

Recommendations for Corporate Governance and the Danish Bankers' Association's supplementary recommendations

Listed Danish companies must provide an account in their annual reports and at their web pages of how they are dealing with the "Recommendations on Corporate Governance" issued by the committee for Corporate Governance in 2005 with subsequent updates.

The banks must also express an opinion on the Danish Bankers' Association's recommendations on Corporate Governance and external auditing, which are associated with parts of the Corporate Governance recommendations, in connection with the notice of the annual general meeting.

The banks attitude to both sets of recommendations is generally positive, as the bank and our partners (employees, customers, suppliers and the local community) and the interaction among them is a prerequisite for the bank's continuing positive development. As a regional and local bank, we are especially focused on personal customer contact, and as our survival depends on our living up to the trust and reliance placed on us by our customers, it is important that apart from the due concern we owe to our shareholders, we also take account of the wishes expressed by our other partners.

Shareholders and other partners can read more about the bank's reaction to the recommendations below to the Corporate Governance recommendations as well as the Danish Bankers' Association's recommendations on Corporate Governance and external auditing.

We are complying with the great majority of the recommendations, and for those with which the bank is not complying, we have provided a more detailed account of the reasons in accordance with a "follow or explain" principle. NASDAQ OMX Copenhagen emphasises with respect to the latter principle that the sustaining element is the transparency in the company's circumstances, and it is up to the individual company to assess the extent to which it will follow the recommendations, or whether this is neither appropriate nor desirable for the company in question. We comply with the Danish Bankers' Association's Recommendations under the same principle, and we provide below an account of the individual points where we have elected to deviate from the recommendations.

The Corporate Governance recommendations are divided into the following eight headings:

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| I. | The role of the shareholders and their interaction with the company's management |
| II. | The parties' roles and their importance for the company |
| III. | Openness and transparency |
| IV. | The duties and responsibilities of the board of directors |
| V. | The composition of the board of directors |
| VI. | The board's and management's remuneration |
| VII. | Risk management |
| VIII. | Auditing |

The Danish Bankers' Association's recommendations deal with a number of matters in relation to Corporate Governance recommendations points IV, V and VI of the Corporate Governance recommendations on the duties and responsibilities of the board of directors, the composition of the board of directors, and the board's and management's remuneration, and they also include an independent recommendation on external auditing.

The Corporate Governance recommendations and the Danish Bankers' Association's supplementary recommendations supplement the rules which apply in general to listed companies and the rules in company law on management and, for the banks, the financial legislation.

The Corporate Governance recommendations are given at www.coporategovernance.dk and the Danish Bankers' Association's supplementary recommendations are at www.finansraadet.dk.

Corporate governance

Corporate governance in Ringkjøbing Landbobank concerns the goals which govern the bank's management and the general principles and structures governing the interplay between the bank's management and shareholders as well as the bank's customers, employees and the local areas in which the bank has branches.

Goals

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

The bank's goal for its owners, its shareholders, is to realise the best possible long-term return for them, including achieving operating results among the best third in the Danish financial sector, which will be achieved via rational banking operations and a sound credit policy.

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

Finally, the bank's goal is, via its high level of expertise and competitive products, to service selected client groups throughout Denmark via the bank's distance customer department.

In general terms, the bank will thus live up to the expectations made of a full service bank with respect to strengths in both capital and consultancy services for both private and business customers.

Finally, a goal for Ringkjøbing Landbobank is to be a good place to work for its employees. The bank wishes on the basis of its chosen strategy to create an interesting and challenging workplace which will help to attract and retain competent employees.

Committee for Corporate Governance

Ringkjøbing Landbobank's board of directors and the board of managers first decided its position on the so-called "Nørby Committee's" report and recommendations for listed companies in 2002, and the bank's management has subsequently regularly reviewed the bank's attitude to the Committee's recommendations.

In 2005, the committee for corporate governance set up by NASDAQ OMX Copenhagen (hereafter called the Copenhagen Stock Exchange) issued a proposal for revised recommendations. When Copenhagen Stock Exchange made the revised recommendations a part of the disclosure requirements for listed companies, the bank's board and management again took a position on the recommendations for corporate governance during the preparation of the 2006 Annual Report, which also was done by the preparation of the 2007 Annual Report. The board of directors will comment later on the revised recommendations of 10 December 2008.

The following explains management's positions on the committee's recommendations within the eight main areas which the committee has worked with.

I. The role of shareholders and interaction with management

The bank essentially follows the recommendations for the area.

The shareholders are the bank's owners, and the bank's goal is to achieve the best possible long-term return for its shareholders.

Through its defined Investor Relations-policy, Ringkjøbing Landbobank endeavours to provide the greatest possible transparency concerning the bank's affairs. This website offers relevant and up-to-date information on the bank. The bank constantly examines the possibility of using the information technology which is available to the bank to improve communication between the bank and its shareholders.

Based on the bank's roots the board of directors has not found it relevant to hold online general meetings. In addition to the annual ordinary general meeting, the bank holds an annual shareholders meeting.

It should be noted that the bank's general meeting (held on 27 February 2008) has authorised the board of directors to permit the bank until the next ordinary general meeting to acquire own shares within a total nominal value totalling 10% of the bank's share capital, and such that the shares can be acquired at the current listed price +/-10%.

It can be added that the bank's articles of association contain an authorisation of the board of directors empowering it, in consultation with the shareholders committee, to increase the share capital by DKK 14.2 million to DKK 39.4 million in one or more increases. For the time being, this authorisation is valid until 27 February 2013; it was last used was in 2002 in connection with the acquisition of Tarm Bank.

Under the bank's articles of association, a shareholding of up to and including nom. DKK 500 carries one vote, and shareholdings of more than that carry two votes. The board of directors has found no reason to change the original voting rules from when the bank was established, as long as the bank's performance is above average in the Danish financial sector. No new restrictions on voting rights will be introduced into the bank's articles of association. Furthermore there are no restrictions on the negotiability of the shares.

At the end of 2008, the bank had approx. 18,500 shareholders. Approx. 25 percent of the bank's share capital are owned by private investors while the remaining 75 percent is owned by Danish and international institutional investors. Only the Danish Labour Market Supplementary Pension Fund, ATP, has advised that it owns more than 5% of the share capital.

The bank's management finds the current notice provided for general meetings (four weeks at the earliest and not less than 14 days before the meeting) provides an adequate opportunity to decide on the matters to be considered at the bank's general meetings. The bank's management does, however, wish to adapt its articles of association to current rules in the Danish Companies Act so that in future, notice of meetings will be at least eight days and at most four weeks. Proxy forms are issued for voting at a specific general meeting with an agenda which is known in advance. Amendments to the bank's articles are only valid if a proposal is adopted by at least two thirds of both votes cast and the voting share capital represented at the general meeting. In the event of a take-over bid for the bank, the bank's board of directors will assess what is in the shareholders' best long-term interest and act accordingly.

II. The role and significance of the bank's partners

The bank has always considered the various interested parties' roles as being of major significance for its continued development, and the board of directors has thus defined the policy described below in relation to the interested parties on the basis of the goals set up by the bank. The bank thus follows the recommendations applying to the area.

Ringkjøbing Landbobank is an integral part of Mit and West Jutland, the bank's old core area, in which the bank has a very high market share. The bank's goal is to retain and develop this part of its customer portfolio with sound and competitive products.

Since the mid-1990s, the bank has established new branches in three large towns in central Jutland outside the old core area. The bank's goal is to expand strongly and become a solid local bank in the three communities.

The bank's products are also offered via a distance banking service domiciled in Ringkøbing, whose goal is to service selected customer groups throughout Denmark with a high level of expertise and competitive products.

The bank's employees are well-educated and motivated. This is a critical prerequisite for the bank's continued success and growth. Ringkjøbing Landbobank is a good place to work, where the atmosphere is informal and unpretentious. The bank has worked for a number of years to create an effective and efficient organisation of tasks in the bank and to further develop our employees' professional and human expertise. It is therefore a vital factor for the bank's employees that they want to participate in the exciting developments which are also expected to distinguish the bank in the years to come.

III. Openness and transparency

The bank follows the recommendations on openness and transparency.

Ringkjøbing Landbobank formulated an Investor Relations-policy in autumn 2002. Based on the formulated policy, the bank's website was extended significantly, and it has subsequently and regularly been further developed.

The level of information complies with the recommendations of Copenhagen Stock Exchange. The aim of the bank's Investor Relations-policy is to promptly issue all material information of importance to shareholders' and the financial markets' assessment of the bank.

All publications including quarterly, half-yearly and annual reports, are issued in both a Danish and an English version and are also published on the bank's website. The bank's annual report is prepared in accordance with the Danish Financial Supervisory Authority's accounting regulation (which is IAS/IFRS compatible).

With respect to non-financial information in the bank's annual report, the board of directors considers that the extent to which the relationship with the bank's partners is reported is relevant and that there is no need for further reporting in the annual report for the time being.

The board of directors places heavy emphasis on a continuous dialogue with shareholders and other partners. This dialogue is ensured by providing various sections on Corporate Governance-related issues on the bank's website, and the bank's board of managers regularly meets with investors. Finally, it should be noted that Ringkjøbing Landbobank's shares are included in Copenhagen Stock Exchange's so-called MidCap+ Index.

IV. The tasks and responsibilities of the board of directors

The bank essentially follows the recommendations for the area.

The board of directors undertakes the overall strategic management of the bank and supervises and monitors the daily management. The board of directors performs its tasks by holding board meetings, checking ingoing reports, and generally through dialogue with the bank's board of managers.

The board of directors holds strategy seminars on an ad hoc basis, at which the bank's overall goals and strategies are discussed and established. Strategies are also regularly discussed by the board.

The board of directors' tasks and its delegation to management and the guidelines for ongoing reporting to the board are described in the rules of procedure for the board of directors and miscellaneous instructions under Section 70 of the Danish Financial Business Act. The rules of procedure for the board of directors are reviewed once a year, and they also contain a description of the duties of the chairman of the board of directors. A vice-chairman of the board of directors is also elected.

V. Composition of the board of directors

The bank follows the majority of the recommendations issued.

Election of members to the shareholders committee is determined at the general meeting by simple majority, and the members of the board of directors are elected from among the members of the bank's shareholders committee. The bank's articles of association provide for an age limit of 67 years for both members of the shareholders committee and members of the board of directors. Both members of the shareholders committee and of the board of directors are elected for a term of four years at a time and they may be re-elected. The board of directors has considered whether the introduction of a one-year election period would be appropriate, but the board judges that a good continuity in the board's work is ensured with the existing provisions in the articles of association.

When recommending new members for the shareholders committee, the shareholders committee and the board of directors aim to propose persons with wide business experience and professional expertise as well as to ensure a good age distribution in the shareholders committee. When the proposed members of the shareholders committee presented at the bank's general meeting, a review of the relevant persons' background etc. is given, and this is considered sufficient by the board of directors.

When new members are elected to the shareholders committee, they are given an introduction to the work of the shareholders committee council. When the shareholders committee and employees elect new members to the board of directors, they are also given an introduction to the work of the board of directors. The board of directors finds that there is no need to provide a separate review in the annual report of the system concerning board of director members elected by the employees, since this system is judged to be well-known in Denmark.

Under the articles of association, the bank's board of directors has between four and six shareholder-elected board members. In addition, the board of directors has the statutory members. The board of directors regularly considers whether the number of shareholder-elected board members and the composition in general are appropriate in view of the bank's needs.

The recommendations concerning the board of directors' independence are followed, although the board of directors does not consider it relevant to issue information on individual board members' shareholdings in the company. The share dealings of the individual members of management are issued in accordance with applicable rules.

The recommendations on the frequency of meetings and working plan are followed, and it should be noted that the board holds ordinary board meetings at approximately eleven times a year. At pre-

sent, the board of directors does not use board committees or other committees, as it finds that the frequency of meetings and the working plan in general ensure that all important discussions and decisions can be made by the full board.

With respect to resources for the work of the board of directors and the number of directorships of each board member, the board of directors finds that it is not the number of directorships that are vital to an efficient performance on the board, but the amount of work associated with them. The individual board members regularly assess whether they can perform efficiently on the board of directors.

The board of directors estimates that at present there is no need to introduce schematic evaluations of the board of directors or board of managers and cooperation within management, as a close partnership between the board of directors and board of managers and the frequency of meetings by the board of directors ensure that the internal cooperation within the board of directors and cooperation between board of directors and board of managers are evaluated regularly.

VI. Remuneration of board of directors and board of managers

The bank follows some of the recommendations issued.

The bank follows the recommendation for remuneration, and it is estimated that the total remuneration is on a competitive and reasonable level which reflects the board of directors' and the general managers' efforts and results.

The board of directors has prepared no remuneration policy as such, but the board of directors estimates that the total remuneration to the bank's board of directors and board of managers reflects the management's efforts for the bank and generally follows common practice in the area. The board of directors is paid a fixed fee and the board of directors has not, and will not, participate in bonus and incentive agreements including share option schemes. The board of managers is paid in accordance with separate salary agreements which do not at present contain provisions on bonus and incentive agreements.

Overall, the board of managers judges that information on individuals' remuneration, resignation agreements and employment conditions in general are not relevant to an assessment of the bank, and the board of directors thus finds that the information on remuneration for the board of directors and board of managers given in the annual report is adequate and sufficient.

VII. Risk management

The bank follows the recommendations for the area.

The bank's management continuously directs its full attention to the bank's most important business risks and issues current reports, whereby management systematically follows developments in the most important risk areas. In all important areas, the bank has thus established effective risk management and reporting systems which are continuously evaluated internally as well as by the bank's internal and external auditors and the Danish Financial Supervisory Authority.

Ringkjøbing Landbobank's most significant category of business risk is the credit risk associated with loans, which comprise by far the greatest part of the bank's assets and also generate a correspondingly large part of its earnings. Historically the bank has always had a healthy credit policy, and this is also our goal for the future.

The gearing of loans relative to the capital base is approx. six, and the bank's goal is realisation of the results with a lower or the same credit gearing as that of Denmark's major banks.

The bank's Annual Report contains reports on the bank's risk conditions and risk management.

VI. Audit

The bank generally follows the various recommendations for the area.

The bank's management has an ongoing dialogue with both internal and external auditors, and the management discusses the audit result and accounting policies with the auditors.

In consultation with management, the board of directors also performs regular reviews of the auditors' independence and expertise etc. for use in a recommendation to the general meeting for election of external auditors, and every year an audit agreement is made between the board of directors and the auditors, which includes the agreed remuneration.

The internal control systems are regularly reviewed and assessed by the board of directors with the assistance of the internal auditor engaged by the board of directors.

The full board of directors will perform the audit committee's tasks with effect from 2009.

The Danish Bankers' Association's supplementary recommendations for Corporate Governance

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

The object of the Danish Bankers' Association's supplementary recommendations is to strengthen the work and the expertise in the member banks' boards of directors and managements and among the external auditors.

As noted above, the Danish Bankers' Association's recommendations concern three of the Corporate Governance recommendations, and they also have an independent recommendation on external auditing.

The three recommendations on which the Danish Bankers' Association has instructive comments in relation to interpretation, implementation and use are: IV The duties and responsibilities of the board of directors, V The composition of the board of directors, and VI The board of director's and board of manager's remuneration.

Recommendation IV – The Duties and Responsibilities of the Board of Directors

The board's general duties and responsibilities

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

The boards of directors of "Banks, savings banks and cooperative banks must

- specify guidelines for and exercise control over management's duties, including the allocation of duties among the members of the board of directors. There must be a written statement of those parts of management's work which the board will monitor and be included in. How the board of directors will monitor compliance therewith must be specified.
- ensure that procedures are prepared for management's involvement of and reporting to the board of directors. Such procedures are to be prepared by management and approved by the board.
- ensure that management possesses relevant skills. At least once a year, the board of directors must assess whether management possesses all the requisite skills. If this is not the case, the board will be responsible for deciding how this problem can be solved.
- act as a qualified sparring partner in relation to management."

The bank follows the recommendations.

As described under the Corporate Governance recommendations, the board of directors holds strategy seminars on an *ad hoc* basis. The above matters as well as others are discussed at such strategy seminars. The board also discusses these matters in connection with the annual review of the board's rules of procedure and instructions to management.

It is the board of directors' duty and responsibility to be in charge of the general management and to monitor and check management's daily performance.

The bank has specified procedures in the board of directors' rules of procedure and the board's instructions to management, where the matters addressed include planning, follow-up and risk management.

Duties of the chairman of the board of directors

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

"The chairman of the board of directors of a bank, savings bank or cooperative bank must:

- ensure preparation of a description of the work and duties of the board. The description, which can be included in the board's rules of procedure, must be in writing and specific,
- ensure that the full board of directors is included in the work of the board, and that all board members are given the opportunity as far as possible to express their opinions."

The bank follows the recommendations. The framework for the board's work, including the chairman's duties, is specified in the board of directors' rules of procedure. All board members participate on an equal footing in the work of the board such that the individual's knowledge and expertise is used as well as possible

Information from management to the board of directors

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

"Apart from the recommendations in section VI, 4, management's duty and responsibility is to: undertake the daily management of the bank, savings bank or cooperative bank, and prepare a detailed allocation of work and duties for management. This description must be in writing, and the board of directors must be advised of the chosen allocation and ongoing major changes, and provide clear guidelines for all major decisions to be made in the bank. Guidelines must be in writing and contain instructions on which types of transactions can be made at a specified level of appointment. Information must also be provided on requirements respecting form and documentation concerning which employees were involved in the process and who made the final decisions, the bank's strategy must be regularly updated, and a written proposal on this must be prepared and sent to the board of directors."

The bank follows the recommendations, which to a very high degree must generally be said to be a statutory requirement for banks. The board of directors' written guidelines to management are specified in accordance with an instruction in which the allocation of duties between board and management is given.

Recommendation V – The composition of the board of directors

Composition of the board of directors

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

"The board of directors must be comprised in such a manner that it possesses all relevant expertise required to manage a bank, savings bank or cooperative bank. At least one board member must possess qualifications within accountancy or auditing pursuant to Section 31(1) of the Danish act on auditing."

The recommendation is followed.

The board members elected by shareholders are elected by and among the members of the bank's shareholders' committee. Attempts are made to ensure as far as possible that the board of directors possesses professional expertise, a good distribution of ages, and breadth (variety) in general, and a broad basis in business. The financial legislation requires compliance by management in a bank with a number of requirements regarding suitability (qualifications and experience) as well as honesty. New board members are recruited on the basis of the above criteria and not on the basis of a for-

mally specified process, as the board of directors has found no need to specify such a process. According to the Danish Bankers' Association, the reference to the act on auditing must be understood as a reference to the regulation on auditing of banks.

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

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

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

The bank follows both sets of recommendations.

The bank offers newly elected board members a basic introduction to the work of the board, including the option of participation in relevant courses. The need for supplementary training is also assessed regularly and at least once a year.

Recommendation VI – The Board of Director's and The Board of Manager's remuneration

General guidelines for incentive payments

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

"Incentive programmes for members of management in a bank, savings bank or cooperative bank must, apart from the terms in the Committee's recommendations and guidelines:

- a. depend on a number of different parameters which must be explicitly stated. These may, for example, be an increase in the share price, the financial results, the magnitude of the loss, improvement in earnings, movements in costs, implementation of specific projects or comparison with e.g. the share price movement in a predefined group of comparable banks or savings banks (Peer Group),
- b. contain a ceiling for the potential payment. This does not necessarily need to be a specific amount. It may, for example, be a decision to the effect that the strike price on a share option may never be more than a particular percentage below 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 must be simple and easy to understand.

Incentive programmes must be considered and approved at the bank's general meeting/the savings bank's meeting of representatives. The incentive programme must then be published without undue delay on the company's website."

As described under Corporate Governance recommendations, neither the board of directors nor management has currently entered into agreements on incentive remuneration.

The independent recommendation from the Danish Bankers' Association on external auditing

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

"The member companies of the Danish Bankers' Association must be strongly focused on the external auditor's role and the quality of the work which is performed. Banks, savings banks and cooperative banks should, for example, require that:

- external auditors have taken in-service training dealing with banks,
- the teams used by external auditors, i.e. its composition, must ensure that there are at least two experienced auditors in a team with complementary areas of expertise. Being an experienced auditor means that apart from the above in-service training, the person in question has also participated in bank audits for at least three years."

The bank follows the recommendation. The bank is strongly focused on the role and qualifications of its external auditors. The bank attempts to ensure in its working relationship with the external auditors that there are always at least two experienced auditors. The bank also knows that the accountancy firm elected by the general meeting as the bank's auditor has an in-service training programme etc. which is targeted towards the banking sector.

Board of directors for Ringkjøbing Landbobank, 4 February 2009