

## Northern Bank Remuneration

The Northern Bank Remuneration Policy supports the business strategy, objectives, core values and long-term interests of Northern Bank Ltd (The Bank) and the shareholders of the Danske Bank Group (the Group), of which the Bank is a part.

The Policy outlines the principles for remuneration of the Non Executive Directors, Executive Committee and other staff members.

The Policy reflects the Group's objectives for good corporate governance as well as sustained and long-term value creation for shareholders. In addition, it ensures that

- the Bank is able to attract, develop and retain high-performing and motivated employees in a competitive market
- employees are offered a competitive remuneration package
- employees feel encouraged to create sustainable results and that a link exists between shareholder and employee interests
- the Bank and the Group's focus areas are furthered

The policy focuses on ensuring sound and effective risk management

- through a sound performance management structure for setting goals and communicating these goals to employees
- by including both financial and non-financial goals in performance and result assessments
- through the use of a risk and compliance gateway
- by making fixed salary the predominant component of remuneration

### Remuneration components

The various remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the individual's role within their business unit, and the Bank as well as the market. The remuneration components are

- fixed remuneration (including non-pensionable supplements)
- variable remuneration
- pension benefits
- other benefits

**Fixed remuneration** is determined on the basis of the role of the individual employee and its relative position in the internal hierarchy; the Bank use a globally recognised job evaluation methodology to create an internal hierarchy.

From time to time the Bank may operate **variable remuneration** arrangements for all staff or specific groups of staff to incentivise and reward individual and/or team performance. **Guaranteed variable remuneration** is granted only in exceptional cases in the first year after recruitment, and is paid in line with the Regulator's guidance on such payments.

**No variable remuneration arrangements were in operation for the 2010 performance period.**

Northern Bank has two *pension benefit* arrangements which provide members with life and ill-health cover, and a satisfactory level of pension payment in retirement. In general, employees who joined the Bank prior to 1 January 2004 are members of the Northern Bank Pension Scheme, which is a contributory career average pension arrangement; employees who joined on or after 1 January 2004 are members of the Northern Bank Employee Pension Plan which is a defined contribution stakeholder pension arrangement.

*Other benefits* are awarded on the basis of individual employment contracts and local market practice, e.g company car or cash equivalent; Northern Bank product discounts.

*Severance payments* are payable in accordance with the provisions of the law on redundancy prevailing in Northern Ireland at that time and the collective agreement.

## **Remuneration of the Board of Directors**

Non-Executive Members of the Board of Directors who are not employed by a Group Company receive a fixed fee (Board member). Board members are not covered by incentive programmes and do not receive performance-based remuneration. The basic fee of a Board member is set at a level that is in accordance with the market and reflects the qualifications and contribution required in view of the Bank and the Group's complexity, the extent of the responsibilities and the number of Board meetings. No pension contributions are payable on Board members' fees.

## **Corporate governance**

The regulatory landscape evolved rapidly during 2010 culminating in new mandatory regulations and guidance taking effect across Europe (CRD3 and CEBS). The FSA have subsequently published their own regulations mirroring the European Guidelines and the Bank has to adhere to this. This regulation came into effect on 1 January 2011.

The Remuneration Committee (The Committee) of the Board of Directors (The Board) is instrumental in the Board's fulfillment of its governance responsibilities relating to the Bank's compliance with legal and regulatory requirements with regard to the remuneration of employees and in particular the alignment of performance related pay with the long-term interests of the Bank and its policy on risk and stakeholders in the Bank.

The purpose of the Committee is to recommend for the approval of the Board the overarching principles and governance framework of the Bank's remuneration policy, and to recommend for the approval of the Board remuneration outcomes for 'Code Staff' – defined by the UK FSA Remuneration Code as *senior management and other members of staff whose actions have a material impact on the risk profile of the credit institution*.

The Chairman of the Committee and Committee members are appointed by the Board and may be removed by the Board at any time. The Committee is composed of at least two members including the Chairman of the Committee (the Chairman). The members of the Committee, including the Chairman, are members of the Board who do not perform any executive function.

## Remuneration for Year Ended 31 December 2010

The following remuneration components operated in the year ended 31 December 2010:

- Fixed Remuneration (including non-pensionable supplements)
- Pension Benefits
- Other benefits

**Variable Remuneration was not a component of remuneration in 2010 and no awards were made.**

Information in relation to the aggregate remuneration of all Northern Bank employees can be found in the Report and Financial Statement for Year Ended 31 December 2010 under:

- Note 3: Administration Expenses
- Note 34: Employees

Remuneration disclosure pursuant to BIPRU 11.5.18

	<b>Senior Management</b>	<b>Others<sup>b</sup></b>	<b>Total</b>
<b># of employees</b>	14	9	23
<b>Fixed Remuneration<sup>a</sup></b>	1,692,661	492,611	2,185,272
<b>Variable Remuneration<sup>c</sup></b>	N/A	N/A	N/A
<b>Pension &amp; Other Benefits</b>	448,055	76,929	524,984
<b>Total Remuneration</b>	<b>2,140,716</b>	<b>569,540</b>	<b>2,710,256</b>
<b># of Sign-On payments</b>	Nil	Nil	Nil
<b>Sign-On Payments</b>	Nil	Nil	Nil
<b># of Severance Payments</b>	Nil	Nil	Nil
<b>Severance Payments</b>	Nil	Nil	Nil

<sup>a</sup> including non-pensionable supplements

<sup>b</sup> members of staff whose actions have a significant impact on the risk profile of the firm

<sup>c</sup> No variable remuneration arrangements were in operation for this period and no deferred payments/awards were paid or vested.