

Report on remuneration 2018

Principles governing remuneration

The purpose of Jyske Bank's remuneration policy is to reward value-creating, competent and responsible conduct as well as to support productivity and job satisfaction. It is also important for the Jyske Bank Group and a statutory requirement of the Danish Financial Business Act that the remuneration policy promotes and is in line with sound and efficient risk management and that it prevents conflicts of interest and strengthens the obligation to act in the best interest of the clients. Finally, the remuneration policy must ensure equal pay for equal work. The remuneration policy adopted applies to all companies of the Jyske Bank Group.

It has always been part of Jyske Bank's remuneration policy not to offer actual commission or bonus schemes with variable remuneration, measured schematically according to results. Share-based remuneration only exists in the form of general schemes comprising all employees.

For 2017 and 2018, all permanent employees of the Jyske Bank Group in Denmark received offers of participating in an employee share scheme according to the provisions of S.7P of the Danish Tax Assessment Act that were introduced in 2016. The scheme is granted for one year at a time, and for 2019 the Supervisory Board has decided to repeat the offer, now with a possibility of opting for up to 20% compared with previously 10% of the remuneration paid out as employee shares. In Germany, a less comprehensive scheme is offered according to German rules.

All remuneration is determined on the basis of a comprehensive assessment of four parameters:

- job profile
- results
- work performance
- competences.

As a consequence of the provisions of the Danish Financial Business Act, the Supervisory Board has adopted the Jyske Bank Group's remuneration policy, and in accordance with the act the remuneration policy must be submitted to members in general meeting for approval when amendments are made. The requirement of adjustments of the remuneration policy to the development of the Group is monitored on an ongoing basis by the Group's HR division which with the necessary internal and external assistance prepares proposals for amendments. After consideration by the Group Executive Board proposals for adjustments are presented to the Remuneration Committee of the Supervisory Board before the proposed amendments are submitted to members in general meeting for adoption.

The Supervisory Board has established a Remuneration Committee consisting of the chairman and the deputy chairman of the Supervisory Board and one of the board members elected by the employees. The committee is in charge of the preparatory work behind the decisions by the Supervisory Board regarding remuneration, including the remuneration policy, yet proposals for adjustment of remuneration of the Supervisory Board and the Shareholders' Representatives are submitted by the Nomination Committee. Moreover, the Remuneration Committee is responsible for controlling compliance with the policy including

that the remuneration of the Supervisory Board and the Shareholders' Representatives takes place according to the rates determined by members in general meeting.

Click to read the policy as adopted by the Jyske Bank Group's members in general meeting on 21 March 2017 www.jyskebank.dk/governance.

Report on the remuneration of the Supervisory Board, Executive Board and material risk-takers in 2018

In 2018, the Remuneration Committee of the Supervisory Board held two meetings. The Remuneration Committee and the Supervisory Board have reviewed the remuneration policy which did not give rise to any amendments.

According to the relevant statutory provisions, the Executive Board recommends to the Supervisory Board the employees whose activities have a material impact on the Group's risk profile. When appointing these employees, the Executive Board and the Supervisory Board find it of great importance both to include all material risk-takers and to define a clear and consistent demarcation that will minimise the uncertainty as to which employees belong to the group of material risk-takers.

Apart from the Group Supervisory Board and the Group Executive Board, the appointed material risk-takers are currently:

- Members of the Group's top management (currently the Jyske Bank Group Management).
- Heads of division and department and professional directors in the Group's trading functions (currently Capital Markets).
- Employees working with the management of the Jyske Bank Group's balance sheet and positions (currently all employees in the Group Treasury Division and in Realkredit Balancestyring).
- Directors as well as heads of division and heads of department being responsible for important control activities in relation to the Group's risk management (currently the head of Compliance, the head of Internal Audit and all heads of division and department as well as the Directors of Finance and Risk Management).
- Employees who may expose the Group to material credit risks (currently employees with powers of granting credits of DKK 150m or more and also employees responsible for control and final preparation of credit recommendations for exposures above DKK 150m).
- Employees with managerial responsibility in material business units reporting directly to the head of the unit (currently business directors and Heads of Division in Personal Clients, Corporate Clients and Private Banking Denmark, heads of department and subsidiaries at Private Banking International and managers referring to the director of Jyske Finans).
- Supervisory Board, Management Board and employees referring to the Management Board of Jyske Realkredit.
- Supervisory Board, Management Board and employees referring to the Management Board of Jyske Invest.
- Managers who according to the Group's business procedures for Product Approval are authorised to approve or veto introduction of new products.

Remuneration broken down by business area

Within the various business areas, the Supervisory Board, the Executive Board as well as material risk-takers in 2018 earned and had the following amounts paid out (Group figures, DKK 1,000):

	Number	Remuneration, total	Remuneration, fixed	Remuneration, variable
Investment	20	25,575	25,403	172
Retail	24	44,264	43,746	518
Asset Management	14	18,362	18,273	89
Others	81	117,514	116,060	1,454
Total	139	205,715	203,482	2,233

The remuneration includes all fees, fixed remuneration, remuneration supplements, bonuses, pension contributions as well as increases in pension provisions. However, in connection with the Executive Board, pension provisions are not included since pension liabilities are actuarial items based on a number of assumptions, including discount rate. Therefore, changes in pension liabilities cannot meaningfully be added to the changes in the annual remuneration of the Executive Board.

The Supervisory Board and the Executive Board are included in the category 'Other'. The number of employees etc. in each category are those who over the year belonged to one of the categories. The actual number at the closing of the financial statements covered nine members of the Supervisory Board, four directors and 106 material risk-takers.

No variable remuneration in excess of the maximum limit of DKK 100,000 was earned or paid out to these persons. In 2018, four members of the Executive Board and a total of 23 material risk-takers received a one-off allowance. The Supervisory Board did not receive any variable remuneration.

Erroneously allocated pension contribution in the years 2012-2017

In connection with control of a one-off amount to a material risk-taker Jyske Bank's HR unit discovered that pension contributions had been allocated of these remuneration components. The allocation has been a consequence of a general principle in the Jyske Bank Collective Agreement that remuneration triggers pension money.

In accordance with legislation on remuneration policy it implies that the total allocated one-off amount was 11%, from 01.07.2016, yet 11.2% (corresponding to the pension rate) higher than the amount previously announced and reported. For the Group Executive Board and the Executive Board of BRFKredit there are, however, no pension contributions in the remuneration contract, and in this respect all amounts have been correct.

The total amounts in the years 2012 to 2017 are DKK 693,410. This amount should have been addressed as variable remuneration, but has by mistake been stated as part of the fixed remuneration in the reporting to the Remuneration Committee in the annual report published at the website and in the reporting to the Danish Financial Supervisory Authority.

Since the amount cannot be considered earned in 2018 and not recognised as an expense or paid out during the year, it is not included in the statements of the variable remuneration in the tables of this report.

In 25 incidents so large one-off allowances were paid that combined with the pension contribution they amounted to more than the permitted triviality threshold of DKK 100,000 per year, and hence legislation and the Jyske Bank Group's remuneration policy have been violated. The total exceedance for the six years amounts to DKK 276,691.

The Remuneration Committee of the Supervisory Board has approved the release of the repayment from the recipients which could theoretically be demanded. Hence, the error has been adjusted internally and a report on the issue has been submitted to the Danish FSA.

Retrospectively up to 1 January 2018, the payments for the financial year have been adjusted, and it has been assured that similar errors will not occur in future. Partly, all variable remuneration components to material risk-takers will in future be paid out without pension contributions and partly it has been controlled that there are no other remuneration types which automatically trigger other payments.

Breakdown of remuneration among the Supervisory Board, Executive Board and material risk-takers

The breakdown by Supervisory Board, Executive Board and material risk-takers of earned and paid out fixed and variable remuneration in 2018 appears from the table below (DKK 1,000):

	Supervisory Board	Executive Board	Material risk-takers
Number of recipients, fixed remuneration	10	5	124
Number of recipients, variable remuneration	0	4	23
Earned fixed remuneration in the financial year, total	6,297	35,799	161,386
Earned variable remuneration in the financial year, total	0	400	1,833

Same definitions of remuneration, etc. as in the preceding table.

No sign-on bonuses were paid during the financial year. In addition to the variable remuneration stated, severance benefits/retirement compensation were paid to three material risk-takers. The benefits/compensation are within the framework of severance benefits/retirement compensation as laid down in statutory provisions and totalled DKK 4,090,631.

In the financial year 2018, four persons were remunerated by between EUR 1 m and EUR 1.5 m.

Individual remuneration of the Supervisory Board and Executive Board

In the past three years, the individual members of the Group Supervisory Board received the total remuneration stated below, cf. Report on Recommendations on Corporate Governance, item 4.2.3.

Remuneration of the Supervisory Board, DKK million			
	2018	2017	2016
Sven Buhrkall	1.5	0.9	0.9
Kurt Bligaard Pedersen	0.9	0.5	0.5
Rina Asmussen	0.6	0.4	0.4
Philip Baruch	0.6	0.5	0.5
Jens A. Borup	0.8	0.5	0.5
Keld Norup	0.6	0.5	0.5
Peter Schleidt (joined on 01.04.2016 and resigned on 30.05.2017)	0.0	0.2	0.2
Oluf Engell (resigned on 31.03.2016)	0.0	0.0	0.1
Haggai Kunisch (resigned on 31.03.2018)	0.1	0.4	0.3
Marianne Lillevang	0.5	0.3	0.3
Christina Lykke Munk (joined on 01.07.2016)	0.4	0.3	0.1
Jesper Holbøll (resigned on 30.06.2016)	0.0	0.0	0.1
Johnny Christensen (joined on 01.04.2018)	0.3	0.0	0.0

In the past three years, the individual members of the Group Executive Board received the total remuneration stated below, cf. Report on Recommendations on Corporate Governance, item 4.2.3.

Remuneration of the Executive Board, DKK million			
	2018	2017	2016
Anders Dam	9.9	10.3	7.2
Sven A. Blomberg (resigned on 31.07.2017)	0.0	10.6	6.9
Niels Erik Jakobsen	7.8	8.0	6.0
Leif F. Larsen (resigned on 30.04.2018)	3.1	6.5	6.0
Per Skovhus	8.5	9.2	6.0
Peter Schleidt (joined on 01.09.2017)	8.3	2.8	0.0

As from 2017 provision for retirement remuneration is included in the total remuneration calculated, and in connection with a remuneration adjustment the provision for this year was raised, which is the background behind the particularly high total remuneration in 2017. For Sven A. Blomberg remuneration paid in connection with retirement is included in 2017.

Information on the most material contents of the retention and severance schemes appears from note 12 in the individual financial statements.