

Sydbank's Corporate Governance Principles

(see the Corporate Governance Recommendations of the Copenhagen Stock Exchange Committee on Corporate Governance)

Introduction

Danish listed companies are required to account for their approach to the Corporate Governance Recommendations prepared by the Copenhagen Stock Exchange Committee on Corporate Governance in annual reports for financial years beginning on or after 1 January 2006.

Sydbank's management has continuously followed the developments of the Corporate Governance Recommendations. At meetings held in October 2002 and January 2003 the Board of Directors addressed the first recommendations of the Nørby Committee and as of the 2002 Annual Report the Bank has published its position as regards corporate governance.

Sydbank's opinion of the recommendations is generally favourable, which must be seen in connection with the fact that the Bank's constructive and open interaction with all stakeholders – shareholders as well as staff, customers, cooperation partners and local communities – is a prerequisite for the continued positive development of the Bank.

Shareholders and other stakeholders can read more about Sydbank's opinion of the Stock Exchange's recommendations below. Sydbank complies with the majority of the recommendations. In the cases where the Bank does not comply with specific recommendations, explanations are given according to the 'comply-or-explain' principle. As regards the 'comply-or-explain' principle, the Copenhagen Stock Exchange emphasizes that transparency in corporate issues is fundamental and that each company must decide the extent of any compliance with the recommendations or whether it is in fact not appropriate or desirable for the company in question.

The recommendations are divided into eight main areas:

1. The role of the shareholders and their interaction with the management of the company
2. The role of the stakeholders and their importance to the company
3. Openness and transparency
4. The tasks and responsibilities of the Board of Directors
5. The composition of the Board of Directors
6. Remuneration of the members of the Board of Directors and the Group Executive Management
7. Risk management
8. Audit

The recommendations supplement the provisions that otherwise apply to listed companies, the provisions within company law regarding the management, and the provisions regarding financial institutions: financial legislation (the Danish Financial Business Act).

The Copenhagen Stock Exchange Committee's Recommendations are reproduced in italics and the Bank's comments in regular font style.

I. The role of the shareholders and their interaction with the management of the company

1) Exercise of ownership and communication

The Committee recommends that the companies contribute to improving the communication between the company and the shareholders, and between the individual shareholders in the company via the use of eg information technology.

Sydbank complies with the recommendation.

Sydbank aims to provide the highest possible level of transparency in the affairs of the Bank and improves communication on an ongoing basis with all stakeholders by making comprehensive, relevant and updated material available eg at the Bank's Danish website, www.sydbank.dk. We refer in particular to Investor Relations under "Om Sydbank" (About Sydbank).

Following the annual general meeting Sydbank holds around 15 shareholders' meetings in the Bank's regions, where it is in direct contact with approx 10,000 shareholders. The Bank publishes a quarterly magazine (called "Sydbank p.t.") providing shareholders and others with information about the Bank, the Sydbank share as well as many other bank related and general issues.

2) Capital and share structures

The Committee recommends that the Board of Directors, at appropriate intervals, assesses whether the company's capital and share structures continue to be in the interests of the shareholders and the company and that the Board of Directors accounts for this assessment in the company's annual report.

Sydbank complies with the recommendation.

It must be noted that Sydbank's Articles of Association contain a voting right limitation to the effect that no shareholder on his own behalf may cast a vote of more than 5,000 votes and that no proxy may cast a vote of more than 5,000 votes. The voting right limitation has been adopted by the shareholders at the general meeting and reflects the wish that Sydbank be preserved as an independently strong bank deeply rooted in the local communities – to the benefit of all stakeholders. Without this protective rule the Bank's shares could become an object of short-term speculation, which according to the Board of Directors is not in the interest of shareholders, customers, staff or local communities. Consequently the Board of Directors does not intend to propose an amendment of the article in question.

The Bank's shares (New Year 2008) are held by more than 140,000 investors, many of whom live in the Bank's geographical areas of operation and are customers with the

Bank. Nykredit is currently the only shareholder to have reported a holding of more than 5% and less than 10% of the share capital.

3) Preparations for the general meeting, including notice of meeting and proxy

The Committee recommends that the general meeting is called at sufficient notice to enable the shareholders to prepare for the meeting and consider the business to be transacted at the general meeting. The notice of meeting, including the agenda, should be drawn up in such a way as to give the shareholders a satisfactory picture of the business covered by the items on the agenda. Any proxy given to a company's Board of Directors should be limited to one particular general meeting and should as far as possible include the position of the shareholder regarding each item on the agenda.

Sydbank complies with the recommendation.

Reference is made to the Bank's Articles of Association.

4) The duties of the Board of Directors and the rights of the shareholders in the event of takeover bids

In connection with a public takeover bid, the Committee recommends that the shareholders are given the opportunity to decide whether or not they wish to dispose of their shares in the company under the terms offered. Therefore the Board of Directors should not in such situations, without the acceptance of the general meeting or on its own, attempt to counter a takeover bid by making decisions which in reality prevent the shareholders from deciding on the takeover bid. The decisions not recommended include implementing capital increases or allowing the company to buy its own shares on the basis of any previously given authority.

Sydbank complies in part with the recommendation.

In the event of takeover bids the Board of Directors will to the best of its ability consider all interests – primarily of course the interests of the company and the shareholders – while respecting the Bank's declared aim of remaining independent.

II. The role of the stakeholders and their importance to the company

1) The company's policy in relation to the stakeholders

The Committee recommends that the Board of Directors adopts a policy on the company's relationship with its stakeholders, including for example the company's business concept, basic values and objectives. One element could be guidelines for the company's publication of information about environmental and social issues.

Sydbank complies with the recommendation.

The Bank does not have official policies on for example environmental and social issues. The Board of Directors agrees that the stakeholders in and around the Bank operate in a mutual dependency evolving with the progress of time. Therefore the Bank will continue to ensure that the Bank's policies and procedures are in accordance with the zeitgeist, legislation in force, rules of good practice, etc and as a consequence respect, as best possible, the interests and roles of customers, shareholders and staff.

2) **The role of the stakeholders and their interests**

*The Committee **recommends** that the Board of Directors ensures that the interests and roles of the stakeholders are respected in accordance with the company's policy on such issues. As part of this purpose, it is natural that the Board of Directors ensures that the Group Executive Management and the company's stakeholders are in active dialogue in order to develop and strengthen the company.*

Sydbank complies with the recommendation.

The relationship with stakeholders is key to a broadly based customer-oriented service undertaking and as a result the Board of Directors and the Group Executive Management are constantly focussed on ensuring and enhancing beneficial relations – all for the purpose of strengthening the Bank's position. Every year Sydbank takes part in a number of extensive customer satisfaction and loyalty surveys. The findings of the surveys, as well as the results of recurring employee satisfaction surveys, are applied as tools in the ongoing development of the Bank.

III. Openness and transparency

1) **Information and publication of information**

*The Committee **recommends** that the Board of Directors adopts an information and communication policy. Furthermore, the Committee **recommends** that the company draws up procedures to ensure immediate publication of all essential information of importance for how the shareholders and the financial markets evaluate the company and its activities as well as its business goals, strategies and results unless publication can be omitted according to stock exchange legal rules.*

*Publication must be made in a reliable and sufficient manner. The Committee **recommends** that information is published in both Danish and English, and, if necessary, in any other relevant languages; this also applies to the company's website. Websites should be identical in Danish and English and any other relevant languages.*

Sydbank complies with the recommendation.

2) **Investor relations**

*The Committee **recommends** that the Board of Directors ensures an ongoing dialogue between the company and the company's shareholders and potential shareholders for instance by:*

- *holding investor meetings*
- *evaluating on an ongoing basis whether information technology can be used for improving investor relations, including using part of the company's website to deal with corporate governance-related issues*
- *making all investor presentations accessible on the Internet at the same time as they are made.*

Sydbank complies in part with the recommendation.

The Board of Directors attaches great importance to the dialogue with shareholders as well as other stakeholders. At the annual shareholders' meetings in the Bank's regions, the Bank's management is in contact with a large number of shareholders.

The members of the Group Executive Management and the officer responsible for the Bank's investor relations hold frequent meetings with investors and analysts – individually as well as in groups. Investor presentations are not transmitted live on the Internet.

Extensive relevant investor relations information is available at the Bank's websites, including a special section on corporate governance.

3) The annual report and additional information

*In connection with the preparation of the annual report, the Committee **recommends** that the Board of Directors decides whether it is expedient that the company publishes details of a non-financial nature, even in instances where this is not required by any applicable legislation or standards. Examples of such details could be information about the company's:*

- *development and maintenance of internal knowledge resources*
- *ethical and social responsibilities*
- *health and safety policies.*

Sydbank complies with the recommendation.

The annual report is prepared in accordance with the Executive Order on Bank Accounts issued by the Danish Financial Supervisory Authority as well as International Financial Reporting Standards (IFRS).

Furthermore the Board of Directors is of the opinion that the Bank accounts for its relations with its stakeholders and the external environment to an extent which is relevant and up-to-date.

4) Quarterly reports

*The Committee **recommends** that the company publishes quarterly reports.*

Sydbank complies with the recommendation.

IV. The tasks and responsibilities of the Board of Directors

1) The overall tasks and responsibilities of the Board of Directors

*The Committee **recommends** that the Board of Directors discusses and establishes its most important tasks related to the overall strategic management as well as the financial and managerial supervision of the company and regularly evaluates the Group Executive Management's work.*

Sydbank complies with the recommendation – through regular strategy discussions by the Board of Directors.

2) **The tasks of the chairman**

*The Committee **recommends** that the company prepares a work and task description specifying the tasks, duties and responsibilities of the chairman, and of the vice-chairman, if required. The Committee **recommends** that the chairman ensures that the special knowledge and competence of each individual member of the Board of Directors are used in the best possible manner in the Board of Directors' work to the benefit of the company. The Committee **recommends** that the company appoints a vice-chairman. The vice-chairman must be able to act in the chairman's absence and also to act as an effective sounding board for the chairman.*

Sydbank complies in part with the recommendation.

The framework for the work of the Board of Directors, including general instructions on the tasks etc of the chairman and vice-chairman, is laid down in the procedures of the Board of Directors and is considered appropriate.

3) **Procedures**

*The Committee **recommends** that the procedures always match the needs of the individual company and that all members of the Board of Directors review the procedures at least once a year for this purpose.*

Sydbank complies with the recommendation.

4) **Information from the Group Executive Management to the Board of Directors**

*The Committee **recommends** that the Board of Directors establishes procedures for how the Group Executive Management reports to the Board of Directors and for any other communication between the Board of Directors and the Group Executive Management. The purpose is to ensure that such information about the company's business as required by the Board of Directors is regularly provided to the Board of Directors.*

Sydbank complies with the recommendation.

V. **The composition of the Board of Directors**

1) **Recruitment and election of members of the Board of Directors**

*The Committee **recommends** that the Board of Directors ensures a formal, thorough and transparent process for selection and nomination of candidates with a view to ensuring a board composition that provides the competence needed to enable the Board of Directors to perform its tasks in the best possible manner.*

*The Committee **recommends** that the Board of Directors includes a description of the nominated candidates' backgrounds in the notice convening the general meeting when the election of the members to the Board of Directors is on the agenda. Such description should include information about other managerial positions and directorships held by the candidates in both Danish and foreign companies as well as demanding organisational tasks performed by the individual persons. At the same time the Board of Directors should state the recruitment criteria adopted by the Board of Directors, including the requirements as to professional qualifications, international*

experience etc, which, in the opinion of the Board of Directors, are important to be represented on the Board. The opportunity of the company's owners to discuss these criteria should be ensured. Every year the Board of Directors should publish a profile of its composition and provide information about the specific qualifications of each individual member that are important to the performance of their duties.

Sydbank complies in part with the recommendation.

The Board of Directors finds the existing framework for the Board's work to be sufficient and it does not intend to make any significant changes. This also applies to current recruitment criteria and processes, restrictions as regards other directorships of the board members, length of the term of office as well as recurrent evaluation procedures.

New board members are recruited by means of a process based on for example a dialogue between the Board of Directors and the relevant Local Shareholder Committee Chairman. The aim is to ensure that the Board of Directors has relevant professional qualifications, a satisfactory age composition, a broad business background as well as geographical diversification within the Bank's area of operation. According to financial legislation, the management of a bank must meet a number of requirements as to aptitude (qualifications and experience) as well as integrity. The recruitment of new board members is based on the above criteria. The recruitment procedure is considered to be satisfactory documentation in terms of the aptitude of the nominated candidates and therefore the publication of the profile of the Board of Directors on an annual basis is not considered necessary.

2) Introduction and training for members of the Board of Directors

*The Committee **recommends** that new members joining the Board of Directors are given an introduction to the company and that the chairman, in collaboration with each individual board member, decides whether it is necessary to offer the member in question relevant supplementary training. The Committee **recommends** moreover that every year, the Board of Directors assesses whether the competence and expertise of the members need to be updated in some respect.*

Sydbank complies with the recommendation.

The Bank offers newly elected board members a thorough introduction to the Board's work. Furthermore the opportunity to enhance and update the relevant expertise of the board members is provided on an ongoing basis.

3) The number of board members

*The Committee **recommends** that the Board of Directors has only so many members as to allow a constructive debate and an effective decision-making process that enables all the members of the Board of Directors to play an active role. Furthermore it must be ensured that the size of the Board of Directors allows the competence and experience of the board members to match the requirements of the company. The Board of Directors must consider at regular intervals whether the number of board members is appropriate in relation to the requirements of the company.*

Sydbank complies with the recommendation.

The Bank's Board of Directors consists of 12 members. 8 members are elected by the Shareholders' Committee and 4 are elected from among the staff. The staff's election of board members is in accordance with legislation.

4) The independence of the Board of Directors

*The Committee **recommends** that at least half of the board members elected by the general meeting are independent persons. In this context, an independent board member elected by the general meeting may not:*

- *be an employee of the company or have been employed by the company within the past five years*
- *be or have been a member of the Group Executive Management of the company*
- *be a professional consultant to the company or be employed by, or have a financial interest in, a company which is a professional consultant to the company*
- *have some other essential strategic interest in the company other than that of a shareholder.*

*The Committee **recommends** that at least once a year, the Board of Directors lists the names of the members of the Board of Directors who are not regarded as independent persons and also discloses whether new candidates for the Board of Directors are considered independent persons and states the grounds for such consideration. The Committee **recommends** that the members of the Group Executive Management of a company are not members of the Board of Directors of the same company.*

*The Committee **recommends** that the annual report contains the following information about board members:*

- *occupation of the individual board member*
- *other managerial positions and directorships held by the board member in Danish and foreign companies as well as demanding organisational tasks performed by that individual*
- *number of shares, options and warrants held by the board member in the company and group enterprises as well as changes in the member's portfolio of the mentioned securities having taken place during the financial year.*

Sydbank complies in part with the recommendation.

The annual report provides a list of the members of the Board of Directors as well as information about individual board members' backgrounds, including other executive management positions and directorships.

5) Board members elected by the staff

*The Committee **recommends** that the individual company considers the need to explain the system of staff-elected board members in the company's annual report or on its website.*

Sydbank complies with the recommendation.

The considerations of the Board of Directors have resulted in the conclusion that such an explanation is not necessary in light of the fact that the system of staff-elected board members is provided for in legislation and is moreover regarded as common knowledge.

6) Meeting frequency

*The Committee **recommends** that the Board of Directors meets at regular intervals according to a predetermined meeting and work schedule or when meetings are deemed necessary or appropriate as required by the company. The annual meeting frequency should be published in the annual report.*

Sydbank complies with the recommendation.

The Board of Directors holds ordinary board meetings at least ten times a year.

7) Time allocated to board work and the number of directorships

*The Committee **recommends** that a board member who is also a member of the executive management of an active company does not hold more than three ordinary directorships or one chairmanship and one ordinary directorship in companies not forming part of the group unless in exceptional circumstances.*

Sydbank does not comply with the recommendation, see V.1.

The Board of Directors deems it important that all board members possess the necessary resources to make an active contribution to the board. However the Board of Directors finds that the relevant issue in this respect is not the number of positions but the associated workload.

8) Retirement age

*The Committee **recommends** that the company agrees on a retirement age for members of the Board of Directors. The annual report should contain information about the age of the individual members of the Board of Directors.*

Sydbank complies with the recommendation.

The retirement age for members of the Board of Directors is 65.

9) Term of office

*The Committee **recommends** that members of the Board of Directors are up for re-election every year at the general meeting. The balance between replacement and continuity on the Board of Directors must be ensured in particular as regards the chairmanship and the vice-chairman. The annual report should state when the individual member of the Board of Directors joined the board, whether the member of the Board of Directors was re-elected and when the new term of office expires.*

Sydbank does not comply with the recommendation.

Board members are elected for a four-year term with the possibility of re-election. The terms are staggered such that all board members are not up for election in the same year. Consequently the continuity of the Board's work is ensured.

10) Use of board committees

*The specific conditions of each individual company, including the size and modus operandi of the Board of Directors as well as the size and complexity of the company, determine whether to establish a board committee. The Committee **recommends** that the Board of Directors considers and decides whether to establish committees, including nomination, remuneration and audit committees.*

*If the Board of Directors appoints a committee, the Committee **recommends** that such appointment takes place only in connection with matters relating to specific issues for the purpose of preparing decisions to be made by all the members of the Board of Directors. It is essential that the Board of Directors ensures that the appointment of a board committee does not cause important information intended for all members of the Board of Directors to be communicated to the board committee only.*

*In the event of appointment of a board committee, the Committee **recommends** that the Board of Directors draws up terms of reference for that committee setting out its responsibilities and powers. Important issues included in the terms of reference of the individual board committee should be described in the company's annual report. Furthermore the annual report should list the names of the members of the individual board committee as well as the number of meetings of that committee held during the year.*

Sydbank complies with the recommendation.

The Bank does not use committees as the Board of Directors deems that the meeting frequency of the Board of Directors allows for all significant discussions and decisions to be carried out by the entire Board of Directors.

11) Self-assessment of the work of the Board of Directors

*The Committee **recommends** that the Board of Directors establishes an assessment procedure that regularly and systematically evaluates the work, results and composition of the Board of Directors as well as the work and results of the individual members, including the chairman, for the purpose of improving the Board's work and that the criteria for assessment are clearly defined. Assessing the Board of Directors as a whole implies a clear need to evaluate the extent to which previously established strategic goals and plans have been met. The Committee **recommends** that such assessment is made once a year, that the chairman of the board is in charge of this process, drawing on external support, if necessary, that the outcome is discussed by the entire Board of Directors and that the board provides details of its procedures of self-assessment in the company's annual report.*

Sydbank does not comply with the recommendation, see V.1.

12) Assessment of the work of the Group Executive Management

*The Committee **recommends** that the Board of Directors assesses the Group Executive Management's work and results once a year according to previously established explicit criteria.*

Sydbank complies with the recommendation.

13) Assessment of the collaboration between the Board of Directors and the Group Executive Management

*The Committee **recommends** that the Group Executive Management and the Board of Directors establish a procedure to assess the collaboration between the Group Executive Management and the Board of Directors at an annual meeting between the group chief executive and the board chairman and that the outcome of such assessment is presented to the entire Board of Directors.*

Sydbank does not comply with the recommendation.

The Board of Directors deems that, given the high meeting frequency as well as its close collaboration with the Group Executive Management, it has the necessary dialogue in terms of ongoing collaboration as well as the results achieved.

VI. Remuneration of the members of the Board of Directors and the Group Executive Management

1) Remuneration

*The Committee **recommends** that the total remuneration (basic pay, bonus, price-related incentive schemes, pension schemes, severance pay and other benefits) is at a competitive and fair level, reflecting the independent performance and value creation in the company of the members of the Group Executive Management and the Board of Directors.*

Sydbank complies with the recommendation.

2) Remuneration policy

*The Committee **recommends** that the Board of Directors adopts a remuneration policy and that the company discloses the contents of such policy in its annual report.*

The company's remuneration policy reporting should include a statement explaining how such policy was implemented in the past financial year, how such policy is implemented in the current financial year and how the company plans to implement it in the next financial year.

*The Committee **recommends** that the remuneration policy reflects the interests of the shareholders and the company, matches the specific conditions of the company and is reasonable in relation to the tasks and responsibilities of the members of the Group Executive Management and the Board of Directors. The remuneration policy should include a statement explaining basic pay, the basis on which bonus is calculated, price-related incentive schemes, pension schemes and other benefits as well as the relationship between basic pay and such benefits. The remuneration policy should be*

formulated in such a way that it promotes long-term behaviour and is transparent and easy to understand.

The company's remuneration policy should be mentioned in the statement given by the chairman at the company's general meeting. The remuneration of the Board of Directors should be presented for adoption at the general meeting when the annual report for the previous year is submitted for adoption.

Sydbank does not comply with the recommendation.

The Board of Directors receives a fixed remuneration, the total amount of which appears from the annual report. The Board of Directors does not participate in option schemes and consequently the Board of Directors does not find it necessary to treat remuneration as an individual agenda item at general meetings.

3) Openness about remuneration

*The Committee **recommends** that the annual report includes information about the amounts of total remuneration of the individual members of the Board of Directors and the Group Executive Management as well as other benefits of a material nature provided or granted to such members by the company or other companies within the same group.*

*In connection with defined-contribution pension schemes the Committee **recommends** that details are provided for contributions made or to be made by the company for a management member in the relevant financial year. In connection with defined-benefit pension schemes the Committee **recommends** that details are provided for changes in benefits saved for the individual during the relevant financial year.*

Sydbank does not comply with the recommendation.

The Board of Directors does not deem information about remuneration received by individuals as relevant to the public. In the opinion of the Board of Directors the information contained in the annual report on the total remuneration to the Board of Directors and Group Executive Management is satisfactory.

The Board of Directors estimates that the conditions of service, including severance terms, of the Group Executive Management comply with common practice in this area. The conditions of service are subject to ongoing evaluation. Pension obligations as regards the Group Executive Management have been provided for.

The Group Executive Management does not receive performance-related pay.

4) Principles for establishing incentive schemes

*The Committee **recommends** that the remuneration of the Board of Directors does not consist of share option schemes. The general meeting should pass any resolution in this respect.*

*If the remuneration of the members of the Group Executive Management consists of share or subscription options, the Committee **recommends** that the schemes are set up as roll-over schemes (ie options are allocated and expire over a number of years) and*

that the redemption price is higher than the market price at the time of allocation. The schemes should be designed in a way that promotes long-term behaviour and be transparent and easy to understand, even for outsiders. Measurement must be in accordance with generally accepted methods.

Sydbank complies with the recommendation.

Neither the Board of Directors nor the Group Executive Management receives remuneration by means of share option schemes.

5) Information about the introduction of incentive schemes

*The Committee **recommends** that the notice convening a general meeting to consider the introduction of subscription options or any other share-based incentive scheme includes an easy-to-understand statement for the shareholders explaining such decision. The statement should include information about the most important terms and conditions of the scheme and list the names of the members of the Board of Directors and Group Executive Management participating in the scheme. The statement should include details to shed light on whether the schemes are consistent with the overall remuneration policy.*

In addition the shareholders should receive easy-to-understand information outlining how the company intends to provide the shares needed to fulfil the company's obligations in connection with the incentive scheme. The statement should include whether the company intends to acquire the necessary shares in the market, whether the company currently holds such shares in its portfolio or whether it will issue new shares. The statement should also include information about the total costs of the scheme, including direct as well as indirect costs.

The recommendations are not currently applicable to Sydbank.

The Bank's Board of Directors does not participate in incentive schemes. The Board of Directors deems that the remuneration of the Group Executive Management is the business of the Board of Directors.

6) Severance schemes for the members of the Group Executive Management

*The Committee **recommends** that information about the most important aspects of severance schemes is disclosed in the company's annual report.*

Sydbank complies with the recommendation.

VII. Risk management

1) Identification of risks

*The Committee **recommends** that the Board of Directors and the Group Executive Management, when formulating the company's strategy and overall goals, identify the greatest business risks involved in achieving such strategy and goals.*

Sydbank complies with the recommendation.

2) Plan for risk management

*The Committee **recommends** that the Group Executive Management prepares a plan for the company's risk management on the basis of the risks identified and submits this plan to the Board of Directors for approval. The Group Executive Management should regularly report to the Board of Directors to allow the latter to systematically follow the trends in significant risk areas. Such reporting may include procedures and action plans to eliminate, reduce, divide or accept these risks.*

Sydbank complies with the recommendation.

3) Openness regarding risk management

*The Committee **recommends** that the company's annual report includes information about the company's risk management activities.*

Sydbank complies with the recommendation.

VIII. Audit

1) The Board of Director's nomination of an auditor candidate

*The Committee **recommends** that having consulted the Group Executive Management, the Board of Directors makes a specific and critical assessment of the auditor's independence and competence, etc to be used in connection with the nomination of a candidate at the general meeting.*

Sydbank complies with the recommendation.

2) Agreement with the auditor

*The Committee **recommends** that the auditor agreement and the auditor's fee are agreed between the company's Board of Directors and the auditor.*

Sydbank does not comply with the recommendation.

The auditor agreement is concluded by the Bank's Group Executive Management and the auditor.

3) Non-audit services

*The Committee **recommends** that every year, the Board of Directors lays down the overall, general scope of the auditor's provision of non-audit services with a view to ensuring the auditor's independence etc.*

Sydbank does not comply with the recommendation.

The non-audit services of the external auditor are related primarily to issues concerning operations, tax and accounting. Such agreements are concluded by the relevant division on behalf of the Bank.

4) Internal control systems

*The Committee **recommends** that at least once a year, the Board of Directors reviews and assesses the internal control systems within the company as well as the*

management's guidelines for and supervision of such systems. If the company has an internal audit, the Board of Directors should consider the extent to which this function is able to assist the Board of Directors in this work.

Sydbank complies with the recommendation.

5) Accounting policies and accounting estimates

*When the Board of Directors reviews the annual report (or a draft of it) together with the auditor, the Committee **recommends** that particular efforts are made to discuss the accounting policies applied in the most important areas as well as important accounting estimates. The expediency of the accounting policies applied should be assessed.*

Sydbank complies with the recommendation.

6) Result of the audit

*The Committee **recommends** that the result of the audit is discussed at meetings with the Board of Directors for the purpose of reviewing the auditor's observations and opinion, possibly on the basis of the long-form audit report.*

Sydbank complies with the recommendation.

7) Audit committee

*In companies with complex accounting and audit conditions, the Committee **recommends** that the Board of Directors considers establishing an audit committee to assist the Board of Directors in accounting and audit matters.*

Sydbank does not comply with the recommendation.

In general the Board of Directors does not set up committees.

29 January 2008/MA