

Remuneration report 2014



REALKREDIT
Danmark

2014 Remuneration Report for the Realkredit Danmark Group

The Realkredit Danmark Group's remuneration policy and practice reflect the Group's corporate governance aim and objective of sustainable and long-term value creation for our shareholder. The remuneration policy and practice also reflect the objective of promoting sound and effective risk management. The 2014 Remuneration Report has not been audited by the Realkredit Danmark's auditors.

The Realkredit Danmark Group consists of the companies Realkredit Danmark A/S and home A/S.

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1. Introduction

According to the Danish Financial Supervisory Authority's Executive Order No. 818 of 27 June 2014, the following paragraphs explain governance with respect to remuneration, the pay structure and the principles of the Realkredit Danmark Group's incentive programmes.

2. Governance

As the Realkredit Danmark Group has no independent remuneration committee, the remuneration committee of Danske Bank handles matters relating to remuneration for the company. In its efforts, the remuneration committee of Danske Bank's Board of Directors pays particular attention to the Directors' fees, remuneration of the members of the Executive Board, and incentive programmes.

The remuneration policy was approved by the annual general meeting of Realkredit Danmark A/S in March 2014 after having been discussed by the Board of Directors of Realkredit Danmark A/S.

The remuneration policy applies to all employees of the Realkredit Danmark Group. The remuneration policy also applies to the boards of directors of Realkredit Danmark A/S and home A/S.

Information about the terms of reference and composition of Danske Bank's remuneration committee and the number of meetings held by the committee and by Danske Bank's Board of Directors is available at www.danskebank.com.

3. Monitoring of remuneration policy compliance

The Danske Bank Group monitors amendments to applicable law and relevant recommendations in order to regularly implement required or relevant amendments in the Realkredit Danmark Group's remuneration structure. Realkredit Danmark has established and documented internal control and validation procedures, the implementation of which is also documented. The remuneration committee monitors compliance with the remuneration policy with the assistance of Internal Audit.

4. Remuneration policies for Realkredit Danmark Group's Board of Directors and Executive Board

Remuneration policies for Realkredit Danmark A/S's Board of Directors and Executive Board

Members of the Board of Directors are remunerated on a fixed-fee basis only.

Members of the Board of Directors employed by 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 currently DKK 190,000.

The remuneration of the Executive Board is determined by the Board of Directors and is composed of a fixed salary and pension contributions as well as performance-based remuneration of up to 50% of the fixed remuneration and any benefits payable. Where performance-based remuneration is awarded, a significant proportion of the amount is paid in conditional shares in accordance with applicable rules.

Remuneration policies for home A/S's Board of Directors and Executive Board

Members of the Board of Directors are remunerated on a fixed-fee basis only.

Members of the Board of Directors employed by the Danske Bank Group do not receive remuneration. All board members of home A/S are currently employed by the Danske Bank Group.

There are no employee representatives on the Board of Directors of home A/S as the company has fewer than 32 FTEs.

The remuneration of the Executive Board is determined by the Chairman of the Board of Directors and is composed of a fixed salary and pension contributions as well as performance-based remuneration of up to 50% of the fixed remuneration and any benefits payable. Where performance-based remuneration is awarded, a

significant proportion of the amount is paid in conditional shares in accordance with applicable rules.

5. Material risk takers

On the basis of the Danish Financial Supervisory Authority's Executive Order No. 818 of 27 June 2014 on remuneration in the financial sector, Danske Bank's Board of Directors has defined criteria for the designation of material risk takers, and on the basis of these criteria a total of 52 individuals have been designated material risk takers, i.e. employees with material influence on the Realkredit Danmark Group's risk profile.

6. Incentive programmes

The Realkredit Danmark Group uses performance-based incentive remuneration, consisting of cash and shares, for the Executive Boards of Realkredit Danmark A/S and home A/S and for selected managers and specialists. Incentive-based remuneration is used to:

- attract and retain skilled and performance-driven employees,
- motivate high performance by encouraging long-term value creation,
- motivate the achievement of financial and non-financial targets, and
- ensure a closer link between value creation and remuneration.

The use of shares as part of incentive-based remuneration serves to promote the common interests between Realkredit Danmark's employees and the shareholder.

The executive boards of Realkredit Danmark A/S and home A/S and the rest of Realkredit Danmark's senior management team are comprised by incentive programmes clearly and directly linked to the Realkredit Danmark Group's strategic and financial goals. The programmes contain key performance indicators at three different levels; Danske Bank Group as a whole, Realkredit Danmark and individual performance, on the basis of which the incentive remuneration is calculated.

In addition, the Realkredit Danmark Group has adopted incentive programmes for selected managers and specialists based on similar principles.

a. Performance agreement

For the executive boards of Realkredit Danmark A/S and home A/S and the rest of Realkredit Danmark's senior management team and material risk takers, performance agreements have been concluded, defining criteria for the Danske Bank Group as a whole, Realkredit Danmark and individual performance.

On the basis of the performance agreement, Realkredit Danmark conducts an annual performance review with a view to assessing:

- financial results,
- non-financial results,
- special focus areas, and
- individual performance.

The performance agreements and the accrual models include both absolute and relative targets.

Among non-financial targets are for example customer satisfaction, credit quality and compliance with internal business procedures and other procedures.

Employees covered by a performance agreement and the Realkredit Danmark Group's other employees are offered an annual appraisal interview to evaluate the performance, decide on development steps and define performance targets for the coming year.

b. Cap on performance-based remuneration

At the recommendation of the Board of Directors of Realkredit Danmark A/S, the annual general meeting of Realkredit Danmark A/S has defined an upper limit for performance-based remuneration relative to the fixed salary including pension. The share varies according to the position held by the employee, according to business area and local conditions. The maximum limit for performance-

based pay in the Danske Bank Group is 200% of the fixed salary including pension, but in practice no individual in the Realkredit Danmark Group will receive a performance-based remuneration that exceeds 50% of the fixed salary including pension.

Pursuant to section 77b of the Danish Financial Business Act, performance-based remuneration payable to members of the Executive Board cannot exceed 50% of their fixed remuneration.

c. Disbursement

Disbursements from the Danske Bank Group's performance-based incentive programmes to non-material risk takers is made in the form of conditional shares and cash. Conditional shares constitute 50% of the portion of total variable remuneration that exceeds a specific limit. Conditional shares have a 3-year vesting period.

d. Disbursements to material risk takers

About one third of the Realkredit Danmark Group's designated risk takers receive performance-based remuneration.

Performance-based remuneration breaks down into a cash bonus and conditional shares and a portion of the performance-based remuneration is deferred.

To ensure greater emphasis on long-term performance (a total of 4.5 years), members of the Executive Board of Realkredit Danmark A/S have a longer deferral period than other material risk takers (a total of 3.5 years).

Backtesting

Deferred performance-based remuneration is subject to backtesting. The deferred performance-based remuneration will thus only be disbursed if the criteria for the original award are still met and provided that the company's financial situation has not deteriorated materially. A reduction of the deferred performance-based remuneration due to backtesting was not employed in 2014.

Clawback

Performance-based remuneration payable to material risk takers is subject to the right to demand repayment of the full amount of both disbursed and deferred incentive-based remuneration if there is evidence that the payment was made on the basis of erroneous information.

7. Benefits

The remuneration of the management members also includes standard staff benefits. The purpose of staff benefits is to offer competitive but not market-leading remuneration packages in line with market standards, and to support motivation and loyalty.

Quantitative Information - Realkredit Danmark Group - Material Risk Takers

(DKK millions)	Retail Activities	Capital Markets	Asset Management	Control Functions	Other activities
Total remuneration for the 2014 financial year broken down by business unit*	21.7	-	-	7.2	-
(DKK millions)	Board of Directors	Executive Board	Control Functions	Other MRT's	
Total amounts for the 2014 financial year broken down by fixed and variable remuneration**					
Number of full-time-equivalent staff (FTE)		6.0	1.0	5.9	18.5
Number of designated employees at 31 December 2014		6	1	7	38
Fixed remuneration		0.6	3.6	7.2	16.3
Variable remuneration		-	0.4	-	0.8
Breakdown of variable remuneration earned in 2014					
- Cash		-	0.3	-	0.6
- Shares		-	0.1	-	0.2
- Share-linked instruments		-	-	-	-
- Other		-	-	-	-
Variable remuneration earned in 2014 broken down by disbursement form					
- Disbursed***		-	0.3	-	0.6
- Deferred		-	0.2	-	0.1
Sign-on fees and severance payments disbursed in the 2014 financial year					
- Sign-on fees		-	-	-	-
- Number of beneficiaries		-	-	-	-
Severance payments					
- Severance payments		-	-	-	-
- Number of beneficiaries		-	-	-	-
Provisions made for severance payments in the 2014 financial year					
Severance payments					
- Total amounts		-	-	-	-
- Highest provision made for severance payment in 2014		-	-	-	-
- Number of beneficiaries		-	-	-	-
Outstanding deferred remuneration****					
Outstanding deferred remuneration related to previous years		-	0.2	-	-
- Payments in 2014 related to deferral in previous years		-	-	-	-
- Forfeited deferred remuneration in 2014		-	-	-	-
- Accrued deferred remuneration in 2014		-	0.2	-	0.1
Deferred remuneration at 31 December 2014		-	0.4	-	0.1
Number of employees earning EUR 1 million or more, broken down into bands of EUR 500,000					
Total remuneration: EUR 1.0 million - EUR 1.5 million		-	-	-	-
Total remuneration: EUR 1.5 million - EUR 2.0 million		-	-	-	-
Total remuneration: EUR 2.0 million - EUR 2.5 million		-	-	-	-
Total remuneration above EUR 2.5 million		-	-	-	-

* The European Banking Authority's (EBA) final Regulatory Technical Standards (RTS) adopted by the Danish FSA came into effect on 26 June 2014.

Because of stricter criteria for designating material risk takers, the number of material risk takers increased significantly in mid-2014.

The figures are pro rata figures based on the period of time for which the employees have been designated as material risk takers.

** The number of employees includes all material risk takers at 31 December 2014. The number of FTEs is a pro rata figure over the year.

*** Disbursed variable remuneration will be disbursed during 2015.

**** The amount of outstanding deferred remuneration is based on the number of designated material risk takers in the year in question,

and the share price reported is the share price at the time of granting, thus reflecting the costs for Danske Bank Group. Accrued deferred remuneration includes deferred sign-on fees.