

Corporate governance – Recommendations on Good Corporate Governance and the Danish the Danish Bankers' Association's supplementary recommendations etc.

Listed Danish banks must provide information in their annual reports on whether the company is covered by a code of practice for its corporate governance and, if so, provide a reference to it. Information must also be given on which parts of the code the company has not complied with, and the reasons for this.

Ringkjøbing Landbobank has requested the Financial Supervisory Authority's permission to publish the legally required statement on corporate governance on the bank's website and to refer to this statement in the bank's annual report, and the Authority gave the requested permission in its letter of 28 December 2009. The statement on Ringkjøbing Landbobank's corporate governance thus follows below:

As indicated below, Ringkjøbing Landbobank is covered by the following two codes of practice for corporate governance:

- The Committee for Good Corporate Governance's "Recommendations for good corporate governance" of 15 August 2005 with subsequent updates (February 2008, December 2008, April 2010 and April 2011) (hereinafter called "the Good Corporate Governance recommendations"). This code of practice applies to the bank because the Ringkjøbing Landbobank share is listed on the NASDAQ OMX Copenhagen.
- The Danish Bankers Association's recommendations on good corporate governance and external auditing (hereinafter called "the Bankers Association's supplementary recommendations"). This code of practice applies to the bank because it is a member of the Association. Banks must assume a position on the Association's supplementary recommendations not later than in connection with the calling of the annual general meeting.

The bank does not follow other codes of practice for corporate governance.

Both the above codes of practice are in the public domain. The recommendations of the Committee for Good Corporate Governance are available at www.corporategovernance.dk, and the Bankers Association's supplementary recommendations are available at www.finansraadet.dk.

The bank's position on both sets of recommendations is generally positive as the interplay between the bank and our interested parties (shareholders, customers, employees, suppliers and the local community) is a prerequisite for the bank's continuing positive development. As a local and regional bank, we see it as our premier task to place personal contact with customers in focus, and as we live by, and live up to, our customers' trust and peace of mind, it is particularly important that apart from showing due consideration for our shareholders, we also accommodate the wishes of our other interested parties, including the bank's customers.

Shareholders and other interested parties can read more below on the bank's position on the Good Corporate Governance recommendations and the Bankers Association's supplementary recommendations.

The bank complies with the great majority of the Good Corporate Governance recommendations, and for those which the bank does not accept, a detailed account of the reasons is given in accordance with the "follow or explain" principle. The NASDAQ OMX Copenhagen emphasises with respect to the latter principle that the sustaining element is the transparency concerning the companies' affairs, and that it is a matter for the individual company to judge the extent to which the Good Corporate Governance recommendations are followed or whether they are not appropriate or desirable for the company in question.

We comply with the Bankers Association's supplementary recommendations on the same basis: we have also provided explanations below where we have elected to deviate from the recommendations.

The Good Corporate Governance recommendations are considered under the following nine headings:

- I. The shareholders' role and relations with management
- II. The role and significance of the interested parties for the bank
- III. Openness and transparency
- IV. The duties and responsibilities of the supreme and the central management organs
- V. The composition of the supreme and the central management organs
- VI. Remuneration paid to management
- VII. The presentation of accounts
- VIII. Risk management and internal controls
- IX. Auditing

The Bankers Association's supplementary recommendations provide more details on a number of matters in relation to point IV of the supreme and the central management organs' duties and responsibilities, point V on the composition of the supreme and central management organs, and point VI on compensation paid to management, and they also contain an independent recommendation on external auditing.

The Good Corporate Governance recommendations and the Bankers Association's supplementary recommendations supplement the rules which generally apply to listed companies as well as the rules under company law, and for banks also under financial law.

Good Corporate Governance

Good corporate governance in Ringkjøbing Landbobank is concerned with the goals under which the bank is managed and the general principles and structures governing the interplay between the bank's management and its shareholders, customers, employees and the local areas in which the bank has branches.

Goals

Ringkjøbing Landbobank has established a goal which focuses on the bank's primary interested parties, namely the bank's shareholders, customers, employees and the local areas in which the bank has branches.

The banks' goal with respect to its owners, the shareholders, is to realise the best possible return for them in the long term, including operating results among the best third in the Danish financial sector, which will be achieved via rational operation and a sensible credit policy.

The bank's goal with respect to its customers is to play a major role in central and western Jutland, where the bank is an integral party. The bank's goal is thus to retain and further develop that part of its customer portfolio which is situated in central and western Jutland.

The bank's goal is also to service selected customer segments throughout Denmark via a high level of expertise and competitive products provided by the bank's distance customer department.

In general terms, the bank will thus live up to the expectations of a full-service bank among both private and business customers by virtue of its strength with respect to both its capital and its advisory expertise.

A further goal of Ringkjøbing Landbobank is that the bank will be a good place for its employees to work. With its chosen strategy, the bank wishes to create a stimulating and challenging workplace which can help to attract and retain competent employees.

Finally, the bank's goal is to support development in those areas where the bank has branches.

Committee for Good Corporate Governance

The board of directors and the management of Ringkjøbing Landbobank have systematically considered all recommendations of the committee for good corporate governance, and provided a statement in the document "**Form for statement on the recommendations by the Committee for Good Corporate Governance**", which is appended to this statement. The document indicates that the bank follows 74 of the total of 79 recommendations.

The Bankers' Association's supplementary recommendations for Good Corporate Governance etc.

As described above, the Danish Bankers' Association has prepared supplementary recommendations to the recommendations on Good Corporate Governance.

The object of the Bankers Association's supplementary recommendations is to strengthen the work and the expertise of the member institutions' boards of directors and management and that of the external auditors.

As noted above, the Associations' recommendations supplement three of the Good Corporate Governance recommendations, and an independent recommendation on external auditing is also included.

The three recommendations on which the Association has comments for guidance in relation to interpretation, implementation and use are IV: The duties and responsibilities of the supreme and the central management organs, V: The composition of the supreme and the central management organs, and VI: The remuneration paid to management.

Recommendation IV – The duties and responsibilities of the supreme management organ

The major duties and responsibilities of the supreme and the central management organs

The Bankers Association's supplementary recommendations specify as follows on this point:

"Boards of directors of banks, savings banks and cooperative banks should

- specify guidelines for and exercise control over the work of management, including the allocation of tasks between members of the board of management. There should be a written summary of those parts of management's work which the board of directors is to supervise and participate in. How the board of directors is to make ongoing checks should be specified,
- ensure that procedures are prepared for management's inclusion of and reporting to the board of directors. Such procedures should be prepared by management and approved by the board of directors,
- ensure that management possesses the relevant expertise. The board of directors should assess whether management possesses all the requisite expertise at least once a year. If this is not the case, it is the board's responsibility to decide how this problem can be solved,
- act as a qualified sparring partner to management."

The bank follows the recommendations on all essential points.

The board of directors discusses the above matters in connection with the annual review of its rules of procedure and instructions to management.

The board's rules of procedure and instructions from the board to management thus include a specification of the procedures where matters such as planning, following up and risk management are addressed.

The duties of the chairman of the board of directors

The Bankers Association's supplementary recommendations on this point are as follows:

"The chairman of a bank's, savings bank's or cooperative bank's board of directors should:

- ensure that a description of the tasks of the board of directors is prepared. The description, which can be included in the board's rules of procedure, should be in writing and specific,
- ensure that the entire board of directors is included in the work of the board, and that as far as possible, all board members have an opportunity to express their opinions."

The bank follows the recommendations. The framework for the work of the board of directors, including the chairman's duties, is specified in the board's rules of procedure. All board members participate on an equal footing in the board's work in a manner which ensures that the individual member's knowledge and expertise are utilised as efficiently as possible.

Information from management to the board of directors

The Bankers Association's supplementary recommendations on this point are as follows:

"Apart from the recommendations in section VI point 4, it is the board of management's duty and responsibility to:

- undertake the daily management of the bank, savings bank or cooperative bank,
- prepare a detailed allocation of work and tasks for the management. This description should be in writing, and the board of directors should be advised of the chosen allocation and major ongoing changes,
- provide clear guidelines for all major decisions to be made by the bank. Guidelines should be in writing and contain directions on the types of transactions which can be made at a given level of seniority. Information should also be provided on formalities and requirements concerning documentation for the employees who were involved in the process, and who made the final decisions,
- regularly update the bank's strategy and prepare an appropriate draft in writing to be sent to the board of directors."

The bank follows the recommendations, which must also be said to be a statutory requirement for banks to a very high degree. The written guidelines provided to management by the board of directors are specified in accordance with an instruction which details the allocation of duties between the boards of directors and management. A written allocation of work and duties for management is also prepared. The board of directors is kept advised of, and has approved, the allocation in question.

Recommendation V – The composition of the supreme and the central management organs

Composition of the board of directors

"The board of directors should be comprised in such manner that it possesses all relevant expertise for supervising a bank, savings bank or cooperative bank. At least one board member should have qualifications within accountancy or auditing in accordance under Section 31(1) of the Danish Auditing Act."

The recommendation is followed. Attempts are made to ensure that the board members have professional expertise, a good age distribution and breadth (diversity) and a broad commercial background. The financial legislation requires that the management of a bank fulfils a number of requirements with respect to suitability (qualifications and experience) and integrity. New members of the board of directors are recruited on the basis of the above criteria rather than on the basis of a formally specified process, as the board has found no need to specify such a process.

The reference to the Auditing Act should be understood in relation to the Bankers Association as a reference to the auditing regulation for banks. It is noted that the bank's auditing committee should include at least one independent and qualified member, in which respect the recommendation is also followed.

Introduction to and training of new members of the board of directors

The Bankers Association's supplementary recommendations on this point are as follows:

"The chairman of the board should decide whether the individual board members should be offered relevant supplementary training. This assessment should be made at least once a year for all board members irrespective of their seniority in the board."

The bank follows the recommendation. The bank offers newly elected board members a full introduction to the work of the board, including the option of taking relevant courses. The need for supplementary training is also regularly assessed by the chairman of the board and by the full board of directors.

Independence of the board of directors

The Bankers Association's supplementary recommendations on this point are as follows: "Whether a board member is a customer of the bank, savings bank or cooperative bank should have no influence on the assessment of independence".

The members of the bank's board of directors are also customers of the bank.

Recommendation VI – Compensation paid to the board of directors and management

General guidelines for the payment of incentives

The Bankers Association's supplementary recommendations on this point are as follows: "Apart from the terms in the Committee's recommendations and guidelines, incentive schemes for members of the board of management of a bank, savings bank or cooperative bank should:

- a. depend on a number of different parameters which should be explicitly specified. They may, for example, be an increase in the share price, the financial result, the magnitude of losses, increase in earnings, trends in costs, implementation of specific projects, or comparison with, for example, share price movements in a predefined group of comparable banks or savings banks (peer group),
- b. include a ceiling for the potential payment. This need not necessarily be a limit on the amount payable. It could, for example, be a decision to the effect that the strike price for a share option may never exceed a particular percentage under the current share price or that the strike price may not exceed 100% of the share price on the date of allocation. The chosen model should be simple and easy to understand.

Incentive schemes should be considered and approved at the bank's general meeting/the savings bank's meeting of the shareholders' committee. The scheme should then be published on the company's website without undue delay."

The bank advises that neither the board of directors nor management has entered into agreements on incentive payments.

Independent recommendation from the Danish Bankers Association on external auditing

The Bankers Association's supplementary recommendations on this point are as follows: "The member companies of the Bankers Association should be strongly focused on the role of the external auditor and the quality of the external auditor's work. Banks, savings banks and cooperative banks should, for example, require that:

- external auditors have undertaken in-service training in the bank area,
- the composition of the teams used by external auditors should ensure that there are at least two experienced auditors in the team with complementary areas of expertise. To be considered an experienced auditor, the person in question should have participated in the auditing of a bank for a minimum of three years in addition to having taken the above in-service training."

The bank follows the recommendations. The bank is strongly focused on the external auditor's role and qualifications. It has been agreed for the bank's partnership with the external auditor that there will always be at least two experienced auditors in the team which audits the bank.

The bank is also aware that the auditing firm which the general meeting has elected as the bank's auditor has an in-service training programme etc. which is targeted towards the bank sector.

Regulation on financial reports for credit institutions and stockbroking companies etc.

Finally, the bank advises in accordance with the regulation on financial reports for credit institutions and stockbroking companies etc. that it must provide

1. a description of the main elements in the company's internal control and risk management systems in connection with the process of presenting the accounts, and
2. a description of the composition of the company's management organs and their selection and function.

1.
The process of presenting the accounts is organised such that the bank's annual report is prepared by the accounts department in cooperation with management and other relevant departments.

The internal control and risk management systems in connection with the presentation of the accounts are structured in the following main elements:

- The accounts department maintains general control of the process
- The accounts department coordinates and obtains relevant information for use in the preparation of the accounts from other departments, and also reviews the information provided
- The accounts department provides external and internal auditing with information in connection with the audit of the annual report
- Management makes a thorough review of the draft annual report and other reports
- The audit committee and the board of directors review the draft annual report
- Management and the board of directors meet with the bank's auditor.

The above points also apply to the presentation of quarterly and half-yearly reports with the changes and adaptations following from them.

2.
The company's management organs are as follows:

- a) The general meeting
- b) The shareholders' committee
- c) The board of directors
- d) The board of management

The functions of the individual organs are as follows:

a)
The general meeting is the bank's highest authority. The general meeting elects the members of the bank's shareholders' committee.

b)
The bank's board of directors is elected by and from among the members of the shareholders' committee, which is also bound to work to ensure the bank's vigorous development and to the best of its ability to assist the boards of directors and management, *inter alia* by procuring any information which they may require. The shareholders' committee currently sets the fixed payments to the board of directors and, on the recommendation of the board, decides on the establishment of branches.

c)

The board of directors has general responsibility for the bank's operation, including making decisions of a strategic character. The board also supervises the bank's management.

The board of directors has appointed one subcommittee, the audit committee, to handle matters concerning the bank's accounts and their auditing, and the auditing of the bank's internal systems and procedures.

d)

The board of management undertakes the daily management of the bank.

The board of directors of Ringkjøbing Landbobank A/S, 30 January 2013

Form for reporting regarding the recommendations from the Committee on Corporate Governance

This form was conceived as a tool for Danish companies with shares which are traded on a regulated market, and which wish to provide the statement on corporate governance under Section 107b of the Danish Annual Accounts Act in schematic form. The texts dealing with recommendations in the form do not replace the recommendations, and reference is made to the recommendations on good corporate governance with respect to the foreword, introductions and comments.

The statement on corporate governance must be published in either the management report in the annual report or on the company's website with a reference to it in the management report. The statement must be in Danish.

Under the Annual Accounts Act, publication on the company's website requires that the URL address at which the statement is published be advised in the management report in the annual report. The URL address is the internet address at which the reader has **direct** access to the statement.

There are also other requirements regarding the preparation of a statement on corporate governance and how it must be published. The specific requirements are described in Statutory Order no. 761 of July 2009 on publication of the statements on corporate governance and social responsibility on the company's website etc.

N.B.: The form below contains the recommendations of 16 August 2011 of the Committee on Good Corporate Governance. The Nasdaq OMX Copenhagen has decided to include the recommendations in the Rules for issuers of shares of 1 October 2011. The form can be used in preparation of the statement on corporate governance in annual reports for the financial year commencing on 1 January 2011 or later.

**Introduction/conclusion:
Report for the period 01.01.2012 – 01.01.2013**

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
1. The role of the shareholders and their interaction with the management of the company			
<i>1.1. Dialogue between the company and its shareholders</i>			
1.1.1. The Committee recommends that the central governing body, for example through investor relations activities, ensure an ongoing dialogue between the company and its shareholders in order that the central governing body knows the shareholders' attitude, interests and views in relation to the company and that investor relations material be made available to all investors on the company's website	X		<p>The shareholders are the bank's owners, and the bank's goal is to realise the best possible long-term return for the bank's shareholders.</p> <p>Ringkjøbing Landbobank strives via its defined Investor Relations Policy to ensure the greatest possible openness concerning the bank. The bank's website, which contains relevant and up-to-date information on the bank, thus ensures that the bank's shareholders can find information on the bank easily and at no cost.</p>
<i>1.2. Capital and share structure</i>			
1.2.1. The Committee recommends that the central governing body every year evaluate whether the company's capital and share structures continue to be in the interests of the shareholders and the company and account for this evaluation in the management commentary in the annual report and/or on the company's website.	X		<p>Under the bank's articles of association, a shareholding of up to DKK 500 gives one vote and bigger shareholdings give two votes. The board of directors has not found occasion to change this rule as long as the bank is doing better than the average in the Danish financial sector. No new limitations on voting rights will be introduced in the bank's articles of association. There are also no limitations on the shares' negotiability.</p> <p>At the end of 2012, the bank had about 17,200 shareholders both in Denmark and abroad. Only ATP has advised that they own more than 5% of the share capital.</p>

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
<i>1.3. General Meeting</i>			
1.3.1. The Committee recommends that the supreme governing body and the executive board promote active ownership, including shareholders' attendance at general meetings.	X		
1.3.2. The Committee recommends that the central governing body resolve or submit to the general meeting the question whether the general meeting shall be conducted by physical attendance or as a partly or entirely electronic general meeting.	X		Given the bank's circumstances, the board of directors has not found it relevant to hold online general meetings. Apart from the annual general meeting, the bank also holds an annual shareholders' meeting.
1.3.3 The Committee recommends that proxies given to the supreme governing body allow shareholders to consider each individual item on the agenda.	X		
1.3.4 The Committee recommends that all members of the supreme governing body and the executive board be present at the general meeting.	X		All members of the board of directors attend the general meeting unless prevented by illness or there are compelling reasons for their lack of attendance.
<i>1.4. Takeover bids</i>			
1.4.1 The Committee recommends that the central governing body, from the moment it obtains knowledge that a takeover bid will be submitted, do not, without the acceptance of the general meeting, attempt to counter the takeover bid by making decisions which in reality prevent the shareholders		X	If the bank were to be the object of a takeover attempt, the bank's board of directors would assess what is best for the bank's shareholders in the long term and act on this basis.

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
from deciding on the takeover bid.			
1.4.2. The Committee recommends that the central governing body give the shareholders the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered.		X	If the bank were to be the object of a takeover attempt, the bank's board of directors would assess what is best for the bank's shareholders in the long term and act on this basis.
2. The role of stakeholders and their importance to the company and the company's corporate social responsibility			
<i>2.1. The company's policy in relation to its stakeholders</i>			
2.1.1. The Committee recommends that the central governing body identify the company's key stakeholders and their main interests in relation to the company.	X		The bank's key stakeholders are defined below – including principles for the bank's partnership with them.
2.1.2. The Committee recommends that the central governing body adopt a policy on the company's relationship with its stakeholders, including the investors, and ensure that the interests of the stakeholders are respected in accordance with the company's policy on such issues.	X		<p>The bank's board of directors regularly takes steps to ensure that the bank's management and employees are constantly focused on compliance with the defined policy.</p> <p>For a more detailed description of the bank's policy and activities in the CSR area, please see the CSR policy and the bank's statement on initiatives in the area.</p>
<i>2.2. Corporate social responsibility</i>			
2.2.1. The Committee recommends that the central governing body adopt a policy on corporate social responsibility.	X		

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
3. Openness and transparency			
<i>3.1. Disclosure of information to the market</i>			
3.1.1. The Committee recommends that the central governing body adopt a communication strategy.	X		<p>Ringkjøbing Landbobank has an Investor Relations policy, and therewith also an information and communication policy. The Investor Relations policy, which is given on the bank's website, was most recently updated at the beginning of 2013.</p> <p>On the basis of its Investor Relations policy, the bank has developed its website and level of information to comply with Copenhagen Stock Exchange's recommendations. The aim of the bank's Investor Relations policy is that all information of significance for the shareholders', the financial markets' and other stakeholders' assessment of the bank is published immediately.</p> <p>The board of directors attaches considerable importance to an ongoing dialogue with the bank's shareholders and other interested parties. This dialogue is ensured by posting various topics on items related to good corporate governance on the bank's website, and the bank's management holds regular meetings with investors</p> <p>The bank advises that its annual report is submitted in accordance with the Danish Financial Supervisory Authority's accounting regulation (which is compatible with IAS/IFRS). To date, the board of directors has not found it necessary to supplement the annual report with accounting standards other than those used in the report</p> <p>With respect to information of a non-financial nature in the bank's annual report, the board of directors finds that such information is included to an extent which is relevant for a bank of Ringkjøbing Landbobank's size. The annual report contains a general statement of the bank's social responsibility (CSR – Corporate Social Responsibility), and further details are provided on the bank's website. The board of directors has thus not found any present</p>

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
			need to provide an additional report on non-financial information in the annual report
3.1.2. The Committee recommends that information from the company to the market be published in both Danish and English.	X		See the IR policy on the bank's website.
3.1.3. The Committee recommends that the company publish quarterly reports.	X		See the IR policy on the bank's website.
4. The tasks and responsibilities of the supreme and the central governing bodies			
<i>4.1. Overall tasks and responsibilities</i>			
4.1.1. The Committee recommends that the central governing body determine the company's overall strategy at least once every year with a view to sustaining value creation in the company.	X		The board of directors holds an annual strategy seminar/strategy updating, where the general goals and strategies for the bank are discussed and determined. This is done on the basis of a thorough review of all the bank's business and risks. There is also an on-going discussion of strategy in the board of directors.
4.1.2. The Committee recommends that the supreme governing body at least once every year discuss and ensure that the necessary qualifications and financial resources are in place in order for the company to achieve its strategic goals.	X		The board of directors assesses these factors at least once a year as above.
4.1.3. The Committee recommends that the supreme governing body at least once every year define its most important tasks related to the financial and managerial control of the company, including how to supervise the work of the executive board.	X		The board of directors regularly discusses and determines the most important tasks in relation to its exercise of general financial and managerial control of the bank and the ongoing assessment of the work of management. A general description of the board's duties, its delegation to management and the latter's guidelines for its ongoing reporting to the board is provided in the board's rules of procedure and in the instruction pursuant to Section 71 of the Danish Act on

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
<p>4.1.4. The Committee recommends that the supreme governing body annually discuss the company's activities to ensure diversity at management levels, including equal opportunities for both sexes, and that the supreme governing body set measurable objectives and in the management commentary in the annual report and/or on the company's website give an account of both the objectives and the progress made in achieving the objective.</p>	X		<p>Financial Activities. The bank finds it important that there are equal opportunities for both sexes, and wishes to a high degree to make it possible for talent to be developed, thrive and be retained in the bank. The bank desires diversity in its managerial levels and its goal is at least 20% women on the bank's board of directors and in management.</p>
<p>4.2. Procedures</p>			
<p>4.2.1. The Committee recommends that the supreme governing body review its rules of procedure annually to ensure that they are adequate and always match the activities and needs of the company.</p>	X		<p>The rules of procedure for the board of directors are reviewed once a year and approved by the board.</p>
<p>4.2.2. The Committee recommends that the supreme governing body annually review and approve procedures for the executive board, including establish requirements for the executive board's timely, accurate and adequate reporting to the supreme governing body and for any other communication between the two governing bodies.</p>	X		<p>In addition to the above, the board of directors' instruction to management is reviewed, including reporting requirements. The reporting is at fixed intervals.</p>
<p>4.3. The chairman and deputy chairman of the supreme governing body</p>			
<p>4.3.1. The Committee recommends that a deputy chairman of the supreme governing body be appointed, who must be able to act in the chairman's absence and also act as an effective</p>	X		<p>Both a chairman and a deputy chairman are elected under the board of directors' rules of procedure.</p>

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
sounding board for the chairman.			
4.3.2. The Committee recommends the preparation of a scope of work and task list specifying the tasks, duties and responsibilities of the chairman and deputy chairman.	X		The duties of the chairman and the deputy chairman are given in the board of directors' rules of procedure.
4.3.3. The Committee recommends that the chairman of the supreme governing body organise, convene and chair meetings to ensure efficiency in the body's work and to create the best possible working conditions for the members, individually and collectively.	X		Under the rules of procedure, the chairman of the board of directors convenes and manages the meetings.
4.3.4. The Committee recommends that, if the board of directors in exceptional cases asks its chairman to perform special tasks for the company, including briefly participate in the day-to-day management, a board resolution to that effect should be passed and precautions taken to ensure that the board of directors will maintain responsibility for the overall management and control function. A reasonable distribution of duties must be ensured between the chairman, the deputy chairman, the other members of the board of directors and the executive board. Information about agreements on the chairman's participation in the day-to-day management and the expected duration hereof must be disclosed in a company announcement.	X		The chairman of the board does not take part in the daily management and does not perform special tasks for the bank.
5. Composition and organisation of the supreme governing body			

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
<i>5.1. Composition</i>			
<p>5.1.1. The Committee recommends that the supreme governing body annually specify the skills it must have to best perform its tasks and that the specification be posted on the website. Proposals for the nomination/replacement of members of the supreme governing body to be submitted to the general meeting should be prepared in the light hereof.</p>	X		<p>The bank desires a board of directors with broad expertise and qualifications on which to base the bank's continuing development. The board has identified the need for the following expertise based on the bank's business model.</p> <ul style="list-style-type: none"> • A knowledge of credit • A knowledge of financial markets and market risks • A knowledge of funding markets and liquidity • A knowledge of operational risk and IT • An understanding of accounting and capital management • A knowledge of statutory frameworks for financial activities
<p>5.1.2. The Committee recommends that the supreme governing body ensure a formal, thorough and transparent process for selection and nomination of candidates to the supreme governing body. When assessing its composition and nominating new candidates, the supreme governing body must take into consideration the need for integration of new talent and the need for diversity in relation to international experience, gender and age, etc.</p>	X		<p>It is noted by way of introduction that at least once a year, the board of directors assesses the expertise it requires so that it can best perform the duties required of it, and it also assesses whether it possesses this expertise.</p> <p>Members of the board of directors are elected indirectly from among, and by, the members of the bank's shareholders' committee, who themselves are elected by simple majority vote at the general meeting. The bank's articles of association specify an age limit of 67 for membership of both the shareholders' committee and the board of directors. Members of both organs are elected for four years at a time, and re-election is possible. The board of directors has considered whether it would be appropriate to introduce direct election to the board and/or a term of one year, but the board has judged for the time being that the present system of election is functioning satisfactorily, and that the current provisions in the articles of association on the term of service ensure good continuity in the work of the board.</p> <p>The bank's judgment is, however, that it would be an advantage to change the election procedure for the board so that candidates can be found both among the members of the shareholders' committee and beyond it. This will be recommended to the general meeting for approval in order to ensure that the board of directors will more easily be able to fulfil every need for specific</p>

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
			<p>expertise which may arise over time.</p> <p>The board of directors believes that the greatest possible diversity with respect to gender and age should be ensured among the members of the shareholders' committee and the board of directors, but taking due account of the fact that there must also be focus on the professional qualifications, expertise and business experience of these members, which are thus considered when the shareholders' committee and the board of directors recommend new members to the shareholders' committee.</p>
<p>5.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, held by the candidates in both Danish and foreign companies as well as information on demanding organisational tasks should accompany the notice convening the general meeting when election of members to the supreme governing body is on the agenda.</p>	X		<p>For the holding of general meetings, the notice of meeting includes information on the candidates for the position of member of the shareholders' committee, including a brief description of them and of the recruitment criteria used by the board of directors for the choice of candidates</p>
<p>5.1.4. The Committee recommends that every year, the annual report contain an account of the composition of the supreme governing body, including its diversity, and of any special skills possessed by the individual members.</p>		X	<p>The annual report includes a summary of the board members' employment and managerial activities. The bank believes that this provides a good indication of the members' expertise.</p>
<p>5.2. Training of members of the supreme governing body</p>			
<p>5.2.1. The Committee recommends that new members joining the supreme governing body be given an introduction to the company.</p>	X		<p>New members of the shareholders' committee are given an introduction to the work of the committee when they are elected. New members of the board of directors elected by the shareholders' committee and the employees are also given an introduction to the bank and the work of the board, and an</p>

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
			assessment of whether supplementary instruction may be relevant is made. The board also discusses, regularly and as required, whether there may be areas where the expertise and relevant knowledge of its members should be updated.
5.2.2. The Committee recommends that the supreme governing body annually assess whether the skills and expertise of its members need to be updated.	X		The board of directors makes an annual assessment of its work, including whether the board possesses the requisite expertise and knowledge in relation to the expertise required under the bank's business model.
<i>5.3. Number of members of the supreme governing body</i>			
5.3.1. The Committee recommends that the supreme governing body have only so many members as to allow a constructive debate and an effective decision-making process enabling all members to play an active role.	X		As specified in the articles of association, the bank's board of directors consists of four to six members elected by shareholders as well as those members who may be prescribed by law. The board regularly considers whether the number of members elected by shareholders and its composition are appropriate in terms of the bank's needs in general and the board's work in particular, so that the work in question can proceed in an efficient and constructive manner.
5.3.2. The Committee recommends that in connection with the preparation for each year's general meeting, the supreme governing body consider whether the number of members is appropriate in relation to the requirements of the company.	X		The number of members is also considered in connection with the annual evaluation of the board of directors.
<i>5.4. The independence of the supreme governing body</i>			
5.4.1. In order for the members of the supreme governing body to act independently of special interests, the Committee recommends that at least half of the members elected by the general meeting be independent persons.	X		The bank's board of directors complies with the requirement concerning independence. Among the six members elected from the bank's shareholders' committee, only Jens Lykke Kjeldsen has been on the board for more than 12 years. All other requirements concerning independence are fulfilled.

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
<p>The independent supreme governing body member may not:</p> <ul style="list-style-type: none"> • be, or have been within the last five years, a member of the executive board/managerial staff of the company or an associated company, • have received significant additional remuneration from the company/group or an associated company apart from a fee for its services in the capacity as a member of the supreme governing body, • represent the interests of a controlling shareholder, • within the last year, have had a material business relationship (e.g. personally or indirectly as a partner or an employee, shareholder, customer, supplier or member of a governing body of companies with similar relations) with the company or an associated company, • be, or have been within the last three years, an employee or partner of the external audit firm, • hold cross-memberships of governing bodies, • have been a member of the supreme governing body for more than 12 years, or • have close family ties with persons that are not regarded as independent persons. 			
<p>5.4.2. The Committee recommends that at least once every year, the supreme governing body list the names of the members who are regarded as independent persons and also disclose whether</p>	X		See point 5.4.1.

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
new candidates for the supreme governing body are considered independent persons.			
<i>5.5. Members of the supreme governing body elected by the employees</i>			
5.5.1. The Committee recommends that the individual company explain, in the company's annual report or on its website, the system of employee-elected board members and the company's use hereof in companies where the employees have chosen to apply the provisions of the Companies Act on employee representation.	X		The bank's board of directors has two employee representatives who are elected for four years. The current members' terms run to February 2015. The election is organised by an election committee. The election is made from a full list from which are elected both board members and alternates. Eligible for election are those employees who are of age and who have been employed in the bank during the 12 months preceding the election. In accordance with the Danish Commerce and Company's Agency's statutory order, the list of employees who are entitled to vote is published.
<i>5.6. Meeting frequency</i>			
5.6.1. The Committee recommends that the supreme governing body meet at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company and that the number of meetings held be disclosed in the annual report.	X		The recommendations on the frequency of meetings are followed, and it is advised that the board of directors holds ordinary meetings about 11 times a year,
<i>5.7. Expected time commitment and the number of other executive functions</i>			
5.7.1. The Committee recommends that each member of the supreme governing body assess the expected time commitment for each function in order that the member does not take on more functions than he/she can manage in a satisfactory way for the company.	X		

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
<p>5.7.2. The Committee recommends that the annual report contain the following information about the members of the supreme governing body:</p> <ul style="list-style-type: none"> • the member's occupation, • the member's other executive functions, e.g. memberships of executive boards, boards of directors and supervisory boards, including board committees, in Danish and foreign companies as well as demanding organisational tasks, and • the number of shares, options, warrants, etc. that the member holds in the company and its consolidated companies and any changes in such holdings during the financial year. 	X		
5.8. Retirement age			
<p>5.8.1. The Committee recommends that the company's articles of association fix a retirement age for members of the supreme governing body and that the annual report contain information on such retirement age as well as the age of each member of the board of directors.</p>	X		
5.9. Election period			
<p>5.9.1. The Committee recommends that members of the supreme governing body elected by the general meeting be up for re-election every year at the annual general meeting.</p>		X	<p>Members of the board of directors are elected indirectly from among, and by, the members of the bank's shareholders' committee, who themselves are elected by simple majority vote at the general meeting. The bank's articles of association specify an age limit of 67 for membership of both the shareholders'</p>

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
			committee and the board of directors. Members of both organs are elected for four years at a time, and re-election is possible. The board of directors has considered whether a term of one year would be appropriate, but the board has judged for the time being that the present system of election is functioning satisfactorily, and that the current provisions in the articles of association on the term of service ensure good continuity in the work of the board. However, an amendment to the articles of association will be recommended for approval by the general meeting in 2013, under which the shareholders' committee can elect members to the board of directors from outside the shareholders' committee, making it easier to find board members with specific expertise if the need should arise.
5.9.2. The Committee recommends that the annual report state when the individual member of the supreme governing body joined the body, whether the member was re-elected and when the current election period expires.	X		
<i>5.10. Board committees</i>			
5.10.1. The Committee recommends that the company publish the following information in the management commentary in its annual report or on the company's website: <ul style="list-style-type: none"> • the terms of reference for the board committees, • important activities of the committees during the year and the number of meetings held by each committee, and • 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. 	X		Except for the bank's audit committee, all the bank's board of directors' committees are comprised of the full board.

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
5.10.2. The Committee recommends that a majority of the members of a board committee be independent members.	X		
5.10.3. The Committee recommends that the supreme governing body establish an actual <u>audit committee</u> .	X		The board of directors has appointed an audit committee consisting of the entire board. The board has prepared terms of reference for the committee which follow the statutory requirements in the area. The audit committee plans to hold about four meetings a year. The committee chairman is Gert Asmussen, who also acts as an expert in accounting.
5.10.4. The Committee recommends that the following be taken into account in composing the audit committee: <ul style="list-style-type: none"> • the chairman of the supreme governing body should not be chairman of the audit committee, and • between them, the members should possess such an amount of expertise and experience as to provide an updated insight into and experience in the financial, accounting and audit conditions of companies whose shares are admitted to trading on a regulated market. 	X		
5.10.5. The Committee recommends that, prior to the approval of the annual report and other financial reports, the audit committee monitor and report to the supreme governing body about: <ul style="list-style-type: none"> • significant accounting policies • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook. 	X		

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
<p>5.10.6. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • annually consider whether there is a need for an internal audit function, and if so, • formulate recommendations on selecting, appointing and removing the head of the internal audit function and on the budget of the internal audit function, and • monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function. • 	X		
<p>5.10.7. The Committee recommends that the supreme governing body establish a <u>nomination committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • describe the qualifications required in the two governing bodies and for a given position, state the expected time commitment for a position and evaluate the balance of skills, knowledge and experience available in the two governing bodies. • annually evaluate the structure, size, composition and performance of the governing bodies and make recommendations to the supreme governing body with regard to any changes, • annually evaluate the skills, knowledge and experience of the individual members of the governing bodies and report such details to the supreme governing body, 	X		<p>The board of directors has appointed a nomination committee consisting of the full board.</p> <p>An annual evaluation of the work of the board of directors is made in order to assess the managerial structure, the composition of the board and any need for additional expertise, in extension of which new candidates for the board are nominated.</p>

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
<ul style="list-style-type: none"> consider proposals submitted by relevant persons, including shareholders and members of the governing bodies, for candidates for executive positions, and identify and recommend to the supreme governing body candidates for the governing bodies. 			
<p>5.10.8. The Committee recommends that the supreme governing body establish a <u>remuneration committee</u> with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> make proposals, for the approval of the supreme governing body prior to approval at the general meeting, on the remuneration policy, including the overall principles of incentive pay schemes, for members of the supreme governing body and the executive board, make proposals to the supreme governing body on remuneration for members of the supreme governing body and the executive board and ensure that the remuneration is consistent with the company's remuneration policy and the evaluation of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the supreme governing body and the executive board receive from other companies in the group, and oversee that the information in the annual report on the remuneration of the supreme governing body and the executive board is 	X		The remuneration committee is appointed in accordance with legal requirements and comprises the full board of directors.

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
correct, true and sufficient.			
5.10.9. The Committee recommends that the remuneration committee do not consult with the same external advisers as the executive board of the company.	X		
<i>5.11. Evaluation of the performance of the supreme governing body and the executive board</i>			
5.11.1. The Committee recommends that the supreme governing body undertake an annual evaluation of the performance and achievements of the supreme governing body and of the individual members of the body.	X		An annual evaluation of the board of directors' work is made.
5.11.2. The Committee recommends that the chairman be in charge of the evaluation of the supreme governing body, that the outcome be discussed in the supreme governing body and that the details of the procedure of self-evaluation and the outcome be disclosed in the annual report.	X		
5.11.3. The Committee recommends that the supreme governing body at least once every year evaluate the work and performance of the executive board in accordance with pre-defined criteria.	X		
5.11.4. The Committee recommends that the executive board and the supreme governing body establish a procedure according to which their cooperation is evaluated annually through a formalised dialogue between the chairman of the supreme governing body and the chief executive	X		

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
officer and that the outcome of the evaluation be presented to the supreme governing body.			
6. Remuneration of members of the governing bodies			
<i>6.1. Content and form of the remuneration policy</i>			
6.1.1. The Committee recommends that the supreme governing body adopt a remuneration policy applicable to the supreme governing body and the executive board.	X		The bank has a remuneration policy which is updated annually.
6.1.2. The Committee recommends that the remuneration policy and any changes to the policy be approved by the general meeting of the company.	X		
6.1.3. Committee recommends that the remuneration policy include a thorough description of the components of the remuneration for members of the supreme governing body and the executive board.	X		
6.1.4. The Committee recommends that the remuneration policy include: <ul style="list-style-type: none"> • the reasons for choosing the individual components of the remuneration, and • a description of the criteria on which the balance between the individual components of the remuneration is based. • 	X		
6.1.5. The Committee recommends that, if the remuneration policy includes variable components,			Variable components are not paid to the bank's management.

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
<ul style="list-style-type: none"> • limits be set on the variable components of the total remuneration package, • 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 term, • there be clarity about performance criteria and measurability for award of variable components, and • there be criteria ensuring that vesting periods for variable components of remuneration agreements are longer than one calendar year. 	X		
6.1.6. The Committee recommends that remuneration of members of the supreme governing body do not include share or warrant programmes.	X		Shares or warrant programmes are not used.
6.1.7. The Committee recommends that if members of the executive board receive share-based remuneration, such programmes be established as roll-over programmes, i.e. the options are granted periodically and should not be exercisable earlier than three years from the date of grant. An explanation of the relation between the redemption price and the market price at the time of grant should be provided.	X		Shares or warrant programmes are not used.
6.1.8. The Committee recommends that, in exceptional cases, companies should be able to reclaim in full or in part variable components of remuneration that were paid on the basis of data,	X		

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
which proved to be manifestly misstated.			
6.1.9. The Committee recommends that termination payments should not amount to more than two years' annual remuneration.	X		
<i>6.2. Disclosure of the remuneration policy</i>			
6.2.1. The Committee recommends that the remuneration policy be clear and easily understandable and that it be disclosed in the annual report and posted on the company's website.	X		
6.2.2. The Committee recommends that the company's remuneration policy and compliance with this policy be explained and justified in the chairman's statement at the company's general meeting.	X		The remuneration policy is discussed in the chairman's report.
6.2.3. The Committee recommends that the total remuneration granted to each member of the supreme governing body and the executive board by the company and other consolidated companies be disclosed in the (consolidated) financial statements and that the linkage with the remuneration policy be explained.	X		
6.2.4. The Committee recommends that the details of any defined-benefit schemes offered to members of the supreme governing body or the executive board and the actuarial value of such schemes as well as changes during the year be included as part of the information on the total	X		

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
remuneration.			
6.2.5. The Committee recommends that the most important aspects of retention and severance programmes be disclosed in the company's annual report.	X		
6.2.6. The Committee recommends that the proposal for remuneration of the supreme governing body for the current financial year be approved by the shareholders at the general meeting.		X	The total payment is relatively modest in comparison with the bank's other activities. Special approval is thus not desired.
7. Financial reporting			
<i>7.1. Other relevant information</i>			
7.1.1. The Committee recommends that the annual report and other financial reports be supplemented by additional financial and non-financial information, if deemed necessary or relevant in relation to the information needs of the recipients.	X		The bank presents a very comprehensive annual report which provides a deep insight into the bank's activities. The information provided is both financial and non-financial.
<i>7.2. Going concern assumption</i>			
7.2.1. The Committee recommends that, upon consideration and approval of the annual report, the supreme governing body decide whether the business is a going concern, including supporting assumptions or qualifications where necessary.	X		
8. Risk management and internal control			

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
<i>8.1. Identification of risks</i>			
8.1.1. The Committee recommends that the central governing body at least once every year identify the most important business risks associated with the realisation of the company's strategy and overall goals as well as the risks associated with financial reporting.	X		<p>The bank's management is always fully aware of the bank's most important business risks, and there is regular reporting so that management can systematically follow developments within the most important risk areas. The bank has appointed a risk manager with responsibility for informing the board of directors of the bank's most significant business risks and reviewing the bank's total risk profile at least once a year.</p> <p>Ringkjøbing Landbobank's biggest risk category is the risk on loans, which comprise by far the biggest part of its assets while generating a correspondingly major portion of its earnings. Historically, the bank has always had a healthy credit policy, which is also its goal for the future.</p> <p>The gearing on loans relative to subordinated capital (capital base) is a factor of approximately five, and the bank's goal is that its results should be realised with a lower or the same credit gearing as that of Denmark's major banks.</p>
8.1.2. The Committee recommends that the executive board currently report to the supreme governing body on the development within the most important areas of risk and compliance with adopted policies, frameworks etc. in order to enable the supreme governing body to track the development and make the necessary decisions.	X		All important areas in the bank have established effective risk management and reporting systems which are regularly evaluated both internally and by the bank's internal and external auditors as well as the Financial Supervisory Authority.
<i>8.2. Whistle-blowing</i>			
8.2.1. The Committee recommends that the supreme governing body decide whether to establish a whistle-blowing scheme for expedient and confidential notification of possible or	X		The bank's board of directors has judged that it is not currently relevant to establish a whistle-blower scheme in the bank.

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
suspected wrongdoing.			
8.3. Openness about risk management			
8.3.1. The Committee recommends that the management commentary in the annual report include information about the company's management of business risks.	X		The management report covers management of business risks.
9. Audit			
9.1. Contact to auditor			
9.1.1. The Committee recommends that the supreme governing body maintain a regular dialogue and exchange of information with the auditor.	X		The bank's management maintains an ongoing dialogue with both internal and external auditors, and management discusses the result of the audit, the draft annual report and accounting policies and estimates with the auditors.
9.1.2. The Committee recommends that the auditor agreement and auditors' fee be agreed between the supreme governing body and the auditor on the basis of a recommendation from the audit committee.	X		
9.1.3. The Committee recommends that the supreme governing body and the audit committee meet with the auditor at least once every year without the executive board present. This also applies to the internal auditor, if any.	X		The bank's board of directors meets at least once a year with the bank's external auditors, and it also meets with the internal auditors. Management is not present in either case.
9.2. Internal audit			
9.2.1. The Committee recommends that the			The bank has an internal audit function which it does not expect to abolish as it

Recommendation	The company follows	The company does not follow	The company follows/does not follow the recommendation for the following reason(s)
supreme governing body, on the basis of a recommendation from the audit committee, once every year decide whether to establish an internal audit for support and control of the company's internal control and risk management systems and state the reasons for its decision in the annual report.	X		is a statutory requirement.