	Issued bonds at book value	1,624,299	1,628,376
	Hedged by currency swaps (EUR/DKK), maturity 2023-2039:		
	Synthetic principal	931,487	933,681
	Fair value	51,911	32,293
	Hedged by interest rate swaps, maturity 2023-2029:		
	Synthetic principal	694,393	694,695
	Fair value	8,259	4,024
	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	14,111	16,216
	<i>Hedging is thus:</i>		
	Currency swaps – total synthetic principal	1,092,664	1,095,786
	Interest rate swaps – total synthetic principal	1,245,561	1,285,735
	Fair value – currency swaps	45,111	26,112
	Fair value – interest rate swaps	20,012	17,739

* 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 31-43 of the management review for a description of financial risks and policies and objectives for the management of these risks:

- Credit risks – page 32
- Market risks – page 36
- Interest rate risks – page 37
- Foreign exchange risks – page 37
- Share price risks – page 38
- Value at Risk – page 39
- Liquidity risks – page 40

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

NOTES

Note no.

48 Credit risk

Maximum credit exposure classified by balance sheet and off-balance sheet items (after impairment charges and provisions)

	31 Dec. 2020 DKK 1,000	31 Dec. 2019 DKK 1,000
Loans and other receivables at amortised cost	36,241,166	35,465,416
Guarantees (contingent liabilities)	9,726,014	9,605,980
Unutilised credit facilities and loan undertakings*	17,505,748	16,971,611
Other exposures, including derivative financial instruments	665,819	736,227
Total maximum credit exposure	64,138,747	62,779,234

* On 31 December 2020, the bank had provided unutilised credit facilities and loan undertakings to a total of DKK 17.5 billion. Committed credit facilities and loan undertakings were DKK 0 million and the bank will be able to terminate the non-committed credit facilities and loan undertakings with immediate effect.

Security received for maximum credit exposure	Maximum credit exposure DKK 1,000	Security received					Total 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	
2020							
Public authorities	26,255	2,119	593	1,351	909	0	2,853
Business customers:							
Agriculture, forestry and fisheries	5,750,572	4,409,601	1,424,637	827,043	164,700	1,401,940	3,818,320
Industry and raw materials extraction	2,211,843	1,235,569	230,438	455,705	31,987	149,058	867,188
Energy supply	4,478,033	3,456,696	106,093	700	21,369	2,412,019	2,540,181
Building and construction	2,753,669	1,530,035	658,671	178,161	165,516	186,372	1,188,720
Trade	2,820,751	1,537,366	448,420	543,354	45,126	120,297	1,157,197
Transport, hotels and restaurants	1,158,292	935,411	230,349	62,028	73,353	447,881	813,611
Information and communication	314,970	206,653	73,693	52,023	15,910	28,511	170,137
Finance and insurance	5,556,574	3,716,805	183,272	311,664	1,026,669	455,051	1,976,656
Real property	10,355,014	7,755,735	4,749,301	16,053	237,073	490,102	5,492,529
Other business customers	5,555,306	3,273,992	1,090,986	182,733	510,970	363,141	2,147,830
Total business customers	40,955,024	28,057,863	9,195,860	2,629,464	2,292,673	6,054,372	20,172,369
Private individuals	23,157,468	17,907,198	8,108,849	1,746,329	950,384	2,409,083	13,214,645
Total	64,138,747	45,967,180	17,305,302	4,377,144	3,243,966	8,463,455	33,389,867

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

Note no.

48 Credit risk – continued

Security received for maximum credit exposure	Maximum credit exposure DKK 1,000	Loans and guarantees DKK 1,000	Security received				Total DKK 1,000
			Real property DKK 1,000	Movables DKK 1,000	Securities and cash DKK 1,000	Other security* DKK 1,000	
2019							
Public authorities	43,624	19,760	775	1,344	780	100	2,999
Business customers:							
Agriculture, forestry and fisheries	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, 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' drawdown 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.

Distribution by sector and industry

A more detailed distribution by sector and industry of the items "Loans and other receivables at amortised cost", "Guarantees" and "Unutilised credit facilities" are given below. There is also a distribution by sector and industry covering only the items "Loans and other receivables at amortised cost" and "Guarantees".

	31 Dec. 2020 Percent	31 Dec. 2019 Percent
Loans and guarantees in percent, end of year, by sector and industry (net)*		
Public authorities	0.0	0.0
Business customers:		
Agriculture, hunting and forestry		
Cattle farming etc.	1.3	1.4
Pig farming etc.	1.2	1.3
Other agriculture, hunting and forestry	5.4	5.5
Fisheries	1.8	2.1
Industry and raw materials extraction	2.7	3.2
Energy supply		
Renewable energy	7.2	6.7
Other energy supply	0.3	0.3
Building and construction	3.3	3.3
Trade	3.3	3.9
Transport, hotels and restaurants	2.0	1.8
Information and communication	0.5	0.5
Finance and insurance	8.1	7.7
Real property		
First mortgage without prior creditors	12.7	12.0
Other real property financing	4.2	4.8
Other business customers	7.1	6.6
Total business customers	61.1	61.1
Private individuals	38.9	38.9
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 cattle farms accounting for 1.3% of the total volume of loans and guarantees, pig farms accounting for 1.2%, and others for 5.4%. 2020 was a very mixed year for agriculture. At the beginning of the year prices paid to pig production were very favourable while the year closed with low prices paid for piglets. The conditions for mink production were also difficult, culminating with the shutdown of the industry as a consequence of the coronavirus. 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 7.2% 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 16.9% of the bank's total loans and guarantees, of which 12.7% is first mortgages without prior creditors. 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 8.1% 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. Security consists, among other things, of listed securities and mortgage deeds.

Personal customers account for a total of 38.9% of Ringkjøbing Landbobank's total loans and guarantees. The quality of the loans is good and customers' finances generally strong and positively affected by low unemployment and increasing house prices. Collateral received from personal customers consists primarily of mortgages on real property (private homes).

NOTES

Note
no.

48 Credit risk – continued

Loans, guarantees and unutilised credit facilities and credit 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
2020						
Credit quality						
High	47,043,274	123,728	0	0	47,167,002	72%
Medium	9,525,618	1,630,433	0	0	11,156,051	17%
Low	1,640,245	3,932,329	0	0	5,572,574	8%
Credit-impaired	0	0	1,415,013	366,909	1,781,922	3%
Total	58,209,137	5,686,490	1,415,013	366,909	65,677,549	100%
Impairment charges etc.	346,844	881,064	729,103	247,609	2,204,620	
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	

Note
no.

48 Credit risk – continued

Loans, guarantees and unutilised credit facilities and credit 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 DKK 1,000	Stage 2 DKK 1,000	Stage 3 DKK 1,000	Credit- impaired on initial recognition DKK 1,000	Total DKK 1,000	Total impairment charges etc. DKK 1,000
2020						
Public authorities	22,660	379	478	0	23,517	412
Business customers:						
Agriculture, forestry and fisheries	4,043,908	1,725,844	543,557	148,878	6,462,187	773,401
Industry and raw materials extraction	1,906,668	203,054	79,568	706	2,189,996	83,722
Energy supply	4,400,017	103,941	0	8,983	4,512,941	52,308
Building and construction	2,565,982	174,984	60,564	6,566	2,808,096	54,560
Trade	2,521,675	272,243	79,488	6,866	2,880,272	118,546
Transport, hotels and restaurants	1,051,372	107,892	33,632	6,731	1,199,627	49,890
Information and communication	276,973	25,862	22,367	398	325,600	12,680
Finance and insurance	5,042,007	374,494	140,414	500	5,557,415	95,151
Real property	9,613,682	649,540	78,054	51,069	10,392,345	209,155
Other business customers	5,118,941	401,009	100,251	6,867	5,627,068	162,272
Total business customers	36,541,225	4,038,863	1,137,895	237,564	41,955,547	1,611,685
Private individuals	21,645,252	1,647,248	276,640	129,345	23,698,485	592,523
Total	58,209,137	5,686,490	1,415,013	366,909	65,677,549	2,204,620
Total (percent)	88%	9%	2%	1%	100%	

NOTES

Note
no.

48 Credit risk – continued

Loans, guarantees and unutilised credit facilities and credit 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
2019						
Public authorities	40,152	125	429	0	40,706	241
Business customers:						
Agriculture, forestry and fisheries	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 in stage 3	Loans (gross) with impairment charges	Impairment charges	Security for impaired loans
	DKK 1,000	DKK 1,000	DKK 1,000
2020			
Public authorities	405	335	69
Business customers:			
Agriculture, forestry and fisheries	624,285	298,985	306,001
Industry and raw materials extraction	7,771	4,950	3,328
Energy supply	8,388	9,008	0
Building and construction	35,489	15,769	12,863
Trade	57,607	42,017	15,117
Transport, hotels and restaurants	35,699	23,978	10,116
Information and communication	21,185	7,937	11,339
Finance and insurance	116,441	44,147	72,648
Real property	126,830	47,664	64,235
Other business customers	89,909	72,141	13,971
Total business customers	1,123,604	566,596	509,618
Private individuals	353,917	265,753	93,058
Total	1,477,926	832,684	602,745
2019			
Public authorities	429	182	201
Business customers:			
Agriculture, forestry and fisheries	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

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 72% of the bank's exposures, a reduction compared to the 74% last year. This generally reflects a continued sound Danish economy with low unemployment, low interest rates and continued favourable conditions for the bank's niches. The coronavirus situation is a challenge in some industries, and although the bank is not severely exposed to particularly vulnerable industries, the result is marginal deterioration of the credit quality of the exposures.

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 as well as the customers with objective evidence of impairment where losses are not expected in the most probable scenario. 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, while 9% are in stage 2. The bank's exposures in stage 3 account for 3%. The group "Credit-impaired on initial recognition" is included as a part of stage 3. In the second quarter of 2020, the bank reviewed all significant exposures with impairment on an individual basis to ensure they are classified appropriately in the different stages in accordance with IFRS 9. As a principal rule, exposures where the bank assesses full repayment to be the most probable scenario are placed in stage 2. The review resulted in migration from stage 3 to stage 2. The share of exposures in stage 3 thus decreased from 4% at the end of 2019 to 3% at the end of 2020.

The table shows that exposures in agriculture in particular are in stage 3. 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

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. 2020 DKK 1,000	31 Dec. 2019 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	264,721	212,195
	Credit risk on derivative financial instruments		
	Positive market value (by counterparty risk) after netting		
	Counterparty risk weighting 20%	17,635	30,824
	Counterparty risk weighting 50%	35,655	35,058
	Counterparty risk weighting 75%	32,089	25,455
	Counterparty risk weighting 100%	54,384	73,346
	Counterparty risk weighting 150%	1,428	7
	Total risk weighting	141,191	164,690
49	Foreign exchange risk		
	Total assets in foreign currency	5,090,577	5,270,939
	Total liabilities in foreign currency	5,054,501	5,975,130
	Foreign exchange indicator 1	9,627	83,526
	Foreign exchange indicator 1 in percent of tier 1 capital (%)	0.1	1.4
	Foreign exchange indicator 2	97	104
	Foreign exchange indicator 2 in percent of tier 1 capital (%)	0.0	0.0
50	Interest rate risk		
	Total interest rate risk	80,014	54,197
	Interest rate risk (%)	1.1	0.9
	Interest rate risk by foreign currency:		
	DKK	65,714	44,635
	EUR	14,450	10,039
	NOK	107	202
	USD	244	92
	SEK	-111	-118
	CHF	-182	-217
	GBP	-185	-387
	Other currencies	-23	-49
	Total	80,014	54,197

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 36 and 39 of this annual report for further description of the model etc.

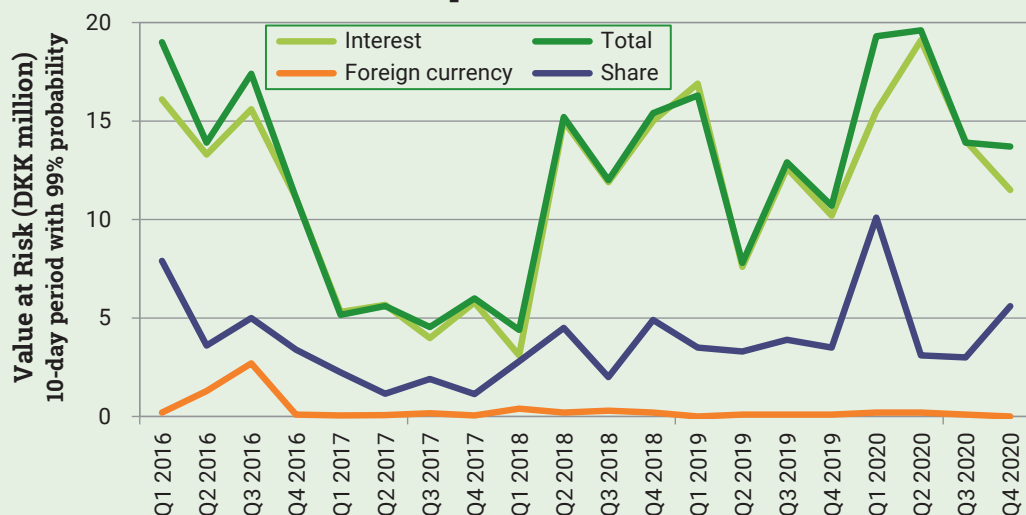
Risk type	Average VaR figure	Minimum VaR figure*	Maximum VaR figure*	End of year VaR figure
(DKK million)				
Interest	14.4	7.8	21.0	11.5
Foreign exchange	0.2	0.0	0.3	0.0
Share price	3.8	4.1	0.5	5.6
Diversification	-3.5	-4.8	-0.7	-3.4
Total VaR figure	14.9	7.1	21.1	13.7

* Determined by the total VaR figure.

Sensitivity analysis of sector shares (DKK 1,000)

Sector shares cf. note 25	1,331,194
Impact on the profit of a 10% price change	133,119

Development in Value at Risk



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	86,981	-63		
Spot, sale	48,497	50		
Forward transactions / futures, purchase	1,025,969	-2,794	223,933	1,544
Forward transactions / futures, sale	1,966,353	13,850	223,770	10,136
Swaps			14,967	762
Options, acquired	3,124	22	1,212	33
Options, issued	3,124	-24	1,212	-35
Interest-rate contracts				
Spot, purchase	80,420	-1,262		
Spot, sale	224,884	1,297		
Forward transactions / futures, purchase	231,006	982	14,710	268
Forward transactions / futures, sale	277,933	-296	21,442	-232
Swaps	4,984	0	15,917	-34
Share contracts				
Spot, purchase	9,006	-816		
Spot, sale	9,100	952		
Forward transactions / futures, purchase				
Forward transactions / futures, sale	0	1		
Options, acquired	122	963	9	0
Options, issued	122	-963	9	0
	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	2,554	-62		
Forward transactions / futures, sale	3,173	74		
Swaps	980,549	-7,373	567,687	51,906
Interest-rate contracts				
Swaps	1,738,491	6,804	981,568	6,385
Options, acquired	182,405	2,671	14,861	769
Options, issued	182,405	-2,671	14,861	-769

NOTES

Note
no.

52 Derivative financial instruments – continued

DKK 1,000	Total nominal value		Total net market value	
	2020	2019	2020	2019
Currency contracts				
Spot, purchase	86,981	68,860	-63	-1,520
Spot, sale	48,497	68,862	50	-164
Forward transactions / futures, purchase	1,252,456	1,087,413	-1,312	17,383
Forward transactions / futures, sale	2,193,296	1,266,870	24,060	10,966
Swaps	1,563,203	1,595,033	45,295	28,432
Options, acquired	4,336	100	55	10
Options, issued	4,336	100	-59	-14
Interest-rate contracts				
Spot, purchase	80,420	162,220	-1,262	66
Spot, sale	224,884	161,472	1,297	239
Forward transactions / futures, purchase	245,716	151	1,250	547
Forward transactions / futures, sale	299,375	224	-528	170
Swaps	2,740,960	2,917,672	13,155	6,778
Options, acquired	197,266	218,092	3,440	4,729
Options, issued	197,266	218,092	-3,440	-4,729
Share contracts				
Spot, purchase	9,006	63,020	-816	-270
Spot, sale	9,100	61,832	952	498
Forward transactions / futures, purchase			0	-67
Forward transactions / futures, sale			1	67
Options, acquired	131		963	184
Options, issued	131		-963	-184
Total net market value			82,075	63,121

Note
no.

52 Derivative financial instruments – continued

DKK 1,000

	Market value				Average market value			
	Positive		Negative		Positive		Negative	
	2020	2019	2020	2019	2020	2019	2020	2019
Currency contracts								
Spot, purchase	119	117	182	1,637	218	131	300	884
Spot, sale	53	37	3	201	58	49	88	107
Forward transactions / futures, purchase	4,506	18,976	5,818	1,593	13,862	14,970	11,319	2,550
Forward transactions / futures, sale	33,549	16,422	9,489	5,456	27,949	14,583	4,455	4,957
Swaps	55,015	47,391	9,720	18,959	60,148	47,670	11,010	16,587
Options, acquired	55	10			32	55		
Options, issued			59	14			35	56
Interest-rate contracts								
Spot, purchase	132	94	1,394	28	2,352	656	596	120
Spot, sale	1,522	274	225	35	721	242	1,769	362
Forward transactions / futures, purchase	3,481	618	2,231	71	3,951	3,570	1,383	106
Forward transactions / futures, sale	2,271	400	2,799	230	1,775	524	4,102	2,784
Swaps	77,118	92,775	63,963	85,997	100,635	96,797	94,126	98,193
Options, acquired	3,440	4,729			3,961	4,481		
Options, issued			3,440	4,729			3,961	5,266
Share contracts								
Spot, purchase	1,009	410	1,825	680	3,748	3,238	1,482	557
Spot, sale	1,956	964	1,004	466	1,558	638	3,532	3,168
Forward transactions / futures, purchase				67		133	1	23
Forward transactions / futures, sale	1	67	0		6	23		133
Options, acquired	963	184				145	391	
Options, issued			963	184	391			145
Total market value	185,190	183,468	103,115	120,347	221,365	187,905	138,550	135,988

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

FIVE-YEAR MAIN FIGURES

Summary (DKK 1,000)	2020	2019	2018	2017	2016
Income statement					
Interest income	1,373,215	1,299,449	1,031,664	694,136	749,021
Interest expenses	120,910	131,144	105,169	53,094	69,743
Net interest income	1,252,305	1,168,305	926,495	641,042	679,278
Dividends from shares etc.	71,241	70,409	27,619	10,258	18,995
Fee and commission income	814,821	833,082	538,862	322,717	297,328
Fee and commission expenses	85,545	78,541	48,293	42,486	42,417
Net interest and fee income	2,052,822	1,993,255	1,444,683	931,531	953,184
Value adjustments	+126,079	+168,906	+179,833	+143,225	+63,784
Other operating income	2,054	13,582	5,770	4,979	7,560
Staff and administration expenses	765,933	778,458	704,778	327,024	306,670
Amortisation, depreciation and write-downs on intangible and tangible assets	29,241	37,959	22,690	4,249	8,638
Other operating expenses	8,110	3,934	2,816	3,174	2,318
Impairment charges for loans and receivables etc.	-233,348	-110,172	-86,955	-10,320	-48,378
Results from investments in associated companies and group undertakings	-13	+201	+80	-20	+2,842
Profit before tax	1,144,310	1,245,421	813,127	734,948	661,366
Tax	224,596	267,156	149,935	146,308	121,868
Net profit for the year	919,714	978,265	663,192	588,640	539,498

Summary (DKK 1,000)**Balance sheet****Assets**

	End of 2020	End of 2019	End of 2018	End of 2017	End of 2016
Cash in hand and deposits with credit institutions and central banks	4,035,237	3,354,295	3,823,860	1,519,788	2,361,235
Loans and other receivables at amortised cost	36,241,166	35,465,416	33,350,334	19,350,866	17,481,838
Securities	8,035,251	8,076,548	6,906,742	4,574,388	3,974,371
Assets linked to pooled schemes	4,700,080	4,276,344	3,786,476	-	-
Intangible assets	1,034,838	1,049,838	1,064,838	-	-
Tangible assets	233,536	228,936	266,265	74,458	75,051
Other assets	582,021	489,517	452,013	276,983	365,642
Total assets	54,862,129	52,940,894	49,650,528	25,796,483	24,258,137

Liabilities and equity

Debt to credit institutions and central banks	2,448,918	2,172,765	1,916,476	1,599,416	1,457,792
Deposits and other debt	34,938,565	33,851,493	33,206,095	19,110,127	18,314,427
Deposits in pooled schemes	4,700,080	4,276,344	3,786,476	-	-
Issued bonds	2,361,796	2,212,709	1,428,024	673,436	297,370
Other liabilities	592,837	533,417	599,966	214,570	256,511
Provisions for liabilities	124,908	83,433	76,327	10,263	6,287
Subordinated debt	1,549,150	2,200,857	1,448,474	371,753	371,095
Share capital	29,228	29,662	30,994	22,350	22,850
Reserves	8,116,647	7,580,214	7,157,696	3,794,568	3,531,805
Total shareholders' equity	8,145,875	7,609,876	7,188,690	3,816,918	3,554,655
Total liabilities and equity	54,862,129	52,940,894	49,650,528	25,796,483	24,258,137

Contingent liabilities etc.

Contingent liabilities	9,811,830	9,664,674	7,829,417	3,183,874	2,459,509
Irrevocable credit commitments	0	281,000	13,531	392,000	516,724
Total contingent liabilities etc.	9,811,830	9,945,674	7,842,948	3,575,874	2,976,233

FIVE-YEAR KEY FIGURES

		2020	2019	2018	2017	2016
Capital ratios:						
Total capital ratio	%	21.1	20.0	18.4	17.8	18.3
Tier 1 capital ratio	%	17.5	14.7	14.6	16.5	16.9
MREL capital ratio*	%	26.7	27.3	24.9	-	-
Earnings:						
Return on equity before tax	%	14.5	16.8	14.8	19.9	19.3
Return on equity after tax	%	11.7	13.2	12.1	16.0	15.8
Income / cost ratio	DKK	2.10	2.34	1.99	3.13	2.81
Return on assets	%	1.7	1.8	1.3	2.3	2.2
Market risk:						
Interest rate risk	%	1.0	0.9	1.0	1.1	1.8
Foreign exchange position	%	0.1	1.4	1.1	1.1	0.6
Foreign exchange risk	%	0.0	0.0	0.0	0.0	0.0
Liquidity risk:						
Liquidity Coverage Ratio (LCR)	%	206	204	183	193	185
Loans and impairments thereon relative to deposits	%	96.7	98.1	95.5	106.1	100.5
Credit risk:						
Loans relative to shareholders' equity		4.4	4.7	4.6	5.1	4.9
Growth in loans for the year (Pro forma growth in loans in 2018: 7.7%)	%	2.2	6.3	72.9	10.7	2.7
Total large exposures**	%	99.8	121.0	106.0	136.1	29.5
Cumulative impairment ratio	%	4.6	4.3	4.7	4.0	4.5
Impairment ratio for the year	%	0.48	0.21	0.20	0.04	0.23
Proportion of receivables at reduced interest	%	0.5	0.4	0.5	0.1	0.3
Share return:						
Earnings per share*** / *****	DKK	3,155.6	3,310.7	2,486.5	2,604.6	2,335.5
Book value per share*** / *****	DKK	28,029	26,036	24,068	17,500	15,916
Dividend per share***	DKK	700	1,100	1,000	900	720
Market price relative to earnings per share*** / *****		17.6	15.5	13.7	12.3	12.5
Market price relative to book value per share*** / *****		1.98	1.97	1.41	1.84	1.84

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

** Comparative figures for 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 114.

OTHER INFORMATION

Page	
118	Shareholders' committee
120	Board of directors
130	General management
132	Company information
133	Company announcements
134	Financial calendar
137	The bank's branches

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	Snebjerg	19 December 1962
Thomas Sindberg Hansen	Grocer	Kloster	12 December 1978
Tonny Hansen	Former 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
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
Karsten Madsen	Attorney-at-law (Supreme Court)	Sæby	26 July 1961
Niels Erik Burgdorf Madsen	Manager	Ølgod	25 October 1959
Dorte Zacho Martinsen	Business owner	Tvis	2 May 1972
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*	Former manager	Ringkøbing	25 August 1956
Ole Nygaard	Manager	Frederikshavn	9 June 1964
Marianne Oksbjerg	Manager	Brande	26 November 1966

Name	Position	Home town	Born
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
Karsten Sandal	Manager	Ølstrup	25 June 1969
Yvonne Skagen	Manager	Aalborg	22 August 1957
Lone Rejkjær Söllumann*	Finance manager	Tarm	26 January 1968
Egon Sørensen	Insurance broker	Spjald	16 June 1965
Jørgen Kollé 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:

KP Components A/S

KP Components Group A/S

KP Components Inc.

KP Group Holding ApS

MHKP Holding ApS

MHKPO ApS

MHKPS ApS

PcP Corporation A/S

PcP Danmark A/S

The supplementary pension fund for employees of Ringkøbing Landbobank

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

M. Hvolby Holding ApS

NB Gruppen Landinspektøraktieselskab

NB Partnere I/S

Ny NB Gruppen Landinspektøranpartsselskab



Jens Møller Nielsen, former 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

Ringkøbing Station



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:

Advokatfirmaet Børge Nielsen
AEC-Fonden
Andersen & Aaquist A/S
ANS-Fundacion Fonden
Christine og Poul Goos Fond for Fri Forsikring
Dan Østergård ApS
Dansk Bilglas A/S
Dansk Facility Service Holding A/S
DCH 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
Havnens Fiskebod A/S
Hotel Sandvig Havn ApS
JenSchu K/S
Lundagergaard Holding ApS
Madera Holding ApS
Mesterby Klokkeholm A/S
Micodan A/S
Micodan Ejendomme A/S
Micodan Holding A/S
Micodan Norge AS
Miljø-Art A/S
P. J. Skovværktøj, Nørresundby ApS
PM Energi A/S
PM Parts A/S
RengøringsCompagniets Fond
Saga Shipping A/S
Saxtoft Holding ApS
Sølund Ejendomsinvest Holding A/S
Teglbakken, Niverød P/S
Toma Facility Danmark A/S
Tribodan A/S
Vibeke Emborg Holding ApS
Vibeke Emborg Invest ApS



BOARD OF DIRECTORS

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

Other managerial activities – member of the management of:

AIP Management P/S

A/S Københavns Ejendomsselskab

Ejendomsaktieselskabet Dronningegården

Farmakonomernes Ejendomsaktieselskab

Farmapension A/S

Forca A/S

Forsikring & Pension Forsikringsorganisationernes Fællessekretariat F.M.B.A.

Forstædernes Ejendomsaktieselskab

IIP Denmark P/S

IIP Denmark GP ApS

Institutional Holding P/S

Pensionskassen for Farmakonomer

Pensionskassen for Socialrådgivere, Socialpædagoger og Kontorpersonale

Pensionskassen for Sundhedsfaglige

Pensionskassen for Sygeplejersker og Lægeseekretærer

Pensionskassernes Administration A/S

PKA Ejendomme I I/S

PKA Ejendomme af 2012 I/S

PKA Ejendomme af 2013 I/S

PKA Private Funds III GP ApS

PKA Private Funds IV GP ApS

PKA Projektselskab I/S

PKA Skejby P/S

PKA Skejby Komplementar ApS

PKA Venture I GP ApS

PKA+Pension Forsikringsselskab A/S

Poppelstykket 12 A/S

Rugårdsvej Odense A/S

Socialrådgivernes, Socialpædagogernes og Kontorpersonalets Ejendomsaktieselskab

Sundhedsfagliges Ejendomsaktieselskab

Sygeplejerskernes og Lægeseekretærernes Ejendomsaktieselskab

Tuborg Havnevej I/S



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

Goenergi A/S

Iron Fonden

Iron Pump A/S

Iron Pump Ejendomme A/S

Iron Pump Holding A/S

N H Vind 16 ApS

RAH A.M.B.A.

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 Reijkjær 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:

Administrationselskabet Techno A/S

A/S Knud Uggerhøj

Aktieselskabet Trigon

Atletikvej 1 ApS

Civilingeniør Bent Bøgh og Hustru Inge Bøgh's Fond

Dalsgaard Biler A/S

Ejendomsselskabet Møllehuset A/S

Ejendomsselskabet Wedellsborgvej 1 A/S

Fortin Madrejon A/S

Hjørring Bilcenter A/S

Knud Uggerhøj Kapital ApS

MAN Nordjylland A/S

Semler Retail Silkeborg A/S

Solgt.com Invest ApS

Techno Danmark F.M.B.A.

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

FTFa

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 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 and IT risks and relevant related matters
- Budgets, accounting and auditing
- Capital structure including 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 and IT 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 and IT 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 risks areas.
- Jon Steingrim Johnsen has special competencies, knowledge and experience within the areas of the business model, market risks, liquidity risks, operational risks and IT 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 risks 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 risks and market risks areas.
- Lone Rejkjær Söllmann has special competences, knowledge and experience within the area of budgets, accounting and auditing and within sections of the business concept and credit risks areas.
- Sten Uggerhøj has special competencies, knowledge and experience within the areas of the business model, credit risks, market risks, liquidity risks, operational risks and IT 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, capital structure and risk management and within sections of the market risks area.
- Gitte E.S.H. Vigsø has special competencies, knowledge and experience within the areas of operational risks and IT risks and legal insight and within sections of the business model and credit risks areas.
- Arne Ugilt has special competences, knowledge and experience within risk management and within sections of the credit risks area.
- Finn Aaen has special competencies, knowledge and experience within sections of the business model and credit risks areas.

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

Reference is made to note 44 on page 95 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 PRAS A/S, Copenhagen

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 95 for information on holdings of Ringkjøbing Landbobank shares by members of the general management.

Ringkøbing Landbobank Aktieselskab

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Founded: 1886

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Website: www.landbobanken.com

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

Share capital

Ringkøbing Landbobank's share capital is DKK 29,228,321, divided into 29,228,321 nom. DKK 1 shares.

Ownership

On 31 December 2020, Ringkøbing Landbobank had registered shares of DKK 28,756,800, equivalent to 98.39% of the total share capital.

The number of registered shareholders on 31 December 2020 totalled 50,450.

Major shareholders

On 31 December 2020, one shareholder had advised that it holds between 5% and 9.99% of Ringkøbing Landbobank's share capital:

- ATP, of Hillerød, Denmark owned 5.05% of the bank's share capital on 31 December 2020 and held 3,000 voting rights.

Distribution of shareholders

	End of 2020	End of 2019	End of 2018
Danish institutional shareholders	25%	27%	36%
Other Danish shareholders	37%	40%	43%
Foreign institutional shareholders	33%	29%	17%
Other foreign shareholders	5%	4%	4%
	100%	100%	100%

Company announcements 2020

Summary of Ringkjøbing Landbobank's company announcements to Nasdaq Copenhagen and others in 2020:

22 January 2020	Early redemption of tier 2 capital
05 February 2020	Ringkjøbing Landbobank's annual report for 2019
05 February 2020	Notice convening annual general meeting of Ringkjøbing Landbobank
06 February 2020	Announcement concerning large shareholders under the Danish Act on Capital Markets
04 March 2020	Minutes of the annual general meeting on 4 March 2020
04 March 2020	Implementation of share buy-back programme
09 March 2020	Share buy-back programme – week 10
16 March 2020	Share buy-back programme – week 11
18 March 2020	Articles of association of Ringkjøbing Landbobank
23 March 2020	Share buy-back programme – week 12
23 March 2020	Downward adjustment of expected results for 2020
30 March 2020	Share buy-back programme suspended
30 March 2020	Share buy-back programme – week 13
22 April 2020	Early redemption of tier 2 capital
29 April 2020	Ringkjøbing Landbobank's report for the first quarter of 2020
05 May 2020	Implementation of capital reduction
05 March 2020	Articles of association of Ringkjøbing Landbobank
05 August 2020	Ringkjøbing Landbobank's interim report for the first half of 2020
06 October 2020	Upward adjustment of expectations for 2020
28 October 2020	Ringkjøbing Landbobank's quarterly report for the first three quarters of 2020
28 October 2020	Financial calendar 2021 for Ringkjøbing Landbobank

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 2021

The financial calendar for the upcoming publications is as follows:

03 March 2021	Annual general meeting
28 April 2021	Quarterly report 1st quarter 2021
04 August 2021	Interim report 2021
27 October 2021	Quarterly report 1st-3rd quarters 2021

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
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 272A, DK-2830 Virum	+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
Nørresundby	Torvet 4, DK-9400 Nørresundby	+45 9870 5000
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 2A, 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

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Landbobank