

# REPORT ON IMPLEMENTATION OF AB DNB BANKAS' REMUNERATION POLICY

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This information is prepared and published in implementation of Paragraph 25 of Resolution No. 03-175 dated 23 December 2010 of the Board of the Bank of Lithuania on Amending the Minimal Requirements for Remuneration Policies in Credit Institutions approved by Resolution No.228 of 10 December 2009 of the Board of the Bank of Lithuania as well as Resolution No.1K-9 Regarding the Requirements for Remuneration Policies Applied to the Financial Brokerage Firms, Management Companies and Investment Companies of the Securities Commission dated 3 February 2011.

AB DNB Bankas' (hereinafter – the Bank) Remuneration Policy also applied to the Bank's subsidiaries reflects the Bank's vision and values and is consistent with the policy of the Bank's sole shareholder, Norwegian DNB Bank ASA .

In 2011 the activities of human resources management in the Bank were focussed on smooth employee integration into the international DNB group with major focus on wide communication of the joint vision – creating value through the art of serving the customer – and on fostering the Bank values in daily work.

The Bank's new Remuneration Policy was approved by the Bank's Supervisory Council on 10 April 2012. The goal is to set the Bank's overall remuneration system to help implement the set business strategy, form the corporate business culture, and affirm the Bank's reputation as an attractive employer. The goal is to have a consistent and transparent remuneration system enabling for proper evaluation of each employee's contribution taking into consideration the results achieved, encouraging proper risk management and control, preventing from the possibility to assume too high risk and helping to avoid conflict of interest.

The Remuneration Committee was functioning in 2011 on the group level which inter alia made decisions on the issues of remuneration to senior executives of the subsidiaries. On 10 April 2012, the Supervisory Council of the Bank approved the provisions and composition of Bank's Remuneration Committee.

The Bank's Remuneration Committee consists of 5 members:

|   |   |
|---|---|
| <b>Chairwoman of the Remuneration Committee</b> | Manager of Human Resources Department, Sigutė Dindaitė-Kairienė   |
| <b>Members of the Remuneration Committee</b>    | Manager of the Corporate Banking Department, Dalius Darulis<br>Manager of the Financial Risk Department, Vytautas Jūras<br>Manager of the Sales Management Department, Lijana Žmoginaitė<br>Manager of the Controlling Department Vytautas Naruševičius |

The Committee has to evaluate in a competent and independent manner the variable remuneration policy and application thereof with the aim to manage the Bank's assumed risk, equity and liquidity, submit proposals on components of the remuneration package of the Bank's employees, supervise the variable remunerations of executives responsible for risk management and compliance control, prepare draft decisions regarding variable remuneration to be adopted, after approval of Management Board of the Bank, by the Supervisory Council of the Bank with regard to long-term goals of the Bank, shareholders, and investors.

No external consultants' services were used to draft the Remuneration Policy. No interested persons contributed to drafting the Remuneration Policy.

Major structural parts of the Remuneration Policy:

- definitions;
- fixed remuneration;
- variable remuneration;
- other benefits
- Remuneration Committee;
- Remuneration of controlling units;
- Disclosure of information.

Remuneration consists of:

- Fixed remuneration means the salary fixed in an the employment contract
- Variable remuneration means the variable part of the salary depending on the results which is set in accordance with fulfilment of the set goals, as well as the rights to the Bank's shares, equity linked financial instruments. Variable remuneration can be paid on a monthly, quarterly basis or upon the year-end.
- Collective bonuses means the remuneration which is granted for exceptionally high annual/long-term operating results, sharing the profit. It is paid in the following year by the decision of the Management Board of the Bank;
- Other benefits means accident insurance, health insurance, pension insurance etc.

The remuneration principles in the Bank are related with the employee appraisal results. The annual business goals are set for DNB group, the Bank and the employees at the beginning of each year. A uniform process is applied for appraising the working culture and operating results.

The Remuneration Policy sets forth that the variable remuneration depends on fulfilment of the balanced operating ratios.

Variable annual remuneration including bonuses for the Bank employees may not exceed 50 percent of the annual fixed salary, including any payments to pension funds. Variable annual remuneration for the Markets Department may not exceed 90 percent of the overall annual salary.

The variable remuneration The Variable remuneration by the decision of the Management Board of the Bank or of the Group is paid only when the Bank is in a sustainable financial standing and the set performance of the business unit and/ or employees is fulfilled.

## Principles of the variable remuneration for positions influencing the risk assumed by the Bank

The fixed remuneration to executive managers (the Bank's president, executive vice presidents, division managers, subsidiaries' directors) and to risk assuming persons must comprise a considerable portion of the overall salary.

Calculation of the variable remuneration to risk assuming persons is based on the annual evaluation of the balanced performance ratios and on the overall annual business evaluation. At least three years' performance appraisal results of the employee are taken as the basis.

Given the potential risk related to the evaluated performance of the employee, payment of at least 50 percent of the variable remuneration is deferred to be made in DNB Bank ASA shares or in other financial instruments. Deferred incentive amounts shall be subject to a 3 year period.

A third of the distributed shares are transferred to the beneficiary in one year from the share distribution date, another third are transferred in two years from the distribution date, and one third are transferred in three years from the distribution date. Thus, the ownership right to the shares will go the beneficiary after the shares are transferred thereto. Before transferring the ownership to the shares, the beneficiary has only relative rights to the shares.

Within this period the rights to the shares are relative and further risk assessment must be carried out in order to analyse whether or not the initial risk adjustment was correct. In case the assessment shows that the initial risk assessment was not correct, the rights to the conditionally distributed shares may be cancelled in full or in part.

In case there is a basis to suspect fraud or a serious breach of the internal or external rules, when the employee is accused or charged or in case other circumstances occur under which appointing of a variable remuneration may be treated as unreasonable or controversial, payment of the remuneration may be suspended or cancelled in part or in full, or it may be demanded to repay it after the distribution (refunding).

The annual calculation of the variable remuneration is based on the goals set during the performance review and on the overall assessment. The fulfilment of the annual goals is assessed. At least three years' term must be taken to assess the achieved goals in terms of the variable remuneration. The overall calculation is based on the average arithmetical calculations for the reporting period.

An assessment is carried out in respect of payment of each deferred variable remuneration portion.

The employees may not have signed agreements or employment agreements which are effective as insurance against unreceived variable remuneration.

The employees who resign from their position and who hold shares under minimum holding period must follow the rules regulating minimum holding periods, deferred payments reduction, and repayments. In case of the employee's death, the remuneration will be paid to the heirs.

The remuneration to employees performing independent control functions does not depend on the financial results of the business field controlled.

In order to attract, retain and motivate the best-qualified employees, the remuneration should reflect competences, experiences, market practice, and achievements.

The fixed remuneration portion must account for a considerable portion of the total remuneration to ensure a competitive remuneration in respect of the market research data.

The maximum percentage of a variable remuneration in relation to the fixed remuneration should reflect the levels of remuneration for various job categories.

## Overall quantitative information on remuneration divided by employee groups (total remuneration amount, total variable remuneration amount, number of employees)

Information for 2011 is submitted based on the data of 01/06/2012. All amounts indicated before taxes

| AB DNB Bankas, 2011         | Fixed remuneration<br>(thousand LTL) | Variable remuneration<br>(thousand LTL) | Number of recipients |
|-----------------------------|--------------------------------------|---|----------------------|
| Bank administration         | 1,585                                | 300                                     | 6                    |
| Employees who assume risk * | 2,014                                | 1,496                                   | 10                   |
| Employees                   | 52,587                               | 5,500                                   | 1,280                |
| Total:                      | 56,186                               | 7,296                                   | 1296                 |

No variable remuneration was paid in 2011 to the Bank's administration members for performance results of 2010.

**Amounts and form of the variable remuneration portion divided into cash, shares, equity linked financial instruments and other portions, amounts of non-paid deferred remuneration amounts.**

| AB DNB Bankas, 2011         | Variable remuneration paid in cash (thousand LTL) | Allocated deferred variable remuneration in shares (thousand LTL) | Non-allocated deferred variable remuneration in shares (thousand LTL) |
|-----------------------------|---|---|---|
| Bank administration         | 150   | 50  | 100   |
| Employees who assume risk * | 963   | 163   | 370   |
| Employees                   | 5,488   | 0   | 12  |
| Total:                      | 6,601   | 213   | 482   |

\*Indicated variable remuneration paid in 2011 and in 2012 for the results of 2011

**Amount of deferred variable remuneration allocated in the financial year, paid out and adjusted in respect of the performance results**

In 2011 no such adjustments were made.

**Amount of guaranteed variable remuneration provided under new agreements and severance payments in the financial year and the number of recipients of such payments**

No guaranteed variable remuneration was provided.

**Amounts of severance pays allocated in the financial year, number of recipients of such pays and the largest allocated amount per person**

| AB DNB Bankas, 2011 | Number of recipients | Severance payments amount (thousand LTL) | Largest amount per person (thousand LTL) |
|---------------------|----------------------|--|--|
|                     | 50                   | 772                                      | 71                                       |

**Information on amounts allocated within the reporting period to the Bank's Management Board Members holding other positions at the Bank and to the Chief Financier**

In 2011 no assets were gratuitously transferred or guarantees granted to these employees on behalf of the Bank. The information below shows the amounts allocated to these persons in total and the average amounts allocated to the Bank's executives, chief executive officer, and chief financial officer. Information on amounts paid individually to each person is not submitted following the requirements relating to the Bank's secret and personal data protection.

|  | Allocated amounts (thousand LTL) |
|--|----------------------------------|
| <b>Overall amount to the Bank's all executives and to the chief financier.</b> | <b>2,236</b>                     |
| Under employment agreement   | 1,761                            |
| Employer's social insurance contributions                                      | 475                              |
| <b>Other payments including the employer's social insurance contributions*</b> | <b>414</b>                       |
| <b>Average per executive and chief financier of the Bank.</b>                  | <b>319</b>                       |
| Under employment agreement   | 251                              |
| Employer's social insurance contributions                                      | 68                               |

\* Rent of a car, accommodation, settling, moving payments

AB DNB Bankas President Bjørnar Lund

