

## Statutory statement on corporate governance 2017

in accordance with Section 134 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.

Published 31 January 2018

*This statement is the statutory statement on corporate governance 2017. The bank's annual report for 2017 contains a summary of the statement. The statement covers the financial reporting period from 1 January to 31 December 2017.*

Under Section 134 of the applicable Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., listed Danish banks must publish a statutory statement on corporate governance in their annual report or on their website. The statement must include the following information:

- (1) Whether the company is covered by a code of corporate governance, with reference to the code in question if the company is so covered.
- (2) Details of where the code specified in point 1 is available to the public.
- (3) If the company has decided to deviate from parts of the code specified in point 1, details of those parts of the code from which the company deviates and the reasons for so doing.
- (4) If the company has decided not to use the code specified in point 1, a statement of the reasons.
- (5) A reference to any other codes of corporate governance which the company has decided to use in addition to or in place of the code specified in point 1, or which the company uses voluntarily, with details equivalent to those specified in points 2 and 3.
- (6) A description of the main elements in the company's internal control and risk management systems in connection with the financial reporting process.
- (7) A description of the composition of the company's management bodies and their committees and functions.

Ringkjøbing Landbobank's statutory statement on corporate governance, including the above points, is given below.

## Corporate governance codes etc.

As indicated below, Ringkjøbing Landbobank is covered by the following codes on corporate governance, viz.:

- **“Recommendations on corporate governance” published on 6 May 2013 by the Committee on Corporate Governance (most recently updated in November 2014) (hereinafter called the “Corporate Governance recommendations”).**

The bank is covered by this code as Ringkjøbing Landbobank’s shares are listed on the Nasdaq Copenhagen.

In its letter of 6 May 2013, the Nasdaq Copenhagen advised the bank that it had been decided to implement the Corporate Governance recommendations in “Rules for issuers of shares”.

The code contains 47 different recommendations, and companies covered by the Corporate Governance recommendations must specify how they act with respect to the recommendations under the “comply or explain” principle.

The Committee on Corporate Governance published an updated version of the recommendations on 23 November 2017. The updated version will take effect for financial years commencing on or after 1 January 2018 and will be used at the general meeting considering the annual report for 2018 or later. The bank’s management will specify how it acts on the updated recommendations when preparing the 2018 annual report.

- **“The Corporate Governance Code of the Danish Bankers Association” published on 22 November 2013 by the then Danish Bankers Association (hereinafter called the “Danish Bankers Association’s corporate governance code”).**

The bank is covered by this code as Ringkjøbing Landbobank is a member of FinanceDenmark (with which the Danish Bankers Association has merged into).

In the Danish Bankers Association’s corporate governance code, which contains twelve different recommendations, the Association recommends that member companies actively consider a number of corporate governance matters under the “comply or explain” principle to obtain greater openness concerning the management framework of the individual member companies.

- **The “Stewardship Code” published on 29 November 2016 by the Committee on Corporate Governance (hereinafter called the “Stewardship Code”).**

In January 2016, the Danish Minister for Business and Growth requested the Committee on Corporate Governance to draft a set of recommendations on stewardship in order to encourage the kind of stewardship from investors in Danish listed companies that is beneficial to long-term value creation.

On 29 November 2016, the Committee on Corporate Governance published its Stewardship Code addressed to Danish institutional investors, who invest in shares of Danish listed companies. The Stewardship Code is directed at shareholders and asset managers, as well as investors who perform both roles. First and foremost, the Stewardship Code is relevant to investment funds, insurance companies, investment firms, pension funds and financial institutions.

The Stewardship Code contains seven recommendations aiming to promote the companies' long-term value creation and thereby contribute to maximising long-term return for investors.

The Corporate Governance recommendations and the Stewardship Code are to be mutually reinforcing in serving a common purpose. The Stewardship Code encourages investors to increase transparency as to how they choose to exercise stewardship activities.

The Stewardship Code applied from 1 January 2017 and investors with financial years which coincide with the calendar year must thus report on stewardship activities for the first time in 2018.

In addition to providing its position on the Corporate Governance recommendations and the Danish Bankers Association's corporate governance code when preparing the annual report for 2017, the bank's management has also considered and assessed whether the bank is covered by the Stewardship Code.

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

All three of the above codes are publicly available. The Corporate Governance recommendations and the Stewardship Code are available at [www.corporategovernance.dk](http://www.corporategovernance.dk), and the Danish Bankers Association's corporate governance code is available at the then Danish Bankers Association website [www.finansraadet.dk](http://www.finansraadet.dk)

The bank does not currently follow or expect to start following corporate governance codes in the future other than those mentioned above.

The bank's position on the Corporate Governance recommendations and the Danish Bankers Association's corporate governance code is generally positive, as the relations between the bank and its stakeholders (shareholders, customers, employees, the local community etc.) are a prerequisite for the bank's continuing positive development.

As a local and regional bank, we see it as our foremost task to focus on personal contact with customers, and as satisfied customers are our bread and butter, it is thus important that we show due care for our shareholders and respect the wishes of our other stakeholders, including the bank's customers.

You can read more below on the bank's attitude to the Corporate Governance recommendations and the Danish Bankers Association's corporate governance code.

The Corporate Governance recommendations are classified under five headings:

1. The company's communication and interplay with its investors and other stakeholders
2. The duties and responsibilities of the board of directors
3. The composition and organisation of the board of directors
4. Management's remuneration
5. Presentation of financial statements, risk management and auditing

The bank complies with the great majority of the Corporate Governance recommendations (43 of 47), and for the four recommendations with which the bank does not comply, more details for the reason are provided in accordance with the “comply or explain” principle.

With respect to the “comply or explain” principle, the Nasdaq Copenhagen emphasises that the sustaining element is the transparency concerning companies’ circumstances, and it is a matter for the individual company to assess the extent to which the Corporate Governance recommendations should be followed, or whether this is not appropriate or desirable for the company in question.

The Danish Bankers Association’s corporate governance code comprises the following six headings:

1. General recommendations
2. Recommendations regarding composition of the board of directors
3. Recommendations regarding training of members of the board of directors
4. Recommendations regarding evaluation of the board of directors and its members
5. Recommendations regarding cooperation with the company’s day-to-day management
6. Other recommendations

The bank complies with all of the twelve recommendations of the Danish Bankers Association’s corporate governance code.

The Corporate Governance recommendations and the Danish Bankers Association’s corporate governance code supplement the rules applying to listed companies and the rules of company law and, for banks, also financial law.

## Corporate governance

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

## Goal

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

With respect to the bank's owners, its shareholders, the bank's goal is to realise the best possible return for them in the long term, and it is also the bank's goal to realise operating results among the best third in the Danish financial sector, to be achieved via rational operation of the bank and a sound credit policy.

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

The bank's goal is also to serve selected customer groups throughout Denmark via the bank's distance customer department and niche concepts and the bank's private banking branches via a high level of expertise and competitive products.

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

It is also a goal for Ringkjøbing Landbobank to be a good 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 has branches.

## Communication with the bank's stakeholders

The bank also places great weight on communication with the bank's 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 to the bank in the future and the bank also gives high priority to having a website and an online bank which are accessible and 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, and 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 that the bank must strive for openness, for a good dialogue with its shareholders, investors and other stakeholders, for ensuring that the price of the Ringkjøbing Landbobank shares and other issues always reflect the expected development in the bank and for a fair valuation of the shares and other issues.

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
- other stakeholders

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

The board of directors assessed the policy in December 2017 and found no need for changes.

The Investor Relations policy is available on the bank's website:  
[www.landbobanken.dk/policies](http://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 designates the guidelines for the bank's employees (including the bank's board of directors and general management) concerning the conduct which is expected of them, i.e. their conduct to stakeholders such as customers, suppliers and authorities. In 2016, the board of directors adopted an update of the code of conduct which comprised a minor rewording.

The board of directors adopted an update to the code of conduct in December 2017. In connection with the annual assessment of the need for updates, a paragraph on tax advice was thus added to the code of conduct and a few linguistic adjustments were also 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 it provides examples of unacceptable behaviour, where there is a particular risk for the bank and its employees.

The complete code of conduct is available on the bank's website at: [www.landbobanken.dk/policies](http://www.landbobanken.dk/policies).

## **The Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.**

Finally, the bank advises that in accordance with Section 134 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc., it is required to provide

- A. a description of the main elements in the company's internal control and risk management systems in connection with the financial reporting process and
- B. a description of the composition of the company's management bodies and their committees and functions.

### **A. The financial reporting process**

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

The process is arranged in order to ensure that the annual report is presented in accordance with statutory requirements and that it is free of significant misstatements, whether attributable to fraud or error.

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

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

The internal controls and risk management systems in connection with the financial reporting process are also structured with the following main elements:

- The accounts department has overall management of the process of financial reporting.
- The accounts department coordinates and obtains relevant information from other departments for use in the preparation of accounts and it also reviews such information.
- The accounts department assists external and internal auditing with information and details in connection with the auditing of the financial statements.
- The general management makes a review of the draft annual report and other reports.
- The audit committee and the board of directors review the draft annual report.
- The board of directors, the audit committee and the general management hold meetings with the bank's auditors.

The above also applies to the presentation of quarterly and interim reports with their consequent changes and adaptations resulting from the absence of audit of the reports in question.

A statement is given below of the bank's audit committee and the internal controls and risk management process in connection with the financial reporting process.

## **The audit committee**

The audit committee's tasks include monitoring and checking accounting and auditing matters and preparing the board of directors' handling of accounting- and auditing-related items.

The board of directors has assessed that Martin Krogh Pedersen possesses the requisite qualifications in accounting and auditing, including the financial reporting process, internal controls and risk management. Martin Krogh Pedersen is also chairman of the committee.

## **Internal control and risk management systems**

The board of directors and the general management have general responsibility for the bank's internal control and risk management systems in connection with the presentation of accounts.

## **Recognition and measurement**

For the recognition and measurement of certain assets and liabilities, an estimate is required of how future events will affect the value of these assets and liabilities on the balance sheet date. Estimates of significance for the presentation of accounts are made and exercised among other ways by summarising impairment charges on impaired loans, current values of unlisted financial instruments and provisions.

The exercised estimates used are based on assumptions which management judges to be responsible, but which by their nature are uncertain. In management's assessment, assets and liabilities provide a true and fair view of the bank's financial position, and the control environment for the estimates made is satisfactory.

## **The control environment**

The most important elements in the control environment are an appropriate organisation, including proper separation of functions and internal policies, routines and procedures.

The board of directors, the general management and the other persons concerned with the presentation of accounts are comprised such that relevant competencies concerning risk management and assessment of internal controls are present and independently functioning.

The appointed audit committee regularly monitors the adequacy of the bank's internal controls and assesses material risks in connection with the financial reporting process, including the risk that fraud or errors could lead to material misstatement in the annual report.

## **Risk assessment**

A risk assessment of the information in the annual report is regularly made in order to identify elements which carry increased risks because they are based on estimates and/or generated via complex or manual processes.

The audit committee is regularly advised of the assessment of the bank's risks, including risks which affect the process of presentation of the accounts. At least once a year, the audit committee, the board of directors and the general management decide whether new internal controls should be implemented to counter identified risks.



The audit committee and the board of directors also review particularly risky areas at least once a year, including the recognition and measurement of material assets and liabilities and any changes in accounting policies.

## **Control activities**

Control activities have been established, the object of which is to prevent, discover and correct any errors and deficiencies in the data which form the basis for preparation of the accounts.

These activities include certification, authorisation, approval, reconciliation, analysis of results, separation of duties, general IT controls, and controls concerning IT applications.

## **Monitoring and reporting**

The bank uses systems and manual resources to monitor the data on the basis of which the accounts are prepared. Any weaknesses and errors are regularly corrected and reported.

Further analysis and control activities are carried out in connection with the preparation of the accounts to ensure that the accounts are presented in accordance with legal requirements. The audit committee follows up to ensure that the weaknesses in the internal controls and major errors and omissions in the annual financial statements noted and reported by the internal audit and the independent auditor are corrected.

## **B. The bank's management bodies and their functions**

The bank's management bodies comprise the following:

1. The general meeting
2. The shareholders' committee
3. The board of directors
4. The general management

The bank advises as follows with respect to the individual bodies' functions:

### **1. The general meeting**

The general meeting is the bank's supreme decision-making authority. The general meeting's tasks include electing members to the bank's shareholders' committee.

### **2. The shareholders' committee**

In accordance with the articles of association, the bank's shareholders' committee has at least 25 and at most 30 members elected for four years at a time. As of the end of December 2017, 27 members had been elected to the bank's shareholders' committee.

The bank's shareholders' committee elects the members of the bank's board of directors. In addition, the shareholders' committee has a duty to act in the bank's best interest and, to the best of its ability, to assist the board of directors and the general management with the procuring of information they may need. The shareholders' committee is also charged with setting the fixed remuneration for the board of directors and

shareholders' committee and with deciding on the establishment of branches as recommended by the board of directors.

Shareholders who have reached the age of 67 are not eligible, and members of the shareholders' committee must retire from the committee at the latest at the first annual general meeting after they have reached the age of 67.

### **3. The board of directors**

In accordance with the articles of association, the bank's board of directors consists of at least four and at most six members elected by the shareholders' committee. At the end of December 2017, the board of directors had six members elected by the shareholders' committee and three members elected by the employees.

The bank's general management does not serve on the board of directors, but it participates in board meetings. The board of directors holds 10-12 meetings with physical attendance a year.

In 2017, a total of 12 meetings with physical attendance and three electronic meetings were held.

The total rate of attendance for the full board for all board meetings with physical attendance in 2016/17 was 94.2%.

The board's nomination committee proposes members of the board of directors to the shareholders committee such that its composition ensures adequate skills on the board of directors and compliance with the expertise profile specified by the board's nomination committee and the board itself.

Board members are also elected for four-year terms. The Committee on Corporate Governance recommends that at least half the board members elected by the shareholders' committee be independent, and the bank complies with this recommendation.

Members of the board of directors must retire at the latest at the first annual general meeting after they have reached the age of 67.

#### **Committees of the board of directors**

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

The remuneration committee consists of the chairman and deputy chairman of the bank's board of directors and a board member elected by the employees. The nomination committee and the risk committee consist of the bank's full board of directors, while the audit committee consists of the specially qualified member, who is also chairman of the committee, and the chairman and deputy chairman of the board of directors.

The committees held the following numbers of meetings in 2017: the remuneration committee held four meetings with physical attendance, the nomination committee held six meetings with physical attendance, the audit committee held five meetings with physical attendance and three conference calls and the risk committee held five meetings with physical attendance.

The audit committee's tasks are described in general in a preceding paragraph on page 8. The remuneration committee's tasks include assessment of the bank's remuneration policy, various controls and negotiation with the general management on the latter's remuneration. The nomination committee carries out tasks in relation to policies for diversity on the board of directors and the under-represented gender on the board, recommendation of candidates for the board of directors and the shareholders' committee and in relation to the evaluation process for the board of directors. Finally, the risk committee carries out tasks inter alia in relation to assessment etc. of the current and future risk profile and strategy and reviewing of quarterly credit reports.

The risk committee thus reviews annual risk reports and the bank's risk manager participates in one or more committee meetings to discuss the reports and answer questions from the committee.

Further information on the committees of the board of directors, including their tasks, is given on pages 101-103 of the bank's 2017 annual report.

### **Evaluation of the board of directors etc.**

The board of directors has for several years conducted an evaluation process concerning the working relationship of the board, and from and including 2012 the board of directors supplemented the evaluation on the basis of the Financial Supervisory Authority's guideline for board of directors' knowledge and experience in credit institutions.

In the fourth quarter of 2017 the board of directors again conducted the annual evaluation process etc. As a basis for the evaluation, the nomination committee and the board also identified the competencies which it should possess in order to be able to perform its activities in a competent way. This was done on the basis of the bank's business model and a comprehensive analysis of the associated risks.

The general competencies required include knowledge of the following matters:

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

Each individual board member evaluated his or her own qualifications and the work and working relationships of the board of directors on the basis of the specified requirements.

The board's nomination committee and the board discussed the result of the evaluations, and their assessment and conclusion is that the board's work and working relationships are functioning satisfactorily. It is not judged necessary to provide knowledge and experience to the board over and above the knowledge and experience it has today; neither is it judged necessary to adjust the business model. The board members possess adequate collective knowledge and the professional skills and experience to

understand the bank's activities and their associated risks. The board members collectively possess all the required skills and experience relative to the bank's business model. There are no areas in which supplementing the existing board is judged to be necessary and the number of board members is appropriate to what is judged to be required for the bank.

Each member of the board of directors has also declared his or her judgment that he or she is fit and proper under applicable rules, and that he or she possesses the necessary time resources for the job.

The nomination committee and the board of directors have assessed the individual board members' assessment of sufficient time resources and declared their agreement with the assessments made. The committee has also assessed that the board of directors complies with the policy of diversity on the board of directors.

### **Remuneration policy**

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

The board of directors and the remuneration committee have subsequently reviewed the remuneration policy each year to assess whether updating was required. This was not the case in the review of the policy in 2013, 2014 and 2015. However, both in 2016 and in January 2017 the board of directors and the remuneration committee found that updating was required and the policy was thus updated. The updated policy was submitted to and approved by the bank's annual general meeting in February 2017.

The board of directors and the remuneration committee again assessed the need for updates in late 2017, and found that none was required.

The current policy for management specifies that the bank's management is paid remuneration which is both in line with the market and reflects the management's performance for the bank. It was also decided that the remuneration paid to both the board of directors and the general management will be fixed such that there are no incentive payments.

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, within the minimum threshold for variable salary components and subject to the provisions in point 3 of the remuneration policy. Severance pay may also be paid unless deemed to be variable salary in applicable law.

Subject to point 3 of the remuneration policy, variable salary components and severance pay may be paid, and pension schemes comparable to variable salary components granted, to other employees (i.e. groups of employees other than those listed in point 2 of the remuneration policy).

The remuneration policy is available on the bank's website at [www.landbobanken.dk/policies](http://www.landbobanken.dk/policies).

### **Supplementary information on the members of management, including other managerial offices**

The reader is referred to the pages 105-108 and 1112-113 of the bank's 2017 annual report for supplementary information on the members of the bank's management, including information on their other managerial activities and on the competencies of the members of the board of directors.

#### **4. The general management**

The general management undertakes the bank's daily management.

*The board of directors of Ringkjøbing Landbobank A/S, 31 January 2018.*

**Form for reporting on the recommendations on corporate governance,  
6 May 2013**

This form is meant as a tool for Danish companies with shares admitted to trading on a regulated market who wish to report on the company's compliance with the recommendations on corporate governance in a standard reporting format.

The recommendation text of this form does not replace the recommendations; reference is made to the recommendations on corporate governance with regard to preface, introduction and comments. The Committee's comments on the recommendations may be included as guidelines and inspiration for companies in their work on the recommendations. In this connection the comments are meant as a tool. The reporting on corporate governance itself should only be carried out in compliance with the specific recommendations of the Committee, and not according to the comments or guidelines.

The report must be composed in Danish and must be provided in a corporate governance report published as either part of the management commentary on the annual report or on the company's website with exact reference to the management commentary. The Committee believes that publication of the corporate governance report on the company's website - with exact reference to the report in the management commentary - creates the highest degree of transparency. Publication of the report on the company's website provides easier access for investors and other stakeholders.

Under the Financial Statement Act a publication on the company's website requires that the URL address – where the corporate governance report is published – is stated in the management commentary in the annual report. The URL address must be the internet address which can be used to access the report **directly**.

There are further requirements to the preparation of the report on corporate governance and how it is to be published. The detailed requirements are described in Executive order no. 761 of 20 July 2009 on Publication of Reports on Corporate Governance and Corporate Social Responsibility in supplementary reviews and on the business' website.

**Notice:** The form below contains the recommendations of the Committee on Corporate Governance of 6 May 2013. The recommendations are available on the website of the Committee on Corporate Governance, [www.corporategovernance.dk](http://www.corporategovernance.dk). NASDAQ Copenhagen A/S has decided to include the recommendations in the Rules for issuers of shares by 1 June 2013. **This form may be used for the preparation of the report on corporate governance in annual reports concerning financial years commencing 1 January 2013 or later.**

## **“Comply or explain”**

If a company deviates from parts of the recommendations, the company has to explain the reasons for the deviations, cf. section 107 b (1) (iii) of the Financial Statements Act. The company has to explain why it has chosen not to comply with a recommendation and what it has chosen to do instead. Failure to comply with a recommendation is not considered a breach of rules, but merely implies that the board of directors of the company has chosen a different approach. The market must decide whether deviations are justified and whether the explanation is satisfactory. A good explanation provides specific insight for stakeholders to be able to decide on any investments. In order to create the transparency necessary for investors, companies must respond to each recommendation and provide information on whether or not they will comply with the recommendation in question.

Note that the reporting must reflect the current style of management at the time of the reporting. In the event of significant changes during the year, or after the balance sheet date, descriptions of the changes should be included in the corporate governance report. Companies must consider each of the recommendations.

If the company complies partially with a recommendation the company must specify which parts it is complying with, why it is deviating from the remaining part of the recommendation and what it has chosen to do instead.

The Committee has observed that many companies choose to provide supplementary information even in cases where the company complies with a recommendation. The Committee encourages companies to provide supplementary information where this increases transparency.



The report concerns the financial year **1 January 2017 – 31 December 2017**

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<b>1. Communication and interaction by the company with its investors and other stakeholders</b>				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
<p>1.1.1. The Committee <b>recommends</b> that the board of directors ensure ongoing dialogue between the company and its shareholders in order for the shareholders to gain relevant insight into the company’s potential and policies, and in order for the board of directors to be aware of the shareholders’ views, interests and opinions of the company.</p>	X			<p>The bank follows the recommendation.</p> <p>The shareholders are the bank’s owners, and the bank’s goal is to maintain a good dialogue between the shareholders and the bank.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				<p>To ensure dialogue with the shareholders, the bank's board of directors has adopted an Investor Relations policy and therewith also an information and communication policy. The Investor Relations policy, which is available on the bank's website, was last updated in December 2017.</p> <p>Ringkjøbing Landbobank strives via its Investor Relations policy for the greatest possible openness concerning its affairs. The Investor Relations policy thus aims to ensure that all information of significance to the shareholders', the financial markets' and other stakeholders' assessment of the bank is published immediately. Information relevant to Investor Relations is published in both Danish and English, ensuring that both Danish and foreign shareholders have access to relevant information.</p>

<b>Recommendation</b>	<b>The company complies</b>	<b>The company complies partially</b>	<b>The company does not comply</b>	<b>The explanation for complying partially/not complying with the recommendation</b>
				<p>The bank developed its website on the basis of the Investor Relations policy, and the level of information provided complies with the NASDAQ Copenhagen's recommendations.</p> <p>The website, which contains relevant and up-to-date information on the bank, ensures that the bank's shareholders can easily seek information on the bank at no cost.</p> <p>With respect to information of a financial nature, the bank advises that its annual report is presented in accordance with the Danish Financial Supervisory Authority's executive order on financial statements (which is IAS/IFRS-compatible). The board of directors does not currently find it necessary to supplement the annual report with accounting standards other than that used in the annual report.</p>

<b>Recommendation</b>	<b>The company complies</b>	<b>The company complies partially</b>	<b>The company does not comply</b>	<b>The explanation for complying partially/not complying with the recommendation</b>
				<p>With respect to information of a non-financial nature, the bank's annual report includes general statements on corporate governance, corporate social responsibility and the under-represented gender. More detailed statements on these areas are provided on the bank's website. The board of directors finds that given the bank's size, information of a non-financial character is included and published to an appropriate extent.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>1.1.2. The Committee <b>recommends</b> that the board of directors adopt policies on the company’s relationship with its stakeholders, including shareholders and other investors, and that the board ensures that the interests of the shareholders are respected in accordance with company policies.</p>	X			<p>The bank follows the recommendation.</p> <p>The bank’s board of directors has adopted an Investor Relations policy and a policy for social responsibility/CSR.</p> <p>The policies are published on the bank’s website, to which reference is made. Reference is also made to the above point in recommendation 1.1.1.</p> <p>The bank’s board of directors regularly ensures that the bank’s general management and its employees remain focused on compliance with the defined policies.</p>
<p>1.1.3. The Committee <b>recommends</b> that the company publish quarterly reports.</p>	X			<p>The bank follows the recommendation and publishes quarterly reports.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<i>1.2. General meeting</i>				
<p>1.2.1. The Committee <b>recommends</b> that when organising the company’s general meeting, the board of directors plans the meeting to support active ownership.</p>	X			<p>The recommendation is followed.</p> <p>The bank’s general meetings are planned and organised to ensure that the shareholders can participate and speak at the meeting. Shareholders who are unable to attend the meeting in person can participate either via proxy or by postal vote, and the opportunity to express an opinion is secured by the option of submitting written questions on the points in the agenda etc. for answering at the meeting.</p> <p>Apart from the annual general meeting, the bank also holds an annual shareholders’ meeting.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>1.2.2. The Committee <b>recommends</b> that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.</p>	X			<p>The recommendation is followed.</p> <p>The proxy (in the form of a postal vote form) for the bank's general meetings is structured such that shareholders are given the possibility of expressing an opinion on every single point on the agenda.</p>
<i>1.3. Takeover bids</i>				
<p>1.3.1. The Committee <b>recommends</b> that the company set up contingency procedures in the event of takeover bids from the time that the board of directors has reason to believe that a takeover bid will be made. According to such contingency procedures, the board of directors should not, without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid themselves.</p>			X	<p>If the bank becomes the object of a takeover attempt, the bank's board of directors will assess what is best for the bank's shareholders in the long term and act on this basis.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
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**2. Tasks and responsibilities of the board of directors**

*2.1. Overall tasks and responsibilities*

<p>2.1.1. The Committee <b>recommends</b> that at least once a year the board of directors take a position on the matters related to the board’s performance of its responsibilities.</p>	<p>X</p>			<p>The recommendation is followed.</p> <p>The board of directors makes an annual review and update of its procedures, and there is an annual review and update of the board’s annual cycle and the board committees’ annual cycles, and therewith the tasks which the board and the board committees are to undertake. The annual cycles of the board of directors and board committees are also adjusted on an <i>ad hoc</i> basis as required.</p> <p>The board of directors thus discusses and determines, both annually and on an ongoing basis, the tasks which the board and the board committees will undertake in relation to the overall management and checks of the bank’s operations.</p>
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Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>2.1.2. The Committee <b>recommends</b> that at least once a year the board of directors take a position on the overall strategy of the company with a view to ensuring value creation in the company.</p>	X			<p>The recommendation is followed.</p> <p>Once a year or as required, the board of directors holds an annual strategy seminar/prepares a strategy update where the general goals and strategies for the bank are discussed and determined to ensure the bank's continuing value creation. The point of departure for this is a thorough review of the bank's business and risks.</p> <p>The board also regularly discusses strategy.</p>
<p>2.1.3. The Committee <b>recommends</b> that the board of directors ensure that the company has a capital and share structure ensuring that the strategy and long-term value creation of the company are in the best interest of the shareholders and the company, and that the board of directors presents this in the management commentary on the company's annual report and/or on the company's website.</p>	X			<p>The recommendation is followed.</p> <p>The bank's board of directors regularly and annually assesses the bank's capital and share structure in relation to the aim that the bank's strategy and its long-term value creation are in the shareholders' and the bank's interest.</p> <p>The board provided a statement on the bank's capital and share</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				<p>structure in the bank's 2017 annual report.</p> <p>With respect to the bank's share structure, it is also noted that a shareholding up to and including nom. DKK 500 gives one vote, and shareholdings above this level give two votes as per the bank's articles of association.</p> <p>The board of directors has not found occasion to change these rules as long as the bank's performance is above the average for the Danish financial sector. No new limitations on voting rights will be introduced into the bank's articles of association. There are no limitations on the shares' negotiability.</p> <p>At the end of 2017, the bank had 17,472 registered shareholders. There are both Danish and foreign investors.</p> <p>Parvus Asset Management Europe Limited, London, Great Britain and ATP, Hillerød, Denmark have</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				advised that they own more than 5% of the share capital.
2.1.4. The Committee <b>recommends</b> that the board of directors annually review and approve guidelines for the executive board; this includes establishing requirements for the executive board on timely, accurate and adequate reporting to the board of directors.	X			<p>The recommendation is followed.</p> <p>The bank reviews the board of directors' instructions to the general management regularly and at least once a year, including the requirements concerning reporting to the board.</p>
2.1.5. The Committee <b>recommends</b> that at least once a year the board of directors discuss the composition of the executive board, as well as developments, risks and succession plans.	X			<p>The recommendation is followed.</p> <p>There is an annual evaluation discussion between the chairman of the board of directors and the general management.</p> <p>On the basis of this discussion, the full board of directors discusses the general management's composition and development, risks and succession plans.</p> <p>The general management does not participate in this discussion.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>2.1.6. The Committee <b>recommends</b> that once a year the board of directors discuss the company's activities to ensure relevant diversity at management levels, including setting specific goals and accounting for its objectives and progress made in achieving the objectives in the management commentary on the company's annual report and/or on the company's website.</p>	X			<p>The recommendation is followed.</p> <p>The bank's board of directors and the general management find it important that there are equal opportunities for employees of both genders and for employees with different backgrounds, and the bank thus strongly wishes to make it possible for talents to be developed, thrive, and remain in the bank.</p> <p>In March 2013 the board of directors adopted for the first time a target figure for the under-represented gender on the board of directors and a policy to increase the proportion of the under-represented gender in the bank's management levels (excluding the board of directors).</p> <p>he board of directors' nomination committee assessed the target figure and the policy in 2017, and found that only one change was needed.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				<p>The current policy has the following specific goals:</p> <ol style="list-style-type: none"> <li>1. The employees must, irrespective of gender, feel that they have equal career and management opportunities.</li> <li>2. The proportion of female managers at the bank's management's levels must be at least 20%.</li> </ol> <p>In September 2014 the board of directors' nomination committee also adopted a policy for diversity in the board for the first time. In December 2017, the nomination committee assessed the requirement for changes to the policy, and found that no changes were needed.</p> <p>The bank's 2017 annual report contains summary statements of the target figures, goals and adopted policies. The complete statements are available on the bank's website.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee <b>recommends</b> that the board of directors adopt policies on corporate social responsibility.	X			The bank follows the recommendation, and the policy is published on the bank's website.
<i>2.3. Chairman and vice-chairman of the board of directors</i>				
2.3.1. The Committee <b>recommends</b> appointing a vice-chairman of the board of directors who will assume the responsibilities of the chairman in the event of the chairman's absence, and who will also act as effective sparring partner for the chairman.	X			<p>The recommendation is followed.</p> <p>In accordance with the bank's articles of association, the board of directors elects both a chairman and a vice-chairman.</p> <p>The duties of the chairman and the vice-chairman are defined in the board's rules of procedure.</p>
2.3.2. The Committee <b>recommends</b> ensuring that, if the board of directors, in exceptional cases, asks the chairman of the board of directors to perform special operating activities for the company, including briefly participating in the day-to-day management, a board resolution to that effect be passed to ensure that the board of directors maintains its independent, overall management and control function. Resolutions on the chairman's participation in day-to-day management and the expected duration thereof should be published in a company announcement.	X			<p>The recommendation is followed.</p> <p>The chairman of the board of directors does not participate in the daily management or perform special tasks for the bank.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
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**3. Composition and organisation of the board of directors**

*3.1. Composition*

<p>3.1.1. The Committee <b>recommends</b> that the board of directors annually accounts for</p> <ul style="list-style-type: none"> <li>• the skills it must have to best perform its tasks,</li> <li>• the composition of the board of directors, and</li> <li>• the special skills of each member.</li> </ul>	X			<p>The recommendation is followed.</p> <p>The board of directors and the board’s nomination committee want the board of directors to represent members with different competencies, qualifications and backgrounds as a basis for the bank’s continuing development.</p> <p>On the basis of the bank’s business concept, the board and the board’s nomination committee have found it necessary to possess the following competencies:</p> <ul style="list-style-type: none"> <li>• business concept and various related matters</li> <li>• credit risks and various related matters</li> <li>• market risks and various related matters</li> <li>• liquidity risks and various related matters</li> <li>• operational risks and various related matters</li> </ul>
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Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				<ul style="list-style-type: none"> <li>• other matters including <ul style="list-style-type: none"> <li>○ budgets, accounting and auditing</li> <li>○ capital</li> <li>○ insurance matters</li> <li>○ risk management</li> <li>○ managerial experience with other financial activities</li> <li>○ general managerial experience</li> </ul> </li> <li>• legal insight, including in relation to financial legislation</li> </ul> <p>The annual report for 2017 contains the above description of the total competencies required of the Board, a list of board members' special skills in respect of the required competencies, and information on the board members' representation on individual board committees, their employment and other management activities. Information on the board members' competencies is also provided on the bank's website.</p>



Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>3.1.2. The Committee <b>recommends</b> that the selection and nomination of candidates for the board of directors be carried out through a thoroughly transparent process approved by the full board of directors. When assessing its composition and nominating new candidates, the board of directors must take into consideration the need for integration of new talent and diversity in relation to age, international experience and gender.</p>	X			<p>The recommendation is followed.</p> <p>It is noted by way of introduction that the board of directors and the board's nomination committee make an assessment at least once a year of the competencies which the board requires for the best possible performance of its duties. An assessment of whether it possesses these competencies is also made.</p> <p>Members of the board are elected indirectly as they are elected by the bank's shareholders' committee.</p> <p>The election procedure for the board of directors was changed at the bank's annual general meeting in February 2013 so that candidates can now be elected among both members of the shareholders' committee and from other sources.</p> <p>This ensures that the board can more easily be constituted in the event of a need for specific</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				<p>expertise which may arise over time.</p> <p>In the board's assessment, the greatest possible diversity should be ensured in relation to <i>inter alia</i> the ages, gender and business experience of members of the shareholders' committee and board members, taking due account of the fact that focus is also placed on shareholders' committee and board members' professional qualifications, skills and business experience, which are thus taken into account in the board's recommendation of new members to both the shareholders' committee and the board of directors.</p> <p>Election of members of the shareholders' committee is decided by simple majority vote at the general meetings. It is noted that the bank's articles of association specify that shareholders who have reached the age of 67 are not eligible, and members of the</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				<p>shareholders' committee and members of the board of directors are obliged to resign at the first annual general meeting after their 67th birthday.</p> <p>Members of both the shareholders' committee and the board of directors are elected for four-year terms, and re-election is possible.</p> <p>The board has considered whether introducing direct election of its members and/or a period of election of one year would be appropriate, but the board has judged that for the time being, the present system of election is functioning satisfactorily, and that the present provisions in the articles of association on the period of election ensure good continuity in the board's work.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>3.1.3. The Committee <b>recommends</b> that a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises, be accompanied by the notice convening the general meeting when election of members to the board of directors is on the agenda.</li> <li>• demanding organisational tasks, and information</li> <li>• about whether candidates to the board of directors are considered independent.</li> </ul>		X		<p>For general meetings where there will be an election for the shareholders' committee, the notice of meeting will provide a brief statement on the candidates for election to the committee and the criteria which the board of directors and the shareholders' committee have used in the nomination.</p> <p>The shareholders' committee's election of members to the board of directors is done with the full knowledge of the proposed candidates.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
3.1.4. The Committee <b>recommends</b> that the company's articles of association stipulate a retirement age for members of the board of directors.	X			The recommendation is followed. Shareholders who have reached the age of 67 cannot be elected to the shareholders' committee, and members of the board of directors and members of the shareholders' committee are obliged to resign at the first annual general meeting after their 67th birthday. This age limit is specified in the bank's articles of association.
3.1.5. The Committee <b>recommends</b> that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.			X	<p>Members of the board of directors are elected indirectly as they are elected by the members of the bank's shareholders' committee.</p> <p>Election of members of the shareholders' committee is decided by simple majority vote at the general meetings. It is noted that the bank's articles of association specify that shareholders who have reached the age of 67 cannot be elected to the shareholders' committee, and members of the shareholders' committee and members of the board of directors are obliged to resign at the first</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				<p>annual general meeting after their 67th birthday.</p> <p>Members of both the shareholders' committee and the board of directors are elected for four-year terms, and re-election is possible.</p> <p>The board has considered whether a period of election of one year would be appropriate, but the board has judged that for the time being, the present system of election is functioning satisfactorily, and that the present provisions in the articles of association on the period of election ensure good continuity in the board's work.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<i>3.2. Independence of the board of directors</i>				
<p>3.2.1. The Committee <b>recommends</b> that at least half of the members of the board of directors elected by the general meeting be independent persons, in order for the board of directors to be able to act independently of special interests. To be considered independent, this person may not:</p> <ul style="list-style-type: none"> <li>• be or within the past five years have been member of the executive board, or senior staff member in the company, a subsidiary undertaking or an associate,</li> <li>• within the past five years, have received larger emoluments from the company/group,</li> <li>• a subsidiary undertaking or an associate in another capacity than as member of the</li> <li>• board of directors,</li> <li>• represent the interests of a controlling shareholder,</li> <li>• within the past year, have had significant business relations (e.g. personal or indirectly as partner or employee, shareholder, customer, supplier or member of the executive management in companies with corresponding connection) with the company, a subsidiary undertaking or an associate.</li> <li>• be or within the past three years have been employed or a partner at the external auditor,</li> <li>• have been chief executive in a company holding cross-memberships with the company,</li> <li>• have been member of the board of directors for more than 12 years, or</li> </ul>	X			<p>The bank's board of directors fulfils the requirement on independence.</p> <p>The board of directors estimates that among the six board members elected by the bank's shareholders' committee, only one member is not independent. This member has sat on the bank's board of directors for more than 12 years on the date of reporting and is thus not independent. The other board members elected by the shareholders' committee are considered to comply with the requirements concerning independence.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<ul style="list-style-type: none"> <li>• have been close relatives with persons who are not considered independent.</li> </ul>				
<p><i>3.3. Members of the board of directors and the number of other executive functions</i></p>				
<p>3.3.1. The Committee <b>recommends</b> that each member of the board of directors assesses the expected time commitment for each function in order that the member does not take on more functions than he/she can manage satisfactorily for the company.</p>	X			<p>The recommendation is followed, and the board members regularly, and at least once a year, make an evaluation thereof.</p>
<p>3.3.2. The Committee <b>recommends</b> that the management commentary, in addition to the provisions laid down by legislation, includes the following information about the members of the board of directors:</p> <ul style="list-style-type: none"> <li>• the position of the relevant person,</li> <li>• the age and gender of the relevant person,</li> <li>• whether the member is considered independent,</li> <li>• the date of appointment to the board of directors of the member,</li> <li>• expiry of the current election period,</li> <li>• other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and</li> <li>• demanding organisational tasks, and</li> <li>• the number of shares, options, warrants and similar in the company, and other group companies of the company, owned by the member, as well as changes in the portfolio of the member of the securities mentioned which have occurred during the financial year.</li> </ul>	X			<p>The recommendation is followed, and the information is given in the bank's annual report.</p>



Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<i>3.4. Board committees</i>				
<p>3.4.1. The Committee <b>recommends</b> that the company publish the following on the company’s website:</p> <p>The terms of reference of the board committees,</p> <ul style="list-style-type: none"> <li>• the most important activities of the committees during the year, and the number of meetings held by each committee, and</li> <li>• the names of the members of each committee, including the chairmen of the committees, as well as information on which members are independent members and which members have special qualifications.</li> </ul>	X			The recommendation is followed.
<p>3.4.2. The Committee <b>recommends</b> that a majority of the members of a board committee be independent.</p>	X			<p>The recommendation is followed.</p> <p>The majority of the committee members elected by the shareholders’ committee are independent.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>3.4.3. The Committee <b>recommends</b> that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> <li>the chairman of the board of directors is not chairman of the audit committee, and</li> <li>between them, the members should possess such expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market.</li> </ul>	X			<p>The board of directors has appointed an audit committee consisting of three members on the date of reporting.</p> <p>The board has adopted terms of reference which follow the statutory requirements for the area for the audit committee.</p> <p>The audit committee holds five meetings with physical attendance and three conference calls a year.</p> <p>The committee's chairperson on the date of reporting is Martin Krogh Pedersen, who is also qualified to serve as the member specialised in accounts.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>3.4.4. The Committee <b>recommends</b> that, prior to the approval of the annual report and other financial reports, the audit committee monitors and reports to the board of directors about:</p> <ul style="list-style-type: none"> <li>• significant accounting policies,</li> <li>• significant accounting estimates,</li> <li>• related party transactions, and</li> <li>• uncertainties and risks, including in relation to the outlook for the current year.</li> </ul>	X			The recommendation is followed.
<p>3.4.5. The Committee <b>recommends</b> that the audit committee:</p> <ul style="list-style-type: none"> <li>• annually assesses the need for an internal audit, and in such case, makes recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and</li> <li>• monitor the executive board’s follow-up on the conclusions and recommendations of the internal audit function.</li> </ul>	X			The bank has an internal auditor as required under applicable law.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>3.4.6. The Committee <b>recommends</b> that the board of directors establish a nomination committee chaired by the chairman of the board of directors with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• describe the qualifications required by the board of directors and the executive board, and for a specific membership, state the time expected to be spent on having to carry out the membership, as well as assess the competencies, knowledge and experience of the two governing bodies combined,</li> <li>• annually assess the structure, size, composition and results of the board of directors and the executive board, as well as recommend any changes to the board of directors,</li> <li>• annually assess the competencies, knowledge and experience of the individual members of management, and report to the board of directors in this respect,</li> <li>• consider proposals from relevant persons, including shareholders and members of the board of directors and the executive board for candidates for the board of directors and the executive board, and</li> <li>• propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes.</li> </ul>	X			<p>The recommendation is followed.</p> <p>The board of directors has appointed a nomination committee consisting of the full board.</p> <p>The nomination committee's duties include those described in the recommendation.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>3.4.7. The Committee <b>recommends</b> that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> <li>• to recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting,</li> <li>• make proposals to the board of directors on remuneration for members of the board of directors and the executive board, as well as ensure that the remuneration is in compliance with the company’s remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group, and</li> <li>• recommend a remuneration policy applicable for the company in general.</li> </ul>	X			<p>The recommendation is followed.</p> <p>The board of directors has appointed a remuneration committee consisting of the chairman and deputy chairman of the board and one board member elected by the employees.</p> <p>The remuneration committee’s duties include those described in the recommendation.</p>
<p>3.4.8. The Committee <b>recommends</b> that the remuneration committee does not consult with the same external advisers as the executive board of the company.</p>	X			<p>The recommendation is followed.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<i>3.5. Evaluation of the performance of the board of directors and the executive board</i>				
<p>3.5.1. The Committee <b>recommends</b> that the board of directors establish an evaluation procedure where contributions and results of the board of directors and the individual members, as well as collaboration with the executive board, are annually evaluated. Significant changes deriving from the evaluation should be included in the management commentary or on the company’s website.</p>	X			<p>The recommendation is followed.</p> <p>An annual evaluation of the work of the board of directors and of its working relationship with the general management is made.</p>
<p>3.5.2. The Committee <b>recommends</b> that in connection with preparation of the general meeting, the board of directors consider whether the number of members is appropriate in relation to the requirements of the company. This should help ensure a constructive debate and an effective decision-making process in which all members are given the opportunity to participate actively.</p>	X			<p>The recommendation is followed.</p> <p>Under the articles of association, the bank’s board of directors must consist of four to six members elected by the shareholders’ committee.</p> <p>In addition, the board includes those members prescribed by law.</p> <p>The board of directors regularly, and at least once a year in connection with the annual evaluation of the board’s work, considers whether the number of members elected by the shareholders’ committee and the composition in general are appropriate in relation to the bank’s needs in general and the board’s</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				work in particular, so that this work can proceed in an effective and constructive manner.
3.5.3. The Committee <b>recommends</b> that at least once every year the board of directors evaluate the work and performance of the executive board in accordance with predefined clear criteria.	X			The recommendation is followed.  Further reference is made to recommendation number 2.1.5.
3.5.4. The Committee <b>recommends</b> that the executive board and the board of directors establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the board of directors and the chief executive officer, and that the outcome of the evaluation be presented to the board of directors.	X			The recommendation is followed.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<b>4. Remuneration of management</b>				
<i>4.1. Form and content of the remuneration policy</i>				
<p>4.1.1. The Committee <b>recommends</b> that the board of directors prepare a clear and transparent remuneration policy for the board of directors and the executive board, including</p> <ul style="list-style-type: none"> <li>• a detailed description of the components of the remuneration for members of the board of directors and the executive board,</li> <li>• the reasons for choosing the individual components of the remuneration, and</li> <li>• a description of the criteria on which the balance between the individual components of the remuneration is based.</li> </ul> <p>The remuneration policy should be approved by the general meeting and published on the company's website.</p>	X			<p>The recommendation is followed.</p> <p>In 2012, the board of directors and the board's remuneration committee approved for the first time a remuneration policy, which was subsequently approved by the bank's annual general meeting in February 2013.</p> <p>In accordance with current legislation, the remuneration policy must always be approved by the bank's general meeting if any changes are made.</p> <p>The board of directors and the board's remuneration committee have subsequently made an annual review of the policy to assess whether it requires updating.</p> <p>Both in 2016 and in January 2017 the board and the board's remuneration committee found that</p>



Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				<p>changes had to be made to the policy, among other things because of the introduction of the Mortgage Credit Directive.</p> <p>The updated remuneration policy was submitted to and approved by the bank's annual general meeting held in February 2017.</p> <p>The board and the remuneration committee again assessed the need for updates to the policy in late 2017, and found that none was needed.</p> <p>The current remuneration policy is published on the bank's website.</p>
<p>4.1.2. The Committee <b>recommends</b> that, if the remuneration policy includes variable components,</p> <ul style="list-style-type: none"> <li>• limits be set on the variable components of the total remuneration package,</li> <li>• a reasonable and balanced linkage be ensured between remuneration for governing body members, expected risks and the value creation for shareholders in the short and long terms,</li> <li>• there be clarity about performance criteria and measurability for award of variable components,</li> </ul>	X			<p>The recommendation is followed.</p> <p>The remuneration policy specifies that no variable components can be included for the bank's general management and the board of directors, and variable components are thus not paid to these.</p> <p>Within the financial framework for payment of personal allowances under a current workplace</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<ul style="list-style-type: none"> <li>• there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and</li> <li>• an agreement is made which, in exceptional cases, entitles the company to reclaim in full or in part variable components of remuneration that were paid on the basis of data which proved to be misstated.</li> </ul>				<p>agreement, within the minimum threshold for variable salary components and subject to the provisions in point 3 of the remuneration policy, variable salary components may be paid in cash to other major risk-takers and employees in control functions. Other major risk-takers and employees in control functions may also be paid severance pay unless deemed to be variable salary in applicable law</p> <p>Subject to point 3 of the remuneration policy, variable salary components and severance pay may be paid, and pension schemes comparable to variable salary components granted, to other employees (i.e. groups of employees other than those listed in point 2 of the remuneration policy).</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
4.1.3. The Committee <b>recommends</b> that remuneration of members of the board of directors does not include share options.	X			The recommendation is followed.  No share options/warrants programmes of any kind are used in the board of directors' remuneration.
4.1.4. The Committee <b>recommends</b> that if share-based remuneration is provided, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should have a maturity of at least three years from the date of allocation.	X			The bank does not use share-based programmes in any form.
4.1.5. The Committee <b>recommends</b> that agreements on termination payments should not amount to more than two years' annual remuneration.	X			The recommendation is followed.
<i>4.2. Disclosure of the remuneration policy</i>				
4.2.1. The Committee <b>recommends</b> that the company's remuneration policy and compliance with this policy be explained and justified annually in the chairman's statement at the company's general meeting.	X			The recommendation is followed.  The remuneration policy and the remuneration of the bank's general management are referred to in the chairman's report at the annual general meeting.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
4.2.2. The Committee <b>recommends</b> that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.			X	<p>The recommendation is not followed.</p> <p>The total payment for the bank's board of directors is relatively modest compared with the bank's other activities, and special approval is thus not desired.</p>
4.2.3. The Committee <b>recommends</b> that the total remuneration granted to each member of the board of directors and the executive board by the company and other companies in the group, including information on the most important contents of retention and retirement/resignation schemes, be disclosed in the annual report and that the linkage with the remuneration policy be explained.	X			The recommendation is followed.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<b>5. Financial reporting, risk management and audits</b>				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
5.1.1. The Committee <b>recommends</b> that the board of directors in the management commentary review and account for the most important strategic and business-related risks, risks in connection with the financial reporting as well as for the company's risk management.	X			The recommendation is followed.  The management's review in the 2017 annual report includes an account of the most important strategic and business risks and of the bank's risk management.
<i>5.2. Whistleblower scheme</i>				
5.2.1. The Committee <b>recommends</b> that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	X			The recommendation is followed.  An internal whistleblower scheme was established in the 2015 financial year in accordance with applicable rules for financial companies.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<i>5.3. Contact to auditor</i>				
<p>5.3.1. The Committee <b>recommends</b> that the board of directors ensure regular dialogue and exchange of information between the auditor and the board of directors, including that the board of directors and the audit committee at least once a year meet with the auditor without the executive board present. This also applies to the internal auditor, if any.</p>	X			<p>The recommendation is followed.</p> <p>The bank’s board of directors and the general management maintain an ongoing dialogue with both the internal and external auditors, and the management discusses the result of the audit, the prepared annual report and the accounting policies and estimates with both external and internal auditors.</p> <p>The bank’s board of directors meets at least once a year with the bank’s external auditors. The general management does not attend this meeting.</p> <p>The board also meets with the internal auditor without the general management’s participation.</p> <p>The bank’s internal auditor also maintains an ongoing dialogue with the external auditors.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
5.3.2. The Committee <b>recommends</b> that the audit agreement and auditors' fee be agreed between the board of directors and the auditor on the basis of a recommendation from the audit committee.	X			The recommendation is followed.

**Form for statement concerning  
The Danish Bankers Association's corporate governance code  
of 22 November 2013**



**Text from the Danish Bankers Association's website:**

**"Corporate Governance Code of the Danish Bankers Association  
22 November 2013**

The financial crisis and its consequences have shown that parts of the banking sector have been affected by poor management and inappropriate management structures. Decisions have been made on the basis of over-optimism, and we have seen examples of clear management failure and poor business ethics.

In the wake of the financial crisis, a series of initiatives has been implemented that subject today's banking sector to a broad raft of legislative measures and other management regulation. However, the Danish Bankers Association believes it might be advisable for the banking sector to take further initiatives targeted at sharpening the focus on governance issues in the sector.

Therefore, the Danish Bankers Association has prepared a Corporate Governance Code with recommendations for its members. The recommendations go further than dictated by the legislation and the recommendations of the Danish Committee on Corporate Governance.

One aim of the recommendations is to prompt the members to actively address a number of key corporate governance topics, and another is to create greater openness concerning the governance frameworks of the individual members, with a view to increasing confidence in the banking sector.

Under this code, the members will report on corporate governance according to the 'comply or explain' principle. This means it is up to each member to decide on the extent to which it wishes to comply with the recommendations. A member failing to comply with a recommendation must give an individually formulated explanation for why it has deviated from the recommendations and what it has decided to do differently. Failure to comply with a recommendation is not considered a breach of the rules, but merely implies that the company has chosen a different approach.

The first recommendation of the Corporate Governance Code relates to the recommendations of the Committee on Corporate Governance, for which reason reporting relating to this recommendation must be in accordance with the reporting rules laid down by the Committee on Corporate Governance.

As regards the publication of the members' reporting concerning the other recommendations of the Corporate Governance Code, the Danish Bankers Association finds that disclosure on the company's website is the best and most effective method – with a specific reference to this in the management's review in the annual report.

The members are required to submit their first corporate governance report in connection with the annual report for the 2014 financial year."

The statement concerns the financial year **1 January 2017 – 31 December 2017**

<b>Recommendation</b>	<b>Does the company comply?</b>	<b>Explanation</b>
<i>General recommendations</i>		
<b>1. The Danish Bankers Association recommends</b> that the members respond to all the recommendations of the Committee on Corporate Governance.	Yes	The recommendation is followed.
<b>2. The Danish Bankers Association recommends</b> that the members prepare and publish a code of conduct describing the company's core values and the conduct desired in terms of the company's management and operations.	Yes	The recommendation is followed. The bank's code of conduct is available on this website.

Recommendation	Does the company comply?	Explanation
<i>Recommendations regarding composition of the board of directors</i>		
<p><b>3. The Danish Bankers Association recommends</b> that the members use a well-described, structured process when recruiting candidates for the board of directors and possibly bring in external expertise.</p>	Yes	<p>The recommendation is followed.</p> <p>The board of directors has set out a general procedure for recruiting candidates for the board of directors.</p> <p>It is the duty of the bank's nomination committee to ensure that the board of directors possesses the required competencies and the required knowledge and experience, and to find suitable candidates for the bank's shareholders' committee and board of directors. The result of the board's annual evaluation is part of the recruiting procedure.</p> <p>The bank's and the board members' networks are used when recruiting candidates for the position of member of the bank's shareholders' committee (which elects the board of directors).</p> <p>Reference is made to the 2017 annual report for further information on the bank's nomination committee.</p> <p>Reference is also made to point 3.1.2 of the statement on the recommendations on corporate governance.</p>
<p><b>4. The Danish Bankers Association recommends</b> that those members whose articles of association contain provisions determining that board members may only be elected from a limited group of individuals explain the background to these restrictions.</p>	Yes	<p>The recommendation is followed.</p> <p>The bank's articles of association prescribe that members of the board of directors be elected by the members of the shareholders' committee, because the board finds that this provision helps to ensure that members elected for the board</p>

Recommendation	Does the company comply?	Explanation
		<p>possess the required competencies and the required knowledge and experience.</p> <p>The bank thus finds it crucial to have a competent basis for recruiting the board of directors to ensure that the requirements for both collective and individual expertise etc. for the board and its members are met.</p> <p>The bank's nomination committee thus places strong focus on ensuring that candidates for the position of member of the shareholders' committee also have the skills required for assuming the duties of a board member.</p> <p>The election procedure for the position of member of the bank's board of directors ensures a good knowledge of the candidates and their professional and personal qualifications for undertaking and performing the duties of board member.</p> <p>It is also possible, if needed, to elect board members who are not among the shareholders' committee's members.</p>

Recommendation	Does the company comply?	Explanation
<i>Recommendations regarding training of members of the board of directors</i>		
<p><b>5. The Danish Bankers Association recommends</b> that board members embark on a training programme in banking operations as soon as possible and at the latest six months after joining the board, unless the board member concerned already possesses up-to-date, special banking skills. The programme should reflect the company's size, business model and complexity.</p>	Yes	<p>The recommendation is followed.</p> <p>The bank will of course organise its training activities for new board members in accordance with any statutory requirements as they take effect.</p> <p>It can also be added that new board members as well as board members with longer seniority are given the opportunity to participate in training activities if they feel a need to do so.</p>
<p><b>6. The Danish Bankers Association recommends</b> that the members of a board of directors continuously receive skills development opportunities as relevant for their board duties. The topics and scope should be adapted to the company's size, business model and complexity.</p>	Yes	<p>The recommendation is followed.</p> <p>Board meetings are attended at regular intervals by employees/experts from the bank who provide training within selected areas to continuously develop the board members' skills.</p> <p>The board members also participate in various external training and qualifying activities if they judge they need them, and the board members regularly keep up to date via various works of reference.</p>

Recommendation	Does the company comply?	Explanation
<i>Recommendation regarding evaluation of the board of directors and its members</i>		
<p><b>7. The Danish Bankers Association recommends</b> that each individual board member undertake an evaluation of his or her work for the board. As part of the evaluation, each board member must fill in an evaluation form referring to both management and technical banking matters.</p>	Yes	<p>The recommendation is followed.</p> <p>The board of directors carries out a multidimensional evaluation every year, including the evaluation prescribed by the Danish Bankers Association.</p> <p>The total evaluation includes the working relationship on the board, an evaluation of each individual board member's competencies and an evaluation of the competencies of the whole board of directors.</p> <p>The board subsequently reviews and discusses the evaluations and assessments.</p> <p>Reference is also made to point 3.5.1 of the statement on the recommendations on corporate governance.</p>
<i>Recommendations regarding cooperation with the company's day-to-day management</i>		
<p><b>8. The Danish Bankers Association recommends</b> that relevant experts be involved in the cooperation with the board of directors, including participation in meetings of the board of directors when particularly complex issues are to be discussed.</p>	Yes	<p>The recommendation is followed.</p> <p>Heads of specialised areas and experts from the bank participate as needed on an ad hoc basis, both in preparing for and drafting material for the board of directors and, if necessary, participating in the agenda points at board meetings which are relevant for the persons in question.</p> <p>The bank's credit manager also participates in the relevant agenda points at each meeting.</p>

Recommendation	Does the company comply?	Explanation
<p><b>9. The Danish Bankers Association recommends</b> that the cooperation between the executive board and the board of directors be discussed at least once a year without the presence of the executive board.</p>	Yes	<p>The recommendation is followed.</p> <p>Both the working relationship between the board of directors and general management and of the general management in general are assessed and discussed by the board of directors every year, usually concurrently with the board's annual multi-dimensional evaluation</p> <p>The general management is not present during the board's evaluation of the working relationship between the board and the general management and of the general management in general.</p> <p>The working relationship is also assessed on an informal regular basis.</p> <p>Reference is also made to point 3.5.1 of the statement on the recommendations on corporate governance.</p>
<i>Other recommendations</i>		
<p><b>10. The Danish Bankers Association recommends</b> that an overview of the participation of the members of the board of directors in board and committee meetings be published on the members' website or similar.</p>	Yes	<p>The recommendation is followed.</p> <p>One board meeting is typically held every month.</p> <p>If deemed necessary, the board also holds either a strategy meeting or an actual strategy seminar every year. A strategy discussion may also be held at an ordinary meeting of the board of directors.</p> <p>In addition, a number of meetings are held in the appointed board committees as scheduled and as needed.</p> <p>The board of directors places considerable weight on a high rate of attendance.</p>



Recommendation	Does the company comply?	Explanation															
		<p>The following summary provides further details:</p> <table border="1" data-bbox="1249 376 2092 719"> <thead> <tr> <th colspan="5" data-bbox="1249 376 2092 456">Number of meetings in 2017</th> </tr> <tr> <th data-bbox="1249 456 1413 512">Board of directors</th> <th data-bbox="1413 456 1610 512">Remuneration committee</th> <th data-bbox="1610 456 1778 512">Nomination committee</th> <th data-bbox="1778 456 1935 512">Audit committee</th> <th data-bbox="1935 456 2092 512">Risk committee</th> </tr> </thead> <tbody> <tr> <td data-bbox="1249 512 1413 719">Twelve meetings with physical attendance and three electronic meetings</td> <td data-bbox="1413 512 1610 719">Four meetings with physical attendance</td> <td data-bbox="1610 512 1778 719">Six meetings with physical attendance</td> <td data-bbox="1778 512 1935 719">Five meetings with physical attendance and three conference calls</td> <td data-bbox="1935 512 2092 719">Five meetings with physical attendance</td> </tr> </tbody> </table> <p>The total rate of attendance for the full board for all board meetings with physical attendance in 2017 was 94.2%.</p> <p>As indicated above, the rate of attendance in 2017, as in 2016, 2015 and 2014, was a good deal over 90%, and the board of directors thus found it irrelevant to provide further details on the individual board members' rates of attendance.</p>	Number of meetings in 2017					Board of directors	Remuneration committee	Nomination committee	Audit committee	Risk committee	Twelve meetings with physical attendance and three electronic meetings	Four meetings with physical attendance	Six meetings with physical attendance	Five meetings with physical attendance and three conference calls	Five meetings with physical attendance
Number of meetings in 2017																	
Board of directors	Remuneration committee	Nomination committee	Audit committee	Risk committee													
Twelve meetings with physical attendance and three electronic meetings	Four meetings with physical attendance	Six meetings with physical attendance	Five meetings with physical attendance and three conference calls	Five meetings with physical attendance													
<p><b>11. The Danish Bankers Association recommends</b> that the members consider and explain whether the rules set out in the Danish Financial Business Act (<i>lov om finansiel virksomhed</i>) regarding a cap on the number of executive positions are relevant for the members.</p>	Yes	<p>The recommendation is followed.</p> <p>The bank is not governed by the rules of the Danish Financial Business Act regarding a cap on the number of executive positions as the rules only apply to the biggest financial institutions, the so-called systemically important financial institutions (SIFIs).</p> <p>The bank's board of directors and the individual members are aware of the importance of each board member judging whether he or she has the time required to perform the duties</p>															

Recommendation	Does the company comply?	Explanation
		<p>of a board member in Ringkjøbing Landbobank, including a judgment on the cap on the number of executive positions.</p> <p>Such evaluations are made regularly on an individual basis and in connection with the board of directors' annual evaluation of the whole board.</p> <p>Reference is made to the bank's 2017 annual report for details on other executive positions held by the board members.</p>
<p><b>12. The Danish Bankers Association recommends</b> that the members focus on the role of the external auditor and the quality of its audit work. Among other things, members should set requirements for the composition of the teams used by external auditors to ensure that a team includes at least two experienced auditors with additional areas of expertise. To be considered an experienced auditor, an auditor must have completed supplementary training aimed at the banking sector and participated in the audit of a commercial bank, savings bank or cooperative bank for at least three years.</p>	<p>Yes</p>	<p>The recommendation is followed.</p> <p>The bank's external auditor is PricewaterhouseCoopers, statsautoriseret revisionspartnerselskab (PwC).</p> <p>The bank is strongly focused on the external auditor's role and qualifications and of the quality of the work which is carried out by the external auditor.</p> <p>The bank and the external auditor discuss the composition of the team used by the external auditor for auditing the bank, and it is agreed in the bank's partnership with the external auditor that the audit team provided must always comply with the Danish Bankers Association's corporate governance code.</p> <p>It is also agreed that the signing auditor(s) must be certified under applicable rules.</p> <p>The bank also knows that PwC has an in-service training programme etc. targeted towards the financial sector.</p>