

Notes – Danske Bank Group

34. Remuneration of management and material risk takers

This note gives information on the remuneration of the Group's management 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) | 2018 | 2017 |
|---|---------------|--------------|
| Karsten Dybvad 1) | 154 | - |
| Jan Thorsgaard Nielsen 1) | 65 | - |
| Carol Sergeant | 1,149 | 973 |
| Ingrid Bonde 2) | 690 | - |
| Lars-Erik Brenøe | 660 | 658 |
| Jens Due Olsen 2) | 687 | - |
| Rolv Erik Ryssdal | 657 | 643 |
| Hilde Tonne | 706 | 778 |
| Bente Bang 2) | 403 | - |
| Kirsten Ebbe Brich | 534 | 523 |
| Thorbjørn Lundholm Dahl 2) | 403 | - |
| Charlotte Hoffmann | 657 | 643 |
| Ole Andersen 3) | 2,270 | 2,284 |
| Urban Bäckström 4) | 227 | 884 |
| Jørn P. Jensen 3) | 810 | 793 |
| Martin Tivéus 4) | 176 | 529 |
| Dorte Annette Bielefeldt 4) | 131 | 131 |
| Carsten Eilertsen 4) | 131 | 523 |
| Trond Ø. Westlie 5) | - | 223 |
| Steen Lund Olsen 6) | - | 391 |
| Total remuneration | 10,511 | 9,973 |
| Remuneration for committee work included in total remuneration | 2,320 | 2,200 |

1. From 7 December 2018

2. From 15 March 2018

3. Until 7 December 2018

4. Until 15 March 2018

5. Until 16 March 2017

6. Until 29 September 2017

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(b) Remuneration of the Executive Board

For the Executive Board, a total remuneration of DKK 87.0 million for 2018 (2017: DKK 86.2 million) has been expensed, with fixed remuneration amounting to DKK 70.7 million (2017: DKK 65.8 million) and variable remuneration amounting to DKK 16.3 million (2017: DKK 20.4 million). Part of the variable remuneration of the Executive Board is provided as a share-based Long-term Incentive Programme as described in section (d). The variable share-based payment for 2018 includes deferred variable payments from the Short-term Incentive Programme to be paid in future financial years, in accordance with EBA regulations, and prorated provisions for the Long-term Incentive Programme. Danske Bank Group's Remuneration Policy, March 2018 provides more information on the Group's remuneration policy. The policy is available at danskebank.com/remuneration-policy. "Total paid" remuneration comprises fixed salary, 2018 payments to pension plans, variable cash payments for 2018, pay-out of deferred cash payment for previous financial years and exercised rights to conditional shares for previous financial years. Membership of the Board of Directors in one or more of the Group's subsidiaries is not remunerated separately but considered part of the Executive Board responsibilities and as such part of the remuneration of the Executive Board.

Remuneration of the Executive Board

| 2018 (DKK millions) | Jesper | Jacob | Christian | James | Carsten | Henriette | Jakob | Glenn | Frederik | Philippe |
|---|------------|----------------|------------|-------------|---------------|-----------------|------------|------------|-----------------|-------------|
| | Nielsen | Aarup-Andersen | Baltzer | Ditmore | Rasch Egeriis | Fenger Ellekrog | Groot | Söderholm | Gjessing Vinten | Vollot |
| Fixed salary* | 6.5 | 7.0 | 1.3 | 8.0 | 7.6 | 2.8 | 5.1 | 6.8 | 3.0 | 1.2 |
| Pension | 1.3 | 1.4 | 0.3 | - | - | 0.5 | - | 1.3 | 0.5 | - |
| Variable cash payment** | - | - | 1.5 | - | - | - | - | - | - | 10.0 |
| <i>of which remuneration under the short-term incentive programme 2018***</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> |
| Variable share-based payment | 0.4 | 0.6 | - | 0.7 | 0.3 | 0.2 | 0.1 | 0.8 | 0.1 | - |
| <i>of which remuneration under the short-term incentive programme 2018***</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> | <i>0.0</i> |
| Total expensed | 8.2 | 9.0 | 3.1 | 8.7 | 7.9 | 3.5 | 5.2 | 8.9 | 3.6 | 11.2 |
| Total paid | 8.1 | 8.7 | 3.1 | 11.3 | 7.8 | 3.3 | 5.1 | 9.1 | 3.5 | 11.2 |

*Fixed salary includes fixed cash salary and other benefits.

** Variable cash payment includes sign-on fees.

*** In view of the exceptional circumstances in 2018 the Executive Board has waived its right to earned remuneration under the 2018 short-term incentive programme.

Henriette Fenger Ellekrog, Jakob Groot and Frederik Gjessing Vinten joined the Executive Board on 2 May 2018. Christian Baltzer joined the Executive Board on 15 October 2018. Philippe Vollot joined the Executive Board on 26 November 2018.

Thomas F. Borgen resigned from his position as CEO of the Group on 19 September 2018 and was relieved of his duties on 1 October 2018. In view of the exceptional circumstances in 2018, Thomas F. Borgen has waived his right to earned remuneration under the 2018 short-term incentive programme. During his period in 2018 as CEO, Thomas F. Borgen earned remuneration of DKK 11.9 million, which consists of fixed salary of DKK 9.3 million, pension of DKK 1.6 million, variable cash payment of DKK 0.0 million and variable share-based payment (under the long-term incentive programme) of DKK 1.0 million. Paid remuneration amounts to DKK 12.7 million. His employment with Danske Bank Group ends on 30 September 2019. During this period Thomas F. Borgen earns a further DKK 15.0 million (of which DKK 3.6 million was paid in 2018). He has forfeited the right to previously earned variable share based payments under long-term and short-term incentive programmes of DKK 7.2 million (including the DKK 1.0 million earned in 2018 under the long-term incentive programme).

Tonny Thierry Andersen resigned from his position as a member of the Executive Board on 6 April 2018. Effective from 2 May 2018, Tonny Thierry Andersen was no longer a member of the Executive Board. In view of the exceptional circumstances in 2018, Tonny Thierry Andersen has waived his right to earned remuneration under the 2018 short-term incentive programme. During his period in 2018 as member of the Executive Board, Tonny Thierry Andersen earned remuneration of DKK 3.1 million, which consists of fixed salary of DKK 2.4 million, pension of DKK 0.4 million, variable cash payment of DKK 0.0 million and variable share-based payment (under the long-term incentive programmes) of DKK 0.3 million. Paid remuneration amounts to DKK 3.9 million. His employment with Danske Bank Group ends on 30 October 2019. During this period Tonny Thierry Andersen earns a further DKK 14.7 million (of which DKK 5.8 million was paid in 2018).

Lars Mørch resigned from his position as a member of the Executive Board on 5 April 2018. Effective from 21 April 2018, Lars Mørch was no longer a member of the Executive Board. In view of the exceptional circumstances in 2018, Lars Mørch has waived his right to earned remuneration under the 2018 short-term incentive programme. During his period in 2018 as member of the Executive Board, Lars Mørch earned remuneration of DKK 2.7 million, which consists of fixed salary of DKK 2.1 million, pension of DKK 0.3 million, variable cash payment of DKK 0.0 million and variable share-based payment (under the long-term incentive programmes) of DKK 0.3 million. Paid remuneration amounts to DKK 3.6 million. His employment with Danske Bank Group ends on 30 October 2019. During this period Lars Mørch earns a further DKK 12.6 million (of which DKK 5.6 million was paid in 2018). He has forfeited the right to previously earned variable share based payments under long-term and short-term incentive programmes of DKK 3.6 million.

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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 2018, 651 other material risk takers were designated (end of 2017: 726 FTEs). During 2018, 653 full-time-equivalents were designated as other material risk takers (2017: 752 FTEs). The reduction in the number of material risk takers is due mainly to changes to the designation criteria for material risk takers following the merger of Danske Bank Plc into the Parent Company, Danske Bank A/S. The 653 FTEs designated as other material risk takers earned remuneration of DKK 1,358 million (2017: 752 FTEs earned remuneration of DKK 1,446 million), with fixed remuneration amounting to DKK 1,033 million and variable remuneration amounting to DKK 325 million (2017: DKK 1,103 million and DKK 343 million, respectively). Variable pay for 2018 is estimated and the final figure is determined at the end of February 2019. The final variable pay will be published in the Danske Bank Group Remuneration Report 2018, which provides additional quantitative information on the remuneration of material risk takers. Remuneration Report 2018 will be available at danskebank.com/remuneration and is expected to be published on 15 March 2019.

Of the above remuneration for 2018, 383 FTEs designated as other material risk takers at the Parent Company, Danske Bank A/S, earned remuneration of DKK 1,036 million (2017: DKK 995 million to 396 FTEs), with fixed remuneration amounting to DKK 747 million and variable remuneration amounting to DKK 289 million (2017: DKK 734 million and DKK 261 million, respectively).

The Group's pension obligations towards other material risk takers amounted to DKK 699 million to 107 employees at year-end 2018 (31 December 2017: DKK 846 million and 128 employees). Variable payment for other material risk takers is split into cash and equity 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 manifestly misstated or inaccurate.

(d) Share-based payment

The total expense recognised as Operating expenses in 2018 arising from share-based payments was DKK 93 million (2017: DKK 150 million). All share-based payments are equity-settled. The exact number of shares granted for 2018 will be determined at the end of February 2019.

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.

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. However, the rights to Danske Bank shares are deferred for five years, followed by a one year retention period before 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 was in 2018, based on the performance in 2015, 2016 and 2017. The current 2018 Long-term Incentive Programme vests in three years (2018-2020) and will be settled and paid out in 2021. After the vesting period, part of the shares will be paid out. The remaining shares are deferred for five years from grant date followed by a one year retention period before 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 5.3 million for the 2018 programme and DKK 5.8 million for the 2017 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.

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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) |
| Granted in 2013 | | | | | | |
| 1 January 2017 | 6,066 | 219,021 | 225,087 | 0.0-1.1 | 24.0 | 28.8 |
| 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 | 24.2 |
| Vested 2018 | - | -42,676 | -42,676 | 0.0-1.1 | | |
| Forfeited 2018 | - | -1,848 | -1,848 | - | | |
| Other changes 2018 | - | - | - | - | | |
| 31 December 2018 | - | 144,881 | 144,881 | 0.0-1.1 | 15.5 | 18.5 |
| Granted in 2014 | | | | | | |
| 1 January 2017 | 39,942 | 767,058 | 807,000 | 0.0-1.4 | 109.4 | 103.0 |
| 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 | 3.6 |
| Vested 2018 | -20,097 | -4,046 | -24,143 | 0.0-1.4 | | |
| Forfeited 2018 | - | -3,512 | -3,512 | - | | |
| Other changes 2018 | - | - | - | - | | |
| 31 December 2018 | - | - | - | 0.0-1.4 | - | - |
| Granted in 2015 | | | | | | |
| 1 January 2017 | 11,402 | 623,106 | 634,508 | 0.0-1.7 | 106.6 | 80.7 |
| 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 | 78.6 |
| Vested 2018 | -595 | -555,434 | -556,029 | 0.0-1.7 | | |
| Forfeited 2018 | - | -3,032 | -3,032 | - | | |
| Other changes 2018 | -7,931 | -13,244 | -21,175 | - | | |
| 31 December 2018 | 2,876 | 34,377 | 37,253 | 0.0-1.7 | 6.3 | 4.7 |
| Granted in 2016 | | | | | | |
| 1 January 2017 | 21,985 | 603,821 | 625,806 | - | 114.0 | 80.7 |
| 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 | 78.5 |
| Vested 2018 | - | -1,474 | -1,474 | - | | |
| Forfeited 2018 | -9,528 | -25,533 | -35,061 | - | | |
| Other changes 2018 | -3,077 | 3,077 | - | - | | |
| 31 December 2018 | 6,818 | 565,571 | 572,389 | - | 104.3 | 73.8 |
| Granted in 2017 | | | | | | |
| 1 January 2017 | 27,464 | 827,251 | 854,715 | - | 203.0 | 110.2 |
| 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 | 69.4 |
| Vested 2018 | - | -3,067 | -3,067 | - | | |
| Forfeited 2018 | -11,045 | -17,012 | -28,057 | - | | |
| Other changes 2018 | -4,186 | 4,375 | 189 | - | | |
| 31 December 2018 | 11,728 | 496,016 | 507,744 | - | 120.6 | 65.4 |
| Granted in 2018 | | | | | | |
| 1 January 2018 | 169,901 | 700,499 | 870,400 | - | 204.0 | 112.2 |
| Vested 2018 | -19,972 | -252,435 | -272,407 | - | | |
| Forfeited 2018 | -39,334 | -18,547 | -57,881 | - | | |
| Other changes 2018 | -32,016 | 32,016 | - | - | | |
| 31 December 2018 | 78,579 | 461,533 | 540,112 | - | 126.6 | 69.6 |

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

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Holdings of conditional shares of the Executive Board and fair value at 31 December 2018

| Grant year | 2013-2018 Number | FV (Dkk m) |
|---------------------------|---------------------|---------------|
| Jesper Nielsen | 12,505 | 1.6 |
| Jacob Aarup-Andersen | 16,627 | 2.1 |
| Christian Baltzer | - | - |
| James Ditmore | 27,024 | 3.5 |
| Carsten Rasch Egeriis | 6,128 | 0.8 |
| Henriette Fenger Ellekrog | 4,387 | 0.6 |
| Jakob Groot | 8,319 | 1.1 |
| Glenn Söderholm | 24,425 | 3.1 |
| Frederik Gjessing Vinten | 587 | 0.1 |
| Philippe Vollot | - | - |

Holdings of conditional shares 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 Rasch Egeriis | - | - |
| Lars Mørch | 9,988 | 2.4 |
| Jesper Nielsen | 1,449 | 0.4 |
| Glenn Söderholm | 7,199 | 1.7 |

In 2018, the average price at the vesting date for rights to conditional shares was DKK 165.5 (2017: DKK 240.6).