

## Notes – Danske Bank Group

### 33. Remuneration of management and material risk takers

This note gives information on the remuneration of the management of the Group in the form of the Board of Directors and the Executive Board, and of other material risk takers. This note further includes information on the Group's share-based payment.

#### (a) Remuneration of the Board of Directors

Danske Bank's directors receive fixed remuneration only and are not covered by incentive programmes. Directors also receive a fee for board committee membership. The Board of Directors is remunerated by the Parent Company, Danske Bank A/S. No director has received remuneration for membership of the Executive Board or the Board of Directors in any of the Group's subsidiaries. The Group has no pension obligations towards the directors.

Remuneration of the Board of Directors (DKK thousands)	2017	2016
Ole Andersen	2,284	2,054
Urban Bäckström	884	811
Lars-Erik Brenøe	658	521
Jørn P. Jensen	793	771
Rolv Erik Ryssdal	643	601
Carol Sergeant	973	951
Martin Tivéus <sup>1)</sup>	529	-
Hilde Merete Tonne	778	476
Dorte Annette Bielefeldt <sup>3)</sup>	131	-
Kirsten Ebbe Brich	523	511
Carsten Eilertsen	523	511
Charlotte Hoffmann	643	631
Trond Ø. Westlie <sup>2)</sup>	223	932
Steen Lund Olsen <sup>4)</sup>	391	511
Lars Förberg <sup>5)</sup>	-	155
Jim Hagemann Snabe <sup>5)</sup>	-	155
<b>Total remuneration</b>	<b>9,973</b>	<b>9,593</b>
<b>Remuneration for committee work included in total remuneration</b>	<b>2,200</b>	<b>2,180</b>

1) From 16 March 2017

2) Until 16 March 2017

3) From 29 September 2017

4) Until 29 September 2017

5) Until 17 March 2016



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#### (c) Remuneration of other material risk takers

Danske Bank Group is required to identify all employees whose professional activities could have a material impact on the risk profile of Danske Bank in accordance with current legislation. Other material risk takers do not include members of the Board of Directors or the Executive Board.

At the end of 2017, 726 other material risk takers were designated (end of 2016: 838 FTEs). During 2017, 752 full-time-equivalents were designated as other material risk takers (2016: 835 FTEs). The reduction in the number of material risk takers is due mainly to changes to the designation criteria for material risk takers. The 752 FTEs designated as other material risk takers earned remuneration of DKK 1,446 million (2016: 835 FTEs earned remuneration of DKK 1,585 million), with fixed remuneration amounting to DKK 1,103 million and variable remuneration amounting to DKK 343 million (2016: DKK 1,224 million and DKK 361 million, respectively). Variable pay for 2017 is estimated, as the final figure is determined at the end of February 2018. The final variable pay will be published in the Danske Bank Group Remuneration Report 2017, which provides additional quantitative information on the remuneration of material risk takers. Remuneration Report 2017 will be available at [danskebank.com/remuneration](http://danskebank.com/remuneration) and is expected to be published on 8 March 2018.

Of the above remuneration for 2017, 396 FTEs designated as other material risk takers at the Parent Company, Danske Bank A/S, earned remuneration of DKK 995 million (2016: DKK 1,133 million to 470 FTEs), with fixed remuneration amounting to DKK 734 million and variable remuneration amounting to DKK 261 million (2016: DKK 836 million and DKK 297 million, respectively).

The Group's pension obligations towards other material risk takers amounted to DKK 846 million to 128 employees at year-end 2017 (31 December 2016: DKK 951 million and 144 employees).

Variable payment for other material risk takers is split into cash and shares according to EBA regulations. Further, 40-60% of variable payments are deferred for a minimum of three years. All variable payments are subject to claw back provisions if granted on the basis of data which has subsequently proven to be inaccurate.

#### (d) Share-based payment

The total expense recognised under Operating expenses in 2017 arising from share-based payments was DKK 150 million (2016: DKK 171 million). All share-based payments are equity-settled. The exact number of shares granted for 2017 will be determined at the end of February 2018.

Effective from 2010, the Group has granted rights to conditional shares under the bonus structure for material risk takers and other employees as part of their variable remuneration. Such employees have a performance agreement based on the performance of the Group, the business unit and the individual employee. Part of the Danske Bank shares granted to material risk takers are, as required by the EBA, deferred (see section (c) above on variable payment). The fair value at the grant date is measured at the expected monetary value of the underlying agreement.

Part of the fixed salary to the Executive Board is paid in shares (fixed salary shares). The amount of shares is determined on the basis of the share price each month. There are no vesting requirements attached to the fixed salary shares, and the shares are fully acquired by the Executive Board member each month. The variable remuneration of the Executive Board is provided as part of a Short-term Incentive Programme and a Long-term Incentive Programme. The Short-term Incentive Programme is structured as the programme for other material risk takers, as described above, with the exception that, according to EBA regulation, the rights to Danske Bank shares are deferred for five years, followed by a one-year retention period before the shares are available to trade. The Long-term Incentive Programme is based on total shareholder return performance relative to peers over a three-year performance period. The first pay-out will be in 2018, based on the performance in 2015, 2016 and 2017. The current 2017 Long-term Incentive Programme vests over three years (2017-2019). After the vesting period, part of the shares will be paid out. The remaining shares are deferred for five years, followed by a one-year retention period before the shares are available to trade. The deferred remuneration is subject to back-testing and claw-back. The fair value of the Long-term Incentive Programmes at the grant date was DKK 5.8 million for the 2017 programme and DKK 7.5 million for the 2016 programme. The fair value of the shares is calculated at the grant date, which includes valuing market conditions. The estimated fair value is based on relevant assumptions, which relate to the expected return on equity and volatility relative to peers. The fair value at grant date is expensed over the three-year vesting period.

From 2017, the Short-term Incentive Programme and the Long-term Incentive Programme apply to Group management, that is, the Executive Board and the Group heads of Human Resources and Marketing & Communications.

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Conditional shares	Number			Employee payment price (DKK)	Fair value (FV)	
	Executive Board	Other staff	Total		At issue (DKK m)	End of year (DKK m)
<b>Granted in 2013</b>						
1 January 2016	25,648	1,765,830	1,791,478	0.0-1.1	191.3	430.9
Vested 2016	-18,096	-1,351,868	-1,369,964	0.0-1.1	-	-
Forfeited 2016	-	-1,589	-1,589	-	-	-
Other changes 2016	-1,486	-193,352	-194,838	-	-	-
31 December 2016	6,066	219,021	225,087	0.0-1.1	24.0	54.1
Vested 2017	-6,066	-16,771	-22,837	0.0-1.1	-	-
Forfeited 2017	-	-12,845	-12,845	-	-	-
Other changes 2017	-	-	-	-	-	-
31 December 2017	-	189,405	189,405	0.0-1.1	20.2	45.6
<b>Granted in 2014</b>						
1 January 2016	45,977	804,438	850,415	0.0-1.4	115.3	204.4
Vested 2016	-8,674	-4,412	-13,086	0.0-1.4	-	-
Forfeited 2016	-	-30,329	-30,329	-	-	-
Other changes 2016	2,639	-2,639	-	-	-	-
31 December 2016	39,942	767,058	807,000	0.0-1.4	109.4	193.9
Vested 2017	-19,845	-766,288	-786,133	0.0-1.4	-	-
Forfeited 2017	-	6,788	6,788	-	-	-
Other changes 2017	-	-	-	-	-	-
31 December 2017	20,097	7,558	27,655	0.0-1.4	3.8	6.7
<b>Granted in 2015</b>						
1 January 2016	12,697	649,764	662,461	0.0-1.7	111.3	158.9
Vested 2016	-	-5,424	-5,424	0.0-1.7	-	-
Forfeited 2016	-	-19,412	-19,412	-	-	-
Other changes 2016	-1,295	-1,822	-3,117	-	-	-
31 December 2016	11,402	623,106	634,508	0.0-1.7	106.6	152.2
Vested 2017	-	-	-	-	-	-
Forfeited 2017	-	-17,019	-17,019	-	-	-
Other changes 2017	-	-	-	-	-	-
31 December 2017	11,402	606,087	617,489	0.0-1.7	103.7	148.2
<b>Granted in 2016</b>						
1 January 2016	21,985	973,081	995,066	-	181.3	240.4
Vested 2016	-	-334,841	-334,841	-	-	-
Forfeited 2016	-	-34,419	-34,419	-	-	-
Other changes 2016	-	-	-	-	-	-
31 December 2016	21,985	603,821	625,806	-	114.0	151.2
Vested 2017	-	-1,683	-1,683	-	-	-
Forfeited 2017	-	-17,292	-17,292	-	-	-
Other changes 2017	-2,562	4,655	2,093	-	-	-
31 December 2017	19,423	589,501	608,924	-	110.9	147.1
<b>Granted in 2017</b>						
1 January 2017	27,464	827,251	854,715	-	203.0	206.5
Vested 2017	-505	-295,002	-295,507	-	-	-
Forfeited 2017	-	-20,529	-20,529	-	-	-
Other changes 2017	-	-	-	-	-	-
31 December 2017	26,959	511,720	538,679	-	127.9	130.1

Other staff includes material risk takers and other employees eligible for share-based payment.

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#### Holdings of the Executive Board and fair value at 31 December 2017

Grant year	2013-2017 Number	FV (DKK m)
Thomas F. Borgen	18,121	4.4
Jacob Aarup-Andersen	3,596	0.9
Tonny Thierry Andersen	10,278	2.5
James Ditmore	27,250	6.6
Carsten Egeriis	-	-
Lars Mørch	9,988	2.4
Jesper Nielsen	1,449	0.4
Glenn Söderholm	7,199	1.7

#### Holdings of the Executive Board and fair value at 31 December 2016

Grant year	2012-2016 Number	FV (DKK m)
Thomas F. Borgen	13,270	2.8
Jacob Aarup-Andersen	3,952	0.8
Tonny Thierry Andersen	8,261	1.8
James Ditmore	31,937	6.8
Gilbert Kohnke	2,562	0.5
Lars Mørch	7,691	1.6
Jesper Nielsen	-	-
Glenn Söderholm	11,722	2.5

In 2017, the average price at the vesting date for rights to conditional shares was DKK 240.6 (2016: DKK 191.4).