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Remuneration policy 2016

The Board of Directors of Realkredit Danmark today adopted the enclosed “Danske Bank’s Group remuneration policy, March 2016” with the following additions as Realkredit Danmark’s remuneration policy.

Special matters relating to Realkredit Danmark

As Realkredit Danmark is part of Danske Bank Group, its strategic and financial goals support Danske Bank Group’s long-term strategy, including the overall business strategy, risk strategy and risk appetite within all types of risk, which is reflected in the KPIs defined by executives and employees of Realkredit Danmark in the performance agreements.

As Realkredit Danmark has no independent remuneration committee, the Remuneration Committee of Danske Bank handles the remuneration task for Realkredit Danmark.

Controls in relation to remuneration, including the payment of variable remuneration for Realkredit Danmark, are included in a joint control at group level.

Members of the Executive Board, executives and employees of Realkredit Danmark may receive performance-based remuneration. No individual will receive performance-based remuneration exceeding 50% of the fixed salary. Depending on the recipient and the size of the performance-based remuneration, the performance-based remuneration breaks down into a cash payment and the allotment of conditional shares, and a portion of the performance-based remuneration may be deferred.

The members of the Executive Board and a number of executives participate in the Group’s short-term incentive programmes.

Material risk takers, including the members of the Executive Board, are only eligible for performance-based remuneration if a performance agreement has been signed. A portion of the performance-based remuneration is deferred three years (four years for members of the Executive Board). 50% of the bonus is always paid in the form of shares, which are always deferred for another six months. Bonus is subject to backtesting and clawback provisions. Small bonus amounts are exempt from these rules.

Other recipients of performance-based remuneration receive amounts up to a lower threshold as cash payments, and amounts over and above the lower threshold are split between cash disbursement (50%) and conditional shares (50%). The cash disbursement is made upfront, while the conditional shares are deferred three years. Granting of conditional shares is subject to continuing employment but is not subject to backtesting or clawback provisions.

Executives and employees in control functions at Realkredit Danmark do not receive performance-based remuneration.

None of Realkredit Danmark's employees are covered by the chapter on "Remuneration comprised by special regulation" in Danske Bank Group's remuneration policy.

The remuneration of the Executive Board of Realkredit Danmark A/S is determined by the chairman and deputy chairman of the Board of Directors of Realkredit Danmark and comprises, other than fixed salary and any pension and usual staff benefits, the possibility of receiving performance-based remuneration of up to 50% of the fixed salary exclusive of pension contributions. Performance-based remuneration is awarded according to the rules described above.

The remuneration of the Executive Board of home A/S is determined by the chairman of the board of directors and comprises, other than fixed salary and any pension and usual staff benefits, the possibility of receiving performance-based remuneration of up to 50% of the fixed salary exclusive of pension contributions. Performance-based remuneration is awarded according to the rules described above.

Information on remuneration of the Executive Board of Realkredit Danmark A/S, remuneration of members of the Board of Directors of Realkredit Danmark and remuneration of material risk takers is provided in Realkredit Danmark's annual report.

The members of the Board of Directors of Realkredit Danmark A/S only receive a fixed annual fee. Board members employed with Danske Bank A/S do not receive remuneration. The current board member fee is DKK 125,000 per year. The chairman of the Board of Director's Audit Committee receives an annual committee fee of DKK 190,000. The Board of Directors will present any proposals for changes to the remuneration of the members of the Board of Directors at Realkredit Danmark's annual general meeting.

The members of the Board of Directors of home A/S only receive a fixed annual fee. Board members employed with Danske Bank Group do not receive remuneration. All board members of home A/S are currently employed by Danske Bank Group. There are no employee representatives on the Board of Directors of home A/S as the company has fewer than 35 FTEs.

As is the case with Danske Bank A/S, Realkredit Danmark will not present its remuneration report or remuneration policy at the annual general meeting to be held on 3 March 2016. However, the remuneration policy will still be published on Realkredit Danmark's website.

The Executive Board

Danske Bank Group's Remuneration Policy, March 2016

Purpose

The remuneration policy of the Danske Bank Group ("the Group") applies to all Group employees. The Board of Directors has adopted the remuneration policy at the recommendation of the Remuneration Committee. The policy is subject to approval at the Annual General Meeting in March 2016, however when approved, the policy shall apply to remuneration earned from 1 January 2016.

Some entities and units within the Group have remuneration policies and guidelines which apply in addition to the Group's remuneration policy. Such entities have power to implement policies which deviate from the Group policy in order to meet local requirements and practises, e.g. to set lower upper caps for variable remuneration, to extend periods of deferral for variable remuneration, to apply the notional discount rate or to apply access or restrictions regarding the use of instruments. However, if employees in any such entity have significant impact on the Group's risk profile, the Group will ensure that variable remuneration to any such employees fulfils the requirement in this policy and applicable regulation.

The policy and the Group's general incentive structures reflect 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 Group is able to attract, develop and retain high-performing and motivated employees in a competitive international market
- employees are offered a competitive and market aligned remuneration package making fixed salaries a significant remuneration component
- employees feel encouraged to create sustainable results and there is alignment of interests among
 - o shareholders
 - o Alternative Investment Funds managed by Alternative Investment Fund Managers
 - o UCITS managed by management companies
 - o customers and
 - o employee

The policy and the Group's general incentive structures focus on ensuring sound and effective risk management through

- a stringent governance structure for setting goals and communicating these goals to employees
- alignment with the Group's business strategy, values, key priorities and long-term goals
- alignment with the principle of protection of customers, investors and Alternative Investment Funds managed by Alternative Investment Fund Managers ensuring prevention of conflict of interests
- ensuring that the total bonus pool does not undermine or endanger the Group's capital base by including the policy and incentive structures in the capital and liquidity planning and setting

The policy and the Group's general incentive structures are consistent with the Group's long term strategy including the overall business strategy, the risk strategy and the risk appetite across all risk types such as credit, market, operational, liquidity, reputational and other risks identified by the Group.

The policy and the Group's general incentive structures further ensure transparency in respect of the Group's reward strategy. As a main rule individual performance agreements are entered into with employees comprised by incentive schemes. On the basis hereof said employees have clear and predetermined KPIs which are set in accordance with the Group's overall strategy and applicable regulation. Further, transparency is ensured by the Group's disclosure of remuneration policies and information on paid remuneration to the authorities, by disclosure

of the Annual Report and the yearly Remuneration Report. Finally, internally the Group has published bonus procedures and a remuneration guideline in which documents the Groups incentive schemes and procedures are described.

Corporate governance

The Board of Directors has established a Remuneration Committee. The Remuneration Committee works as a preparatory committee for the Board of Directors and prepares the Board with respect to remuneration issues and monitors compliance with the remuneration policy. A description of the composition, tasks and authority of the Remuneration Committee is available in the Charter of the Remuneration Committee at www.danskebank.com.

Various control and compliance functions within the Group are involved in the process with regard to the implementation of the policy and incentive structures to ensure that risk, capital and liquidity limits are not exceeded. The Group's Credit and Risk Committee assesses whether the incentive structure is commensurate with the Group's risks, capital and liquidity and evaluates the probability and timing of the remuneration.

On the basis of the recommendation of the Remuneration Committee the Board of Directors reviews, considers and approves the incentive schemes for the coming year. The aggregate bonus pool which is made up of bonus accrued under said schemes is approved once a year by the Board of Directors based on recommendation of the Remuneration Committee.

The total maximum for performance-based pay for Executive Board members and other material risk takers is 3% of the Group's profit before loan impairment charges in each year.

The Group has established effective control procedures in order to ensure that payment of variable remuneration is conducted in accordance with guidelines set by the Board of Directors, if any, applicable incentive structures and applicable regulation. The practices and procedures with regard hereto are clear, well-documented and transparent, and the procedures are subject to at least one independent review annually by internal audit.

Remuneration components

At the annual performance and appraisal interview, the individual employees and managers evaluate and document performance in the past year and set new goals. Decisions on adjustment, if any, of the employee's fixed salary or on annual performance-based pay are made on the basis of this appraisal.

The five remuneration components are:

- fixed remuneration
- short term and long term performance-based remuneration (variable salary)
- pension schemes, where applicable
- other benefits in kind
- severance payment, where applicable

The *fixed remuneration* is determined on the basis of the role and position of the individual employee, including professional experience, seniority, education, responsibility, job complexity, local market conditions, etc. Fixed salary is mainly payable in cash but can in specific cases partly be payable in shares or other instruments as required by relevant legislation.

The *performance-based remuneration* motivates and rewards high performers who significantly contribute to sustainable results, perform according to set expectations for the individual in question, strengthen long-term customer relations, and generate income and shareholder value/value to the Alternative Investment Funds.

The Board of Directors has determined a maximum percentage of performance-based remuneration relative to the fixed remuneration in order to ensure an appropriate balance between fixed and variable pay. This percentage varies according to the type of position held by the employee and the business unit in which the employee is employed and local requirements. The maximum limit on variable remuneration remains at 200 per cent of fixed salary inclusive of pension. This level of variable remuneration will, in practice, only apply to a small minority of employees and will only be offered to enable the Group to match market terms. The limit is reduced in jurisdictions where a lower maximum cap is required by applicable legislation. Most employees are not covered by incentive schemes or they are covered by incentive schemes which set the upper limit for variable pay to 25 per cent, whereas certain employees and senior management could be comprised by a variable pay limit of up to 50 or 100 per cent of the fixed salary potentially inclusive of pension.

Performance based remuneration may be disbursed as cash bonus, shares, share based instruments, including conditional shares and other generally approved instruments, all on the basis of applicable local legislation. Where relevant and applicable, the Board of Directors has determined certain minimum thresholds according to which bonuses exceeding the thresholds shall be split into cash/shares or other adequate financial instruments and how the split is between cash/shares or other adequate financial instruments. In accordance with the proportionality principle set forth in applicable regulation, the thresholds and the split vary within different business units and positions and are set according to the employees' impact on the specific risk profile, market practice within the business unit in question and in order to offer competitive remuneration packages, however, always ensuring alignment of the interests of the employees, the Group, the customers and the shareholders, Alternative Investment Funds and/or UCITS managed by management companies.

Pension schemes guarantee employees a basic cover in the event of critical illness or death and pension payments upon retirement. In general, employees are covered by mandatory defined contribution plans with a pension insurance company. The pension contributions of employees subject to collective bargaining agreements are regulated by the collective agreement. Further, pension schemes will be construed and offered to employees in accordance with local practises and regulation.

Other benefits are awarded on the basis of individual employment contracts and local market practice. As a main rule the Group has set guidelines in order to align benefits/routine packages offered to employees in various employment levels within in Group.

Severance payments are payable in accordance with relevant local legislation and applicable collective agreements. The overall policy and agreements on severance pay are determined by Group HR and relevant control functions. Severance pay will constitute an appropriate compensation for early termination, will be decided upon consideration of the individual's responsibility and decision making powers and it will be taken into account that it must not constitute a reward for failure. Under specific individual agreements, certain key employees are entitled to a maximum of up to 12 months' salary while certain managers (below Executive Board level) are entitled to a maximum of up to 24 months' salary. For the avoidance of doubt and subject to applicable legislation and collective bargaining agreements, no severance payment agreed from 1 January 2015 onwards may include any variable remuneration, pension or other benefits.

Performance-based remuneration

Performance-based remuneration is awarded in a manner which promotes sound risk management, include ex-post risk adjustments and does not induce excessive risk-taking, i.e. if the performance-based remuneration exceeds the minimum threshold determined by the Board of Directors by granting performance-based pay split in shares (or other instruments as required by relevant legislation) and cash, part of which will be deferred in accordance with national legislation. Further, the default accrual period for short term performance based remuneration is one year. For a limited number of employees the accrual period is two years.

Non-disbursed performance-based components are subject to back testing (as a minimum for employees identified as material risk takers). Back testing criteria are determined by Group HR in accordance with applicable law.

Concerning all employees, disbursed as well as non-disbursed components are subject to claw back if granted on the basis of data which has subsequently proven to be manifestly misstated or inaccurate. Further, performance-based pay is awarded by ensuring:

- an appropriate balance between fixed and performance-based components
- that the fixed component represents a sufficiently high proportion of the total remuneration to make non-payment of the performance-based component possible
- that no hedging of deferred shares takes place for employees who are identified as material risk takers
- that material risk takers cannot dispose of the share based instruments for an appropriate period of time after transfer of the instruments to the risk-taker

Performance-based pay is granted to reflect the Group's financial results, the result of the business unit (or the Alternative Investment Fund Managers/Management Companies) in which the employee is employed and the individual employee's performance. As a minimum this applies to material risk takers. Further, both financial and non-financial factors shall be taken into consideration when determining the individual's bonus, i.e. compliance with the Group's core values, internal guidelines and procedures, including customer and investor related guidelines. A discretionary assessment is always made to ensure that other factors – including factors which are not directly measurable – are considered.

Performance-based remuneration must be based on an assessment of the Group's results and a number of KPIs reflecting the Group's key strategic priorities. Dependant on the field of employment, the Group sets and uses an appropriate balance of absolute, relative, internal and external KPIs. E.g. the KPIs cover the following quantitative and qualitative criteria:

- return on equity
- cost/income ratio and other cost related measures
- customer satisfaction compliance with regulation and/or internal business procedures
- observance of the Group's core values and delivery on the Essence of Danske Bank Group
- expected loss or similar risk measures

Sign-on fixed pay, stay-on and guaranteed bonus

Sign-on fixed pay as well as stay-on and guaranteed variable pay are granted only in exceptional cases, and will be assessed by the head of the business unit in question and Group HR. The mentioned components will only be used to attract or retain highly specialized individuals. Such pay may not exceed one year's gross salary inclusive of pension, benefits and fixed supplements. Sign-on fixed pay can be paid in cash or in a split between cash/shares and will according to applicable legislation as a main rule be conditional upon the employee not resigning within a given period of time after the pay.

Any sign-on pay to material risk takers will be agreed in connection with the employment of the material risk taker and will not be granted for longer than one year.

Sign-on, stay-on or guaranteed variable pay will be subject to and will be paid in accordance with the relevant applicable legislation.

Material risk takers and control functions

The remuneration of material risk takers and employees in control functions is subject to specific conditions laid down in applicable national legislation, EU rules and relevant guidelines.

Once a year, subject to the policy of conducting an annual assessment process, on a consolidated, sub-consolidated and individual institution basis the Board of Directors designates employees in control functions and employees who are material risk takers.

In accordance with the regulations applicable, the designation of material risk takers is made subject to internal criteria set by the Board of Directors and regulatory qualitative and quantitative criteria. Members of the Executive Board and the Board of Directors are appointed material risk takers on continuous basis.

To the extent control functions are comprised by incentive schemes, the Group ensures that control functions are remunerated for delivering their best performance in the specific role and that the variable remuneration does not compromise employees' objectivity and independence.

Remuneration comprised by other special regulation

Special legislation regulates the Alternative Investment Fund Managers within the Group. Performance based remuneration to any such employees is created in order to ensure compliance with regulation within this area.

Under some conditions incentives in the form of carried interest payable from such Alternative Investment Funds to the Alternative Investment Fund Managers, hereunder Danske Private Equity, are exempted from this Remuneration Policy and will be paid in accordance with applicable legislation.

The assessment of performance of Alternative Investment Fund Managers is set in a multi-year framework appropriate to the life-cycle of the Alternative Investment Funds managed by the Alternative Investment Fund Manager in order to ensure that the assessment process is based on longer term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the life cycle of the Alternative Investment Funds it manages. Further, their investment risks are also taken into consideration.

Some functions within the Group are comprised by other special regulations, and performance agreements covering employees in such functions are construed in accordance with applicable mandatory law.

Remuneration of the Executive Board

The remuneration of the Executive Board is intended to ensure the Group's continued ability to attract and retain the most qualified Executive Board members. In connection with the annual assessment of the remuneration of the Executive Board, developments in market practice are assessed.

The Remuneration Committee make recommendations on adjustments of the remuneration of the Executive Board members to the Board of Directors. The remuneration of the Executive Board may consist of fixed salary and supplements, fixed salary payable in shares, short term and long term incentive programmes and pension schemes. Subject to individual agreement, members of the Executive Board are also entitled to a company car, phone and other fixed benefits. The members of the Executive Board are not entitled to severance pay.

The performance of Executive Board members is assessed once a year based on written performance agreements in accordance with the above described criteria containing both financial and non-financial KPIs. The yearly performance based remuneration to members of the Executive Board cannot exceed the limit of 50 per cent of the yearly gross salary exclusive of pension, however, subject to applicable legislation.

The Annual Report specifies the Executive Board remuneration. For further information on remuneration of the Executive Board please refer to www.danskebank.com.

Remuneration of the Board of Directors

Members of the Board of Directors of the Group receive a fixed fee. Board members are not covered by incentive programmes and do not receive performance-based remuneration. The fees below are set at a level that is market aligned and reflects the qualifications and competencies required in view of the Group's size and complexity, the responsibilities and the time the Board members are expected to allocate to discharge their obligations as Board members. No pension contributions are payable on Board members' fees.

The fee of the individual Board member is specified in the annual report.

Remuneration of the Board of Directors

Base fee	DKK 515,000
The Chairman receives	3 x the base fee
The Vice Chairman receives	1.5 x the base fee
Board committee fees	
Credit and Risk Committee	DKK 180,000
Audit Committee	DKK 180,000
Remuneration Committee	DKK 120,000
Nomination Committee	DKK 120,000
Board Committee Chairman, additional fee	
Credit and Risk Committee	DKK 90,000
Audit Committee	DKK 90,000
Remuneration Committee	DKK 50,000
Nomination Committee	DKK 50,000

In addition to the above fees, the Bank may pay social duties and similar taxes levied by foreign authorities in relation to the directors' fees. The Bank may also pay any outlays and travel expenses incurred in connection with a director's discharge of his or her duties as a member of the Board of Directors.

Based on the recommendation of the Remuneration Committee the Board of Directors submits proposals for remuneration of the members of the Board of Directors to the Annual General Meeting for approval.

Miscellaneous

To the extent legally acceptable under applicable law, the Board of Directors may deviate from this policy in individual cases, if justified by extraordinary and exceptional circumstances.

Once a year on www.danskebank.com, the Group discloses information on the Group's remuneration practices and the remuneration of the Executive Board and other material risk takers.