

10 April 2014

File No. 6252-0155

MEMORANDUM

Statement on inspection at Danske Bank A/S

1. Introduction

In November 2013, the Danish FSA conducted an inspection of Danske Bank A/S focusing on the bank's compliance with the rules on remuneration at financial undertakings.

During the inspection, the FSA, making a risk-based assessment, reviewed the bank's compliance with material areas, focusing in particular on the bank's remuneration policy, including the processes for determining the contents on the remuneration policy and the bank's use of variable pay and its designation of material risk takers.

2. Summary and risk assessment

The members of the Board of Directors receive fixed remuneration only. The members of the Executive Board and the company's other material risk takers receive both fixed and variable pay. The members of the Executive Board may receive variable pay amounting to up to 20% of their fixed pay. Other material risk takers may receive variable pay amounting to up to 200% of their fixed pay. The FSA is of the opinion that this increases the risk that this group of people has an incentive to undertake more risky transactions.

The FSA cannot see from Danske Bank A/S's remuneration policy what suitable caps have been set for the variable pay components of the bank's material risk takers. Consequently, the general meeting has not been able to discuss the level of the cap. The FSA has ordered the bank to ensure that such a cap is stated in the remuneration policy in future.

Before the inspection took place, Danske Bank Group had detected four cases of agreements on bonus payments not complying with the bank's remuneration policy. The reason was that the agreements had been concluded locally by group companies and some of the bank's departments.

Against that background, the bank had changed its approval procedure for contracts that include elements of variable pay so that these are subject to the prior approval of the bank's central HR/Group Legal department. On the basis of the information available, the FSA has noticed the change to the approval procedure.