

Statutory statement on corporate governance 2014

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

Published 28 January 2015

Under 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 organs and their committees and functions.

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

Corporate governance codes

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

- **“Recommendations on corporate governance” of 6 May 2013 adopted by the Committee on Corporate Governance (updated 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 Danish Bankers Association’s corporate governance code” of 22 November 2013 adopted by the 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 the Danish Bankers Association.

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 bank notes that it does not currently follow or expect to start following codes other than the above on corporate governance.

Both of the above codes are publicly available. The Corporate Governance recommendations are available at www.corporategovernance.dk, and the Danish Bankers Association’s corporate governance code is 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 stakeholders (shareholders, customers, employees, the local community etc.) is 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, and for those 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 also complies with the twelve recommendations of the Danish Bankers Association's corporate governance code, and an explanation is given for the basis for not complying with the remaining recommendations under the "comply or explain" principle.

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 which govern the bank's management and the general principles and structures governing the interplay between the bank's management and its shareholders and customers, the bank's employees, and the local areas in which the bank has branches.

Goals

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 service selected customer groups throughout Denmark via the bank's distance customer department and 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 private 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.

The Committee on Corporate Governance

The board of directors and the general management of Ringkjøbing Landbobank have taken a systematic approach to all recommendations of the Committee on Corporate Governance. A statement is provided in the document "Form for reporting on the recommendations on corporate governance, 6 May 2013" which is appended to this report. The statement indicates that the bank follows 43 of the total of 47 recommendations.

The Danish Bankers Association's corporate governance code

The board of directors and the general management of Ringkjøbing Landbobank have also taken a systematic approach to all recommendations of the Danish Bankers Association. A statement is provided in the document "Form for reporting on the Danish Bankers' Association's corporate governance code of 22 November 2013". The statement indicates that the bank follows all twelve recommendations.

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 organs and their committees and functions.

A. The financial reporting process

The board of directors, the general management and the audit committee 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 annual account.
- 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 general management, the board of directors and the audit committee 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 hereof.

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 appointed an independent board member who possesses the requisite qualifications within accounting, including the financial reporting process, internal controls and risk management etc. The specially qualified member 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 is comprised such that relevant competencies concerning risk management and assessment of internal controls is 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 reviews 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 organs and their committees and functions

The bank's management organs comprise the following bodies:

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 organs' 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 2014, 26 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. The shareholders' committee also 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 also sets the fixed remuneration for the board of directors and decides on the establishment of branches as recommended by the board of directors.

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. As of the end of December 2014, the board of directors had six members elected by the shareholders' committee and two 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 2014, a total of 12 meetings with physical attendance, three electronic meetings and an actual strategy seminar were held. The board of directors also participated in a concluding meeting with the Danish Financial Supervisory Authority in connection with final reporting of the ordinary inspection which was conducted.

The total rate of attendance for the full board for all board meetings with physical attendance in 2014 was 96.9%.

The board of directors proposes members of the board of directors to the shareholders committee such that its composition ensures a range of expertise and is comprised in a manner which ensures a broad range of skills and compliance with a special expertise profile specified by 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 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 2014: the remuneration committee held three meetings, the nomination committee held five meetings, the audit committee held five meetings and the risk committee held five meetings.

Further information on the committees of the board of directors is given on pages **101 - 103** of the bank's 2014 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 process of the board of directors' knowledge and experience in credit institutions.

In the fourth quarter of 2014 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 risks associated therewith. 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
 - General managerial experience
 - Managerial experience from other financial companies
 - 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 discussed the result of the evaluations, and its assessment and conclusion is that its work and working relationships are functioning satisfactorily and that its members possess adequate collective knowledge and the professional skills and experience to understand the bank's activities and their associated risks, and that the number of board members is appropriate relative 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 has assessed the individual board members' assessment of sufficient time resources and declared its agreement with the assessments made, and 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 adopted a remuneration policy which was presented to the 2013 annual general meeting for approval. The meeting approved the policy, which includes guidelines for the remuneration paid to Ringkjøbing Landbobank's board of directors and general management. The board of directors has reviewed the remuneration policy in 2013 and in 2014 and has found no requirement to make changes herein.

The 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 risk takers and employees in control functions will not be paid variable salary components outside the framework of the collective agreement which was entered into.

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

The reader is referred to the pages 99 - 100 and 104 - 105 of the bank's 2014 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, 28 January 2015

**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. 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 **2014 (1 January – 31 December)**

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
1. Communication and interaction by the company with its investors and other stakeholders				
<i>1.1. Dialogue between company, shareholders and other stakeholders</i>				
<p>1.1.1. The Committee recommends 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> <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 September 2014.</p> <p>Ringkjøbing Landbobank strives via its Investor Relations policy for 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>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> <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, thus 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</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>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> <p>With respect to information of a non-financial nature, the bank's annual report includes a general statement on Corporate Governance, social responsibility/Corporate Social Responsibility and target figures and a policy to increase the proportion of the under-represented gender. More detailed statements on this 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 recommends 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 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 recommends 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>				
1.2.1. The Committee recommends that when organising the company's general meeting, the board of directors plans the meeting to support active ownership.	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>
1.2.2. The Committee recommends that proxies granted for the general meeting allow shareholders to consider each individual item on the agenda.	X			<p>The recommendation is followed.</p> <p>The proxy (postal vote) for the bank's general meetings is structured such that shareholders are given the possibility of expressing an opinion on every</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				single point on the agenda.
1.3. Takeover bids				
1.3.1. The Committee recommends 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.			X	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.
2. Tasks and responsibilities of the board of directors				
2.1. Overall tasks and responsibilities				
2.1.1. The Committee recommends 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.	X			<p>The recommendation is followed.</p> <p>The board of directors makes an annual review of its procedures, and there is an annual review of the board's calendar wheel, and therewith the tasks which the board is to undertake. The calendar wheel is also adjusted on an <i>ad hoc</i> basis as required.</p> <p>The board of directors thus discusses and determines, both</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				annually and on an ongoing basis, the tasks which it will undertake in relation to the overall management and checks of the bank's operations.
2.1.2. The Committee recommends 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.	X			<p>The recommendation is followed.</p> <p>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>
2.1.3. The Committee recommends 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.	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</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>interest.</p> <p>The board provided a statement on the bank's capital and share structure in the bank's 2014 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 2014, the bank had 16,664 shareholders listed by name. There are both Danish and foreign investors.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				ATP, Hillerød, Denmark and Parvus Asset Management, London, UK have advised that they own more than 5% of the share capital.
2.1.4. The Committee recommends 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 annually reviews the board of directors' instructions to the general management, including the requirements concerning reporting to the board.</p>
2.1.5. The Committee recommends 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 recommends 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 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). The policy has the following specific goals:</p> <ol style="list-style-type: none"> 1. The employees must, irrespective of gender, feel that they have equal career and management opportunities.

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. The proportion of female managers at the bank's management's levels must be at least 20%.</p> <p>3. Focus must be placed on gradually increasing the current percentage of 25% up to 2017.</p> <p>In 2014 the board of directors re-assessed the target figure and the policy and found no reason to make changes.</p> <p>In September 2014 the board of directors also adopted a policy for diversity in the board..</p> <p>The bank's 2014 annual report contains a statement of the goals as well as the adopted policies.</p>
<i>2.2. Corporate social responsibility</i>				
2.2.1. The Committee recommends 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.

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<i>2.3. Chairman and vice-chairman of the board of directors</i>				
<p>2.3.1. The Committee recommends 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.</p>	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>
<p>2.3.2. The Committee recommends 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.</p>	X			<p>The recommendation is followed.</p> <p>The chairman of the board of directors does not participate in the daily management or perform any 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
3. Composition and organisation of the board of directors				
<i>3.1. Composition</i>				
<p>3.1.1. The Committee recommends that the board of directors annually accounts for</p> <ul style="list-style-type: none"> • the skills it must have to best perform its tasks, • the composition of the board of directors, and • the special skills of each member. 	X			<p>The recommendation is followed.</p> <p>The bank desires a board of directors with broad competencies and background as a basis for the bank's continuing development.</p> <p>On the basis of the bank's business concept, the board has found it necessary to possess the following competencies:</p> <ul style="list-style-type: none"> • business concept and various related matters • credit risks and various related matters • market risks and various related matters • liquidity risks and various related matters • operational risks and various related matters • other matters including <ul style="list-style-type: none"> ○ budgets, accounting and auditing ○ capital

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"> ○ insurance matters ○ risk management ○ managerial experience with other financial activities ○ general managerial experience ● legal insight, including in relation to financial legislation <p>The annual report for 2014 contains the above description of the total competencies required of the Board, a list of board members' special skills, and information on their employment and other management activities.</p>
<p>3.1.2. The Committee recommends 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 makes an assessment at least once a year of the competencies it requires for the best possible performance of its duties. An assessment of whether it possesses these competencies is</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>also made.</p> <p>Members of the board are elected indirectly as they are elected by the bank's shareholders' committee. 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. This ensures that the board can more easily be constituted in the event of a need for specific 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</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>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 an age limit of 67 for members of both the shareholders' committee and the board of directors.</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</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				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>3.1.3. The Committee recommends that a description of the nominated candidates' qualifications, including information about the candidates'</p> <ul style="list-style-type: none"> • 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. • demanding organisational tasks, and information • about whether candidates to the board of directors are considered independent. 		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>
<p>3.1.4. The Committee recommends that the company's articles of association stipulate a retirement age for members of the board of directors.</p>	X			<p>The recommendation is followed, and the age limit for members of both the board of directors and the shareholders' committee is 67 as specified in the bank's articles of association.</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>3.1.5. The Committee recommends that members of the board of directors elected by the general meeting be up for election every year at the annual general meeting.</p>			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 an age limit of 67 for members of both the shareholders' committee and the board of directors.</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</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				continuity in the board's work.
<i>3.2. Independence of the board of directors</i>				
<p>3.2.1. The Committee recommends 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"> • 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, • within the past five years, have received larger emoluments from the company/group, • a subsidiary undertaking or an associate in another capacity than as member of the • board of directors, • represent the interests of a controlling shareholder, • 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. • be or within the past three years have been employed or a partner at the external auditor, • have been chief executive in a company holding cross-memberships with the company, • have been member of the board of directors for more than 12 years, or 	X			<p>The bank's board of directors fulfils the requirement on independence.</p> <p>Among the six current board members elected by the bank's shareholders' committee, three members have sat on the bank's board of directors for more than 12 years on the date of reporting.</p> <p>There is compliance with the other 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"> have been close relatives with persons who are not considered independent. 				
<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 recommends 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			The recommendation is followed, and the board members regularly make an evaluation.
<p>3.3.2. The Committee recommends 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"> the position of the relevant person, the age and gender of the relevant person, whether the member is considered independent, the date of appointment to the board of directors of the member, expiry of the current election period, other executive functions, e.g. memberships in executive boards, boards of directors, and supervisory boards, including board committees in foreign enterprises and demanding organisational tasks, and 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. 	X			The recommendation is followed, and the information is given in the bank's annual report.

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 recommends 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"> the most 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			
<p>3.4.2. The Committee recommends that a majority of the members of a board committee be independent.</p>	X			The recommendation is followed.
<p>3.4.3. The Committee recommends that the board of directors set up a formal <u>audit committee</u> composed such that</p> <ul style="list-style-type: none"> the chairman of the board of directors is not chairman of the audit committee, and 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. 	X			<p>The board of directors has appointed an audit committee consisting of three members.</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 four meetings with physical attendance and three conference calls a year.</p>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				The committee's chairman is Inge Sandgrav Bak, who also acts as the special member with competencies in accounts.
<p>3.4.4. The Committee recommends 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"> • significant accounting policies, • significant accounting estimates, • related party transactions, and • uncertainties and risks, including in relation to the outlook for the current year. 	X			The recommendation is followed.
<p>3.4.5. The Committee recommends that the audit committee:</p> <ul style="list-style-type: none"> • 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 • monitor the executive board's follow-up on the conclusions and recommendations of the internal audit function. 	X			The bank has an internal auditor as required under applicable law.
<p>3.4.6. The Committee recommends 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"> • 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 	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</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>experience of the two governing bodies combined,</p> <ul style="list-style-type: none"> • 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, • annually assess the competencies, knowledge and experience of the individual members of management, and report to the board of directors in this respect, • 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 • propose an action plan to the board of directors on the future composition of the board of directors, including proposals for specific changes. 				include those described in the recommendation.
<p>3.4.7. The Committee recommends that the board of directors establish a remuneration committee with at least the following preparatory tasks:</p> <ul style="list-style-type: none"> • 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, • 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 	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>

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<p>receive from other companies in the group, and</p> <ul style="list-style-type: none"> recommend a remuneration policy applicable for the company in general. 				
<p>3.4.8. The Committee recommends that the remuneration committee does not consult with the same external advisers as the executive board of the company.</p>	X			The recommendation is followed.
<p><i>3.5. Evaluation of the performance of the board of directors and the executive board</i></p>				
<p>3.5.1. The Committee recommends 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 is made.</p>
<p>3.5.2. The Committee recommends 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 considers whether the number of members elected by 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 the composition in general are appropriate in relation to the bank's needs in general and the board's work in particular, so that this work can proceed in an effective and constructive manner.</p> <p>The number of members is also assessed in connection with the annual evaluation of the board's work.</p>
<p>3.5.3. The Committee recommends 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.</p>	X			<p>The recommendation is followed.</p> <p>Further reference is made to recommendation number 2.1.5.</p>
<p>3.5.4. The Committee recommends 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.</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
4. Remuneration of management				
<i>4.1. Form and content of the remuneration policy</i>				
<p>4.1.1. The Committee recommends 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"> • a detailed description of the components of the remuneration for members of the board of directors and the executive board, • 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. <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>The bank has prepared a remuneration policy which is reviewed annually.</p> <p>The remuneration policy was approved by the bank's annual general meeting in February 2013, and the board of directors has subsequently made an annual review of the policy without finding a need for changes in it.</p> <p>The remuneration policy is published on the bank's website.</p>
<p>4.1.2. The Committee recommends that, if the remuneration policy includes variable components,</p> <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 terms, 	X			<p>The remuneration policy does not contain variable components for the bank's general management and the board of directors, and variable components are not paid to the bank's general management and board of directors.</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"> • there be clarity about performance criteria and measurability for award of variable components, • there be criteria ensuring that qualifying periods for variable components in remuneration agreements are longer than one calendar year, and • 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. 				
<p>4.1.3. The Committee recommends that remuneration of members of the board of directors does not include share options.</p>	X			<p>The recommendation is followed.</p> <p>No share options/warrants programmes of any kind are used in the board of directors' remuneration.</p>
<p>4.1.4. The Committee recommends 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.</p>	X			<p>The bank does not use share-based programmes in any form.</p>
<p>4.1.5. The Committee recommends that agreements on termination payments should not amount to more than two years' annual remuneration.</p>	X			

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
<i>4.2. Disclosure of the remuneration policy</i>				
4.2.1. The Committee recommends 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.
4.2.2. The Committee recommends that the proposed remuneration for the board of directors for the current financial year be approved by the shareholders at the general meeting.			X	The total payment is relatively modest compared with the bank's other activities, and special approval is thus not desired.
4.2.3. The Committee recommends 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
5. Financial reporting, risk management and audits				
<i>5.1. Identification of risks and transparency about other relevant information</i>				
5.1.1. The Committee recommends 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 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 recommends that the board of directors decide whether to establish a whistleblower scheme for expedient and confidential notification of possible or suspected wrongdoing.	X			An internal whistleblower scheme was established in the 2014 financial year in accordance with applicable rules for financial companies.
<i>5.3. Contact to auditor</i>				
5.3.1. The Committee recommends 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.	X			The recommendation is followed. 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

Recommendation	The company complies	The company complies partially	The company does not comply	The explanation for complying partially/not complying with the recommendation
				<p>result of the audit, the prepared annual report and the accounting policies and estimates with both external and internal auditors. 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>
5.3.2. The Committee recommends 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 accounting period **01.01.2014-31.12.2014**

Recommendation	Does the company comply?	Explanation
<i>General recommendations</i>		
<p>1. The Danish Bankers Association recommends that the members respond to all the recommendations of the Committee on Corporate Governance.</p>	Yes	The recommendation is followed.
<p>2. The Danish Bankers Association recommends 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.</p>	Yes	<p>The recommendation is followed.</p> <p>The bank's code of conduct is available on this website.</p>
<i>Recommendations regarding composition of the board of directors</i>		
<p>3. The Danish Bankers Association recommends 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 knowledge and experience. Please see the 2014 annual report for further information on the bank's nomination committee.</p> <p>The result of the board's annual evaluation is part of the recruiting procedure.</p>

Recommendation	Does the company comply?	Explanation
		<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 also made to point 3.1.2 of the statement on the recommendations on corporate governance.</p>
<p>4. The Danish Bankers Association recommends 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>	<p>Yes</p>	<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.</p> <p>The bank 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 on the board 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 members of the shareholders' committee.</p>

Recommendation	Does the company comply?	Explanation
<i>Recommendations regarding training of members of the board of directors</i>		
<p>5. The Danish Bankers Association recommends 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 have had the opportunity until now to participate in training activities if they felt a need to do so.</p>
<p>6. The Danish Bankers Association recommends 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 experts/employees 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>7. The Danish Bankers Association recommends 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 and an evaluation of each individual board member's competencies.</p> <p>The board also subsequently reviews and discusses the evaluation at both collective and individual levels.</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>8. The Danish Bankers Association recommends 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 participate as needed on an ad hoc basis, both in preparing for and drafting material for the board of directors and 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>9. The Danish Bankers Association recommends 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 every year concurrently with the board's annual evaluation of competencies.</p> <p>The working relationship is also assessed on an informal regular basis. The general management is not present during the board's evaluation of the working relationship between the board of directors and general management and of the general management in general.</p> <p>Reference is also made to point 3.5.1 of the statement on the recommendations on corporate governance.</p>
<p><i>Other recommendations</i></p>		
<p>10. The Danish Bankers Association recommends 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. The board also holds either a strategy meeting or an actual strategy seminar every year as needed.</p> <p>In addition, a number of meetings are held in the appointed managerial 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="1234 376 2063 1007"> <thead> <tr> <th colspan="5" data-bbox="1234 376 2063 448">Number of meetings in 2014</th> </tr> <tr> <th data-bbox="1234 453 1395 509">Board of directors</th> <th data-bbox="1402 453 1592 509">Remuneration committee</th> <th data-bbox="1599 453 1760 509">Nomination committee</th> <th data-bbox="1767 453 1917 509">Audit committee</th> <th data-bbox="1924 453 2063 509">Risk committee</th> </tr> </thead> <tbody> <tr> <td data-bbox="1234 513 1395 1007">Twelve meetings with physical attendance + three electronic meetings + one strategy seminar + one concluding meeting with the Danish Financial Supervisory Authority</td> <td data-bbox="1402 513 1592 1007">Three meetings</td> <td data-bbox="1599 513 1760 1007">Five meetings</td> <td data-bbox="1767 513 1917 1007">Five meetings</td> <td data-bbox="1924 513 2063 1007">Five meetings</td> </tr> </tbody> </table> <p>The total rate of attendance for the full board for all board meetings with physical attendance in 2014 was 96.9%.</p> <p>As indicated above, the rate of attendance in 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> <p>As also indicated above, the board also held an actual strategy seminar in 2014.</p>	Number of meetings in 2014					Board of directors	Remuneration committee	Nomination committee	Audit committee	Risk committee	Twelve meetings with physical attendance + three electronic meetings + one strategy seminar + one concluding meeting with the Danish Financial Supervisory Authority	Three meetings	Five meetings	Five meetings	Five meetings
Number of meetings in 2014																	
Board of directors	Remuneration committee	Nomination committee	Audit committee	Risk committee													
Twelve meetings with physical attendance + three electronic meetings + one strategy seminar + one concluding meeting with the Danish Financial Supervisory Authority	Three meetings	Five meetings	Five meetings	Five meetings													

Recommendation	Does the company comply?	Explanation
<p>11. The Danish Bankers Association recommends 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 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 and in connection with the board of directors' annual self-evaluation.</p> <p>Reference is made to the bank's 2014 annual report for details on other executive positions held by the board members.</p>
<p>12. The Danish Bankers Association recommends 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>	Yes	<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,</p>

Recommendation	Does the company comply?	Explanation
		<p>and it is agreed in the bank's partnership with the external auditor that the team that will audit the bank will always include at least two experienced auditors with experience in auditing banks.</p> <p>Care is also taken to ensure that the signing auditor(s) is/are 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>