

INTERNAL LETTER

To the Board of Directors

The Board of Directors of Realkredit Danmark approved Danske Bank Group's Remuneration Policy 2017 with this cover letter at a meeting 6 March 2017.

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Remuneration Policy

Please find enclosed "Danske Bank Group's Remuneration Policy, March 2017", which was approved by the Board of Directors of Danske Bank A/S on 31 January 2017, and which is expected to be approved at the annual general meeting of Danske Bank A/S in March 2017.

Significant changes include:

- Specification of the contents of performance measurements for executives taking part in management programmes.
- Danske Bank Group does not use the discount rate option.
- Specification of the policy for deferred performance-based remuneration.
- Requirements about ownership of group shares by the Chief Executive Officer of Danske Bank Group.

It is recommended that the Board of Directors adopt the "Danske Bank's Group remuneration policy, March 2017" 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 the Executive Board, executives and employees of Realkredit Danmark in the performance agreements.

Remuneration committee

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

Performance-based remuneration

- A number of executives participate in the Group's short-term incentive programmes. There are no participants from Realkredit Danmark in the long-term incentive programme.
- No executive or employee of Realkredit Danmark will receive performance-based remuneration exceeding 50% of the fixed salary and any pension.
- Performance-based remuneration is awarded according to the same guidelines as described in the Group's Remuneration Policy.
- Executives and employees in control functions at Realkredit Danmark do not receive performance-based remuneration.

Remuneration comprised by other special regulation

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

Remuneration of the executive boards of Realkredit Danmark A/S and home A/S

The remuneration of the Executive Board of Realkredit Danmark A/S is determined by Danske Bank's Remuneration Committee based on a recommendation by the Chairman of the Board of Directors of Realkredit Danmark A/S.

The remuneration of the executive board of home A/S is determined by the chairman of the board of directors of home A/S.

Remuneration of the Board of Directors

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.

Disclosure of remuneration

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 Annual General Meeting of Danske Bank A/S approves the remuneration policy for the Group after prior consideration by the Remuneration Committee and upon the recommendation of the Board of Directors of Danske Bank A/S. The Remuneration Policy will be available at danskebank.com and at rd.dk after the Annual General Meeting of Danske Bank A/S.

Executive Board

Danske Bank Group's Remuneration Policy, March 2017

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 2017, however when approved, the policy shall apply to remuneration earned from 1 January 2017.

An overview of the Group's remuneration practice is available in the Remuneration Report at danskebank.com from mid-March.

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
- there is a convergence of the interests of
 - o shareholders, inclusive of Alternative Investment Funds managed by Alternative Investment Fund Managers and UCITS managed by management companies
 - o customers and
 - o employees

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
- ensuring that incentives to take risk are balanced with incentives to manage risk and ensuring that remuneration is aligned to risk and actual performance

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 guidelines in which the Group's 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 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 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 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 pay)
- 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, rewards and drives the right behavior and performance according to set expectations for the employee, reflecting specific requirements for performance at the group, business unit and individual levels. Hence, all incentive programmes in the Group include performance at all three levels. The Group's incentive structures are overall divided into; 1) Management programmes, 2) Capital Market/Asset Management programmes and 3) Employee programmes.

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 sal-

ary 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 covered by incentive schemes have a cap on variable pay at 25 per cent. Furthermore, certain employees and senior management are comprised by a variable pay limit of up to 50 per cent of the fixed salary, possibly inclusive of pension. Calculating the ratio between fixed and variable remuneration, institutions are, pursuant to applicable legislation, allowed to apply a discount rate of 25% subject to requirements for deferral and instruments. However, the Group does not apply this notional discount rate.

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. 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 by the Group, 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. Normally, severance pay is linked to seniority, as employees will earn entitlement to severance pay throughout their years of service. Most employees are solely entitled to severance pay pursuant to legislation or collective agreement. Under specific individual agreements, certain key employees are entitled to severance pay in addition to that pursuant to legislation or collective agreement of up to a maximum of 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, includes 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, while long-term incentive programmes may have an accrual period of up to three years.

Deferral varies on the basis of position and amount, from three to five years. Employees receiving performance-based remuneration over a certain threshold will have the part of the performance-based remuneration exceeding the threshold granted in conditional shares and deferred for three years. For material risk takers, deferral between three and five years is applied. The Executive Board is subject to five years' deferral for both short-term and long-term incentives. The deferral period for other material risk takers has been assessed, the purpose being to ensure adequate ex-post risk adjustment according to applicable legislation. Given 1) the nature of the business, 2) applied pay-out structures, including 3) back testing and claw back provisions, a general deferral period of three years has been decided.

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, balancing short-term and long-term goals. E.g. the KPIs may cover the following quantitative and qualitative criteria:

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

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 makes 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 danskebank.com.

In order to ensure alignment of the CEO's and Danske Bank Group's strategic goals and long-term objectives, Danske Bank Group has a requirement that the CEO must own shares in the Group corresponding to a value of DKK 2 million.

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.

In addition to the Board of Directors' fixed 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 every year.

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.

Some entities and units within the Group have remuneration policies and guidelines that apply in addition to the Group's remuneration policy. Such entities may implement policies that deviate from the Group policy in order to meet local requirements and practises, e.g. to set lower caps for variable remuneration, to extend periods of deferral for variable remuneration 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 the variable remuneration to any such employees fulfils the requirement set out in this policy and applicable legislation. Any material deviations from this policy need to be reported to the owner of the policy.

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

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