

Remuneration Report 2022 Realkredit Danmark

This remuneration report includes remuneration practices and main principles in Realkredit Danmark A/S.

The remuneration report is prepared in accordance with the rules in the Danish Financial Business Act and explains governance with respect to remuneration, remuneration structure and principles governing incentive programmes.

Further, the remuneration report describes practices related to regulatory matters, as well as changes of remuneration practices during the year.

The remuneration report provides information on total remuneration to the individual members of Realkredit Danmark's Board of Directors and the Executive Board. Quantitative information on total remuneration to designated material risk takers will be published in May 2023 www.rd.dk.

Supporting Realkredit Danmark's ambition on good corporate governance, this remuneration report further discloses main practices related to implementation of Danske Bank Group's Remuneration Policy, i.e. how governance is established to monitor Realkredit Danmark's compliance to remuneration related regulation.

The Annual General Meeting of Danske Bank A/S approves the remuneration policy for Danske Bank Group after prior consideration by the Remuneration Committee and upon the recommendation of the Board of Directors of Danske Bank A/S. Similarly, Realkredit Danmark's remuneration policy 2022 was approved at Realkredit Danmark's general meeting on 10 March 2022 and is available at www.rd.dk.

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1 Introduction

Realkredit Danmark is a member of Danske Bank Group and shares Danske Bank's vision, core values and overall strategies. Realkredit Danmark strives to be a modern mortgage credit institution for people and businesses, providing deep financial competence and leading, innovative solutions to meet customer needs.

On an annual basis, Danske Bank Group's and therefore also Realkredit Danmark's remuneration policy and practices are reviewed and adjusted, as required, to reflect changes in regulatory requirements and Realkredit Danmark's strategic priorities. A profound objective of the remuneration policy and remuneration practice at Danske Bank Group is to promote sound and effective risk management related to remuneration matters, including accounting managers to comply with internal governance.

2 Remuneration Policy for Realkredit Danmark

Realkredit Danmark's Remuneration Policy 2022 has been prepared on the basis of Danske Bank Group's Remuneration Policy. Realkredit Danmark's remuneration policy applies to all employees inclusive the Board of Directors and the Executive Board in Realkredit Danmark A/S.

2.1 Governance and decision-making process

The Board of Directors of Realkredit Danmark has not established a remuneration committee of Realkredit Danmark, but handles this task on the basis of the remuneration policy for Realkredit Danmark and other HR guidelines.

Annually, Realkredit Danmark's Board of Directors reports to Danske Bank's Remuneration Committee about local remuneration practice, considerations on remuneration and compliance with requirements on remuneration. This governance has been established to ensure that the Group Remuneration Committee monitors remuneration practices across the Group, including subsidiaries.

2.2 Monitoring of Realkredit Danmark's Remuneration Policy

Group HR, a department of Danske Bank Group, monitors changes to regulatory- and/or legislative requirements in order to adjust the Group's and, by extension, Realkredit Danmark's Remuneration Policy and practices accordingly. When new legislation and/or regulation requirements leave options for Danske Bank Group, it is either Group HR, the Executive Board and/or the Board of Directors of Danske Bank who make the decision on the implementation depending on the materiality for Danske Bank. Material changes are subsequently approved by the Board of Directors of Realkredit Danmark.

Internal controls and validation processes for monitoring compliance with the remuneration policy are designed and implemented in a formalised way by Group HR.

The Remuneration Committee of Danske Bank monitors compliance with the Group's remuneration policy as well as the effect of internal controls and validation processes on an ongoing basis, and as a minimum once a year.

2.3 Approval of Realkredit Danmark's Remuneration Policy

Danske Bank's Board of Directors reviews the Group's Remuneration Policy annually. Shareholders at the annual general meeting of Danske Bank A/S approve the revised Remuneration Policy to the extent that there are changes, and as a minimum every fourth year.

The Remuneration Policy in its current form was approved at the annual general meeting in March 2022.

Realkredit Danmark also reviews the Remuneration Policy annually. In 2022, Realkredit Danmark's Remuneration Policy was approved by the Board of Directors of Realkredit Danmark at the board meeting on 31 January 2022, and at Realkredit Danmark's annual general meeting held on 10 March 2022.

3 Remuneration practices

Realkredit Danmark's overall remuneration practices are anchored in the Remuneration Policy, which is published on www.rd.dk. Current governance mainly targets variable remuneration and employee benefits.

3.1 Remuneration principles

Compensation at Realkredit Danmark is a mixture of different compensation elements. Some elements are mandatory, as part of the total compensation package, while some flexibility is offered on other elements.

Base salary is the key compensation element containing flexibility for managers to decide on. Other fixed compensation elements include pension contribution. Collective agreements regulate base salary for the majority of employees. Where applicable, the level for individual remuneration is a matter between the employee and the immediate manager, while at the same time subject to collective agreements and/or the remuneration policy and supporting guidelines.

Changes in remuneration are consulted with Group HR when relevant, and always 'grandparent' approved by the deciding manager's manager. Internal governance and guidelines apply to all compensation elements. The governance and guidelines are published on Danske Bank Group's internal website for easy access for managers.

HR partners are trained in compensation governance to support managers appropriately in decision-making and grandfather approvals.

3.2 Fixed remuneration

All employees in Realkredit Danmark receive a fixed salary, consisting of a base salary according to position and function and an individual allowance to accommodate individual salary development. Employees on individual contractual terms, including at management level, only receive a base salary.

Few exceptions apply due to special circumstances, e.g. allowances can apply as a substitute when specific positions are excluded from variable remuneration, due to regulatory requirements.

Fixed salary levels are evaluated on an annual basis with no guaranteed increase.

3.3 Benefits

Employee benefits are offered to all employees. All employees have mandatory pension contributions, paid holidays and insurances on market aligned terms.

At executive and senior management level, certain benefits are offered to ensure competitive compensation packages, in line with market standards, enabling Realkredit Danmark to attract and retain key resources, e.g. company car and private health checks.

3.4 Variable remuneration

Realkredit Danmark uses performance based variable remuneration to promote desired behaviour, set strategic directions, incentivise and reward high performance. Short term incentives are used to balance an appropriate focus.

As variable remuneration to key employees, i.e. material risk takers, including senior management contains deferral of settled bonus, even short term incentives contains a long term interest in sustainable performance and results.

Variable remuneration in Realkredit Danmark is subject to claw back and reduction via back testing. Variable remuneration is reduced, if performance proves unsustainable or paid based on false information.

Short term incentives are offered to members of the Executive Board and management levels in general. The purpose is to

- Encourage employees to take active part in and responsibility for Danske Bank Group and Realkredit Danmark achieving their strategic goals and objectives;
- Motivate employees to meet financial and non-financial objectives while at the same time enforcing a customer centric behaviour and collaborative mind-set;
- Incentivise employees to adapt an appropriate risk and compliance mind-set;
- Set directions for employees, related to strategic focus and expected behaviour/conduct; and
- Ensure coherence between business results and remuneration levels in Realkredit Danmark while at the same time balance individual risk taking against performance targets.

STI programmes are mainly cash based, though payment in shares (share granting) is used when pay-out exceeds the thresholds set out in the Remuneration Policy, or, when bonus is awarded to material risk takers (aligned to applicable regulations). No share options or other financial instruments are offered.

STI programmes for members of the Executive Board and management levels are based on individual performance agreements which include predetermined performance criteria against targets on Danske Bank Group performance, Business Unit specific performance and individual performance. The KPI levels and the KPIs have different weights depending on the participant's tier level.

The 2022 performance criteria includes both financial, non-financial, quantitative, qualitative, relative, absolute and risk adjusted KPIs e.g.:

- Return on equity;
- Cost management;
- Customer satisfaction relative performance against peers;
- Compliance with legislation and/or internal business/conduct procedures;
- Observance of the Group's and business units' risk management and compliance culture;

- Actions and performance which supports the achievement of the Group's ambitions;
- Diversity and inclusion;
- Employee engagement; and
- Sustainability metrics, including sustainability risk metrics relevant to the management of, or advise on investments.

Financial targets for the Danske Bank Group and the Business Unit are measured on results audited by Danske Bank's external auditor. Non-financial targets for the Group and Business Units are also delivered by external parties, e.g. customer satisfaction and reputation scores in main markets.

Further, targets on Risk and Compliance apply on Group and Business Unit level. The performance is evaluated and set by Danske Bank Group's independent control functions; hence, Business Units do not evaluate and settle own performance.

Individual targets may be quantitative as well as qualitative, e.g. behaviour, accomplishment of strategic objectives, or overall value contribution to growth and/or profitability. Individual targets are customised to the individual participant's area of responsibility and is subject to 'grandparent' approval upon evaluation.

Some employee segments are restricted by regulation to be rewarded on their commercial activities. Employees in independent control functions are offered variable remuneration; however only to the extent this is deemed relevant and only if conditions for the variable remuneration are considered compliant with regulation.

Variable remuneration paid to employees in control functions, does not depend on the results of the business unit monitored by the employee. If variable remuneration is considered inappropriate for maintaining independence, a fixed allowance is offered as a substitute, e.g. to independent control functions in positions which would otherwise be eligible for variable remuneration.

The Remuneration Policy has defined caps on variable remuneration for different employee segments. Danske Bank Group's Remuneration Policy defines a variable remuneration cap of 200% of individual fixed base salary and pension contribution in a given year. In practice, no individual in Realkredit Danmark will receive performance-based remuneration exceeding 50% of the fixed salary and pension.

No incidents of violating caps for variable remuneration were identified or reported.

3.5 Remuneration of the Board of Directors

Board of Directors, elected at the general meeting

Members of the Board of Directors of Realkredit Danmark, elected at the general meeting, receive a fixed cash remuneration. They do not receive any variable remuneration, pension contribution or other benefits.

Any member of the Board of Directors employed in Danske Bank Group will not receive compensation as member of the Board of Directors of Realkredit Danmark.

All members of the Board of Directors are non-executive directors in Realkredit Danmark. Consequently, no members of the Board of Directors, elected at the general meeting receive other remuneration from Realkredit Danmark.

As members of the Board of Directors receive fixed cash remuneration only, there is no conflict of interest with the Group's remuneration policy.

The cash based compensation model for members of the Board of Directors mirrors the expected workload related to the work on the Board. Thus, a base fee for Board membership is paid to all external members of the Board of Directors. Further, additional fees are paid for Chairmanship of the Audit Committee.

Board of Directors, elected by the employees

Members of the Board of Directors of Realkredit Danmark, elected by the employees, receive a fixed cash remuneration. They do not receive any variable remuneration, pension contribution, or other benefits in their role as board member. In their role as employees of Realkredit Danmark, they are entitled to variable remuneration and staff benefits, in accordance with their peers.

3.6 Remuneration of the Executive Board

The compensation model for the Executive Board may include the following compensation elements: Fixed base salary, pension contribution, variable incentive pay and benefits.

Compensation elements	Comments
Fixed base salary	<ul style="list-style-type: none"> Reviewed by the Board of Directors in Realkredit Danmark on annual basis
Pension contribution	<ul style="list-style-type: none"> 14% of base salary paid as defined contribution. If covered by LL §48E/F the pension contribution is paid as a 14% cash allowance
Short term incentive	<ul style="list-style-type: none"> Maximum 25% of annual base salary is earned (50% for the CEO) 1 year accrual, based on KPI performance Upon settlement, 50% is paid in cash, while 50% in shares is deferred 5 years from granting time and is subject to back testing Upon back testing, deferred bonus is paid as conditional shares and is retained for 6 months before being free to trade Payments are subject to claw back and good leaver/bad leaver conditions The Board of Directors in Realkredit Danmark decides each year the size of any bonus
Benefits	<ul style="list-style-type: none"> Insurances (full time accident, group life insurance, critical illness, health insurance and dental insurance) Company car; can be paid as a cash allowance upon request Paid mobile phone and broadband connection Paid newspapers 6 weeks annual paid holiday
Notice terms	<ul style="list-style-type: none"> A minimum of 3 month notice from the Executive Board member (6 months from the CEO) A minimum of 8 month notice from Realkredit Danmark (12 months from the CEO) One member of the executive board has no severance pay and one member has a severance pay of maximum 24 months

3.7 Risk impact of remuneration

The primary risk related to Danske Bank Group's remuneration is linked to variable remuneration. The Group has implemented different mechanisms to ensure that variable remuneration does not incentivise excessive risk taking.

Firstly, the Group has initiated a well-balanced distribution between fixed and variable remuneration, ensuring that performance-based remuneration does not exceed 50% of the base salary.

Secondly, Danske Bank Group has initiated a split disbursement of performance based incentives, if the annual pay-out exceeds a threshold, as specified in the remuneration policy. Split disbursement is made in the form of cash and conditional shares, where conditional shares constitute 50% of the total variable remuneration exceeding the threshold. The conditional shares are restricted during a deferral and retention period of three years.

Thirdly, Danske Bank Group has implemented deferral of variable remuneration for material risk takers including members of the Executive Board to encourage sustainable and long-term value creation. Variable remuneration (cash and conditional shares) granted in one year is split into a part paid initially, and a part deferred in four years.

Deferred conditional shares are restricted from transactions 6 months after the release date. The deferred remuneration is subject to back testing before disbursement, i.e. the deferred remuneration is disbursed only to the extent to which the criteria for the original granting are still fulfilled, and at the same time, provided the financial situation of Danske Bank Group has not deteriorated materially. Hence, the disbursement may lapse in part or in full. The annual back-testing of deferred variable remuneration was carried out by Group HR in the first quarter of 2022. This did not lead to a reduction in deferred income compensation.

Variable remuneration to material risk takers, including members of the Executive Board, is also subject to claw-back, if there is evidence that the granting of bonus was made on false basis. The claw-back applies to disbursed parts. No claw-back was applied in 2022.

On an annual basis, incentive programmes are assessed internally to ensure the appropriateness of the programmes, and to continually monitor, if any programmes can lead to excessive risk taking.

4 Material risk takers

On the basis of Executive Order No 1242 of 10 June 2021, Danske Bank Group has set up a procedure for identifying material risk takers, using the different articles to assess and identify staff with material influence on Realkredit Danmark's risk profile.

The procedure calls for cooperation between different subject matter experts in Danske Bank Group, namely Group Risk, Group Compliance and Group HR to ensure a comprehensive evaluation of each of the articles, ensuring that the definition of risk takers is continuously maintained. Danske Bank Group has also established a routine for continually reviewing the criteria for designation of material risk takers.

More information on material risk takers is in the Appendix. In May 2023, quantitative information about material risk takers will be published on www.rd.dk for 2022, 2021 and 2020.

Appendix

Salaries and Remuneration of Executive Board, Board of Directors

(DKK millions)	Realkredit Danmark	
	2022	2021
Salaries and remuneration of Executive Board, Board of Directors		
Executive Board	7	8
Board of Directors	1	1
Total	8	9
Remuneration of the Board of Directors (DKK thousands)		
Jesper Koefoed	325	325
Majken Hammer Sløk	125	125
Christian Hilligsøe Heinig (from 1 March 2021)	125	104
Lisbeth Sahlertz Nielsen (until 31 March 2021)	-	31
Anna-Marie Mikkelsen (until 31 March 2021)	-	31
Total remuneration	575	616
Remuneration for committee work included in total remuneration	150	200
Members of the Board end of year	7	6

Members of the Board of Directors only receive a fixed fee. They are not covered by any incentive programmes at Realkredit Danmark. In addition to the fixed fee, a committee fee is paid to the chairman of the Audit Committee.

Board fees are paid by the parent company Realkredit Danmark A/S. No board member has received remuneration for membership of the executive board or board of directors of the home a/s subsidiary.

The Group has no pension obligations towards its board members.

Members of the Board of Directors employed by Danske Bank A/S do not receive remuneration from Realkredit Danmark. During the period that members of the Board of Directors were also members of the Executive Leadership Team in Danske Bank A/S, a total remuneration of approximately DKK 9.5 million was earned from Danske Bank A/S in 2022 (2021: DKK 19.8 million).

(DKK millions)

Remuneration of the Executive Board

2022	Kamilla		Total
	Hammerich Skytte (CEO) *	Klaus Kristiansen	ExBo Remuneration
Fixed salary	2,6	2,2	4,8
Pension	0,3	0,3	0,6
Variable cash remuneration	0,6	0,2	0,8
Variable share-based remuneration	0,6	0,2	0,8
Total amount earned	4,1	2,9	7,0

* Effective 1 February 2022 Kamilla Hammerich Skytte entered the Executive Board. On 1 March 2022 she took up the role as the Chief Executive Officer.

The total remuneration of the Executive Board of DKK 7,0 million for 2022 consists of a fixed remuneration of DKK 5,4 million and a variable remuneration of DKK 1,6 million.

Carsten Nøddebo Rasmussen left his position as member of the Executive Board on 1 February 2022. During his period in 2022 as member of the Executive Board, Carsten Nøddebo Rasmussen earned remuneration of DKK 0,9 million, which consists of fixed salary of DKK 0,7 million, pension of DKK 0,1 million, variable cash payment of DKK 0,1 million, and variable share-based payment of DKK 0,0 million. In notice period during 2022 he earned total remuneration of DKK 9,9 million, whereof DKK 5,4 million has been awarded in severance fee, which will be paid out in 2023. His employment with Realkredit Danmark ends on 28 February 2023.

The remuneration of the Executive Board was paid by the parent company Realkredit Danmark A/S. No member of the Executive Board has received remuneration for membership of the executive board or board of directors of the subsidiary home a/s.

Figures are stated in Danish kroner and whole millions, unless otherwise stated. As a result, rounding discrepancies may occur because totals have been rounded off and the underlying decimals are not presented.

2021	Carsten Nøddebo Rasmussen	Klaus Kristiansen
Fixed salary	4.1	2.0
Pension	0.6	0.3
Variable cash remuneration	0.3	0.2
Variable share-based remuneration	0.3	0.2
Total amount earned	5.3	2.7

The total remuneration of the Executive Board of DKK 8.0 million for 2021 consists of a fixed remuneration of DKK 7.0 million and a variable remuneration of DKK 1.0 million.

The remuneration of the Executive Board disclosed above was paid by the parent company Realkredit Danmark A/S. No member of the Executive Board has received remuneration for membership of the executive board or board of directors of the subsidiary home a/s.

Share-based payments

(DKK millions)

Share-based payments

The total expense recognised as Operating expenses in 2022 arising from share-based payments was DKK 0.7 million (2021: DKK 0.5 million). All share-based payments are equity-settled. The exact number of shares granted for 2022 will be determined at the end of March 2023.

Part of the variable remuneration of Realkredit Danmark's Executive Board has been granted by way of conditional shares under the bonus structure for material risk takers and other employees, as part of their variable remuneration. Such employees have a performance agreement based on the performance of the Group. Part of the Danske Bank shares granted to material risk takers are, as required by EBA, deferred, see section above on variable payment. The fair value at grant date is measured at the expected monetary value of the underlying agreement.

Rights to conditional shares vest up to three years after the grant date, provided that the employee, with the exception of retirement, has not resigned from the Group. In addition to this requirement, the vesting of rights is conditional on certain targets being met.

The fair value of the conditional shares was calculated as the share price less the payment made by the employee.

Danske Bank A/S carries hedged the share price risk.

Conditional shares	Number			Fair Value (FV)	
	Executive Board	Other employees	Total	At issue (DKK millions)	End of year (DKK millions)
Granted in 2017					
2021, beg.	442	-	442		
Vested 2021	-442	-	-442		
Forfeited 2021	-	-	-		
Other changes 2021	-	-	-		
2021, end	-	-	-	-	-
Granted in 2018					
2021, beg.	532	847	1,379		
Vested 2021	-	-847	-847		
Forfeited 2021	-	-	-		
Other changes 2021	-	-	-		
2021, end	532	-	532	0.1	0.1
Vested 2022	-532	-	-532		
Forfeited 2022	-	-	-		
Other changes 2022	-	-	-		
2022, end	-	-	-	-	-
Granted in 2019					
2021, beg.	1,327	1,293	2,620		
Vested 2021	-	-	-		
Forfeited 2021	-	-	-		
Other changes 2021	-	-	-		
2021, end	1,327	1,293	2,620	0.3	0.3
Vested 2022	-	-1,293	-1,293		
Forfeited 2022	-	-	-		
Other changes 2022	-925	925	-		
2022, end	402	925	1,327	0.2	0.2

(DKK millions)

Conditional shares cont'd.

	Number			Fair Value (FV)	
	Executive Board	Other employees	Total	At issue (DKK millions)	End of year (DKK millions)
Granted in 2020					
2021, beg.	2,284	2,368	4,652		
Vested 2021	-	-	-		
Forfeited 2021	-	-	-		
Other changes 2021	-	-	-		
2021, end	2,284	2,368	4,652	0.4	0.5
Vested 2022					
Forfeited 2022	-	-	-		
Other changes 2022	-1,501	1,501	-		
2022, end	783	3,869	4,652	0.4	0.6
Granted in 2021					
Granted 2021	3,836	4,675	8,511		
Vested 2021	-2,302	-2,805	-5,107		
Forfeited 2021	-	-	-		
Other changes 2021	-	-	-		
2021, end	1,534	1,870	3,404	0.4	0.4
Vested 2022					
Forfeited 2022	-	-	-		
Other changes 2022	-954	954	-		
2022, end	580	2,824	3,404	0.4	0.5
Granted in 2022					
Granted 2022	4,042	7,215	11,257		
Vested 2022	-1,923	-4,335	-6,258		
Forfeited 2022	-	-	-		
Other changes 2022	-	-	-		
2022, end	2,119	2,880	4,999	0.6	0.7
Holdings of the Executive Board and fair value, end of 2022					
Grant year (DKK millions)				2019-2022 Number	FV
Kamilla Hammerich Skytte				1,514	0.2
Klaus Kristiansen				2,370	0.3
Holdings of the Executive Board and fair value, end of 2021					
Grant year (DKK millions)				2018-2021 Number	FV
Carsten Nøddebo Rasmussen				3,827	0.4
Klaus Kristiansen				1,850	0.2

In 2022, the average price at the vesting date for rights to conditional shares was DKK 114.58 (2021: DKK 110.29).