

The Mortgage Bank Plc's Remuneration Policy 2019

This policy, including the amendments made, is adopted by the Board of Directors of Danske Mortgage Bank Plc the "Company" on 24 June, 2019. When the word "business unit" is used, it shall be read as "the Company" and the "Board of Directors of the Group" shall when applicable be read as the "Board of Directors of the Company".

Purpose

The remuneration policy of the Danske Bank Group ("the Group") applies to all Group companies and employees. The Board of Directors of Danske Mortgage Bank Plc ("Company") has adopted the remuneration policy.

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
 - shareholders, inclusive of Alternative Investment Funds managed by Alternative Investment Fund Managers and UCITS managed by management companies
 - customers and
 - 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 nor the Company's capital base by including the policy and incentive structures in the capital and liquidity planning
- 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 and the Company's reward strategy. As a main rule, individual performance agreements (if any) are entered into with employees comprised by incentive schemes. On the basis thereof said employees have clear and predetermined KPIs, which are set in accordance with the Group's and the Company's overall strategy and applicable regulation. Further, transparency is ensured by the Company's disclosure of this remuneration policy on its web site and by disclosure of the Annual Report.

Corporate governance

The Board of Directors reviews, considers and approves the incentive structure for the coming year.. The aggregate bonus spend which is made up of bonus accrued under said structures is approved once a year by the Board of Directors

Danske Bank A/S Board of Directors approves the overall bonus pools in the Group. The size of bonus pools allocated to Danske Mortgage Bank Plc is determined by the management of Danske Bank Group on the basis of relevant KPIs. The CEO of Danske Mortgage Bank Plc determines the allocation of the pool to individuals. As well, as approves the individual bonus amount. CEO's bonus allocation is determined by the management of Danske Bank Group on the basis of relevant KPIs. Danske Mortgage Bank Plc's Board of Directors approves the payments of bonuses in Danske Mortgage Bank Plc.

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 thereto are clear, well-documented and transparent, and the procedures are subject to at least one independent review annually by Internal Audit.

Remuneration components

At least annually, during the performance and appraisal dialogues, the individual employees and managers evaluate and document performance in the past period/ 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 these dialogues.

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 payable mainly in cash but can in specific cases be payable partly in shares or other instruments as required by relevant legislation or the Group's policies.

The performance-based remuneration motivates, rewards and drives the right behaviour 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, where relevant. The Company's incentive structures are overall divided into 1) Management programme, and 2) Employee programme.

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 maximum percentage is set to 25% for all Company's employees for 2019.

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, alignment of the interests of the employees, the Group, the customers and the shareholders, Alternative Investment Funds and/or UCITS managed by management companies is always ensured.

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. Further, pension schemes are 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 the Group. The benefit offered to certain groups of employees could be mobile telephone, internet, newspaper, company car, health insurance and health checks, assistance from health providers and other benefits in kind.

Severance payments are payable in accordance with relevant local. The overall policy and agreements on severance pay are determined by Group HR and relevant control functions. Severance pay constitutes an appropriate compensation for early termination by the Group, is decided upon consideration of the individual's responsibility and decision-making powers and it is taken into account that it must not constitute a reward for failure. Normally, severance pay is linked to seniority, as employees earn entitlement to severance pay throughout their years of service. Employees are entitled

to severance pay solely pursuant to company's decision. Under specific individual agreements, certain key employees may have entitled to severance pay in addition based to their individual agreement.

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. Further, unless otherwise required by law, collective agreements or agreements entered into prior to 1 January 2018, severance pay, inclusive of salary during a notice period, cannot exceed a total of two years' salary and 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. This means that if the performance-based remuneration exceeds the minimum threshold determined by the Board of Directors the performance-based pay will be split in shares (or other instruments) and cash, part of which will be deferred in accordance with national legislation or Group's guidelines. 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. Further, the Group has established a governance for spot-bonus under which certain employees, not comprised by mandatory legislation stipulating otherwise, can be granted a bonus for extraordinary performance during a certain period.

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 or other applicable instruments and deferred for one to three years. For material risk takers, deferral is applied according to mandatory legislation and Group policies. 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.

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 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 pay 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. Risk KPIs are further applied to ensure a strong risk management and compliance culture, facilitating the Group's commitment to integrity. KPIs cover quantitative and qualitative criteria, such as

- return on equity
- cost/income ratio and/or other cost related measures
- customer satisfaction
- relative performance against peers
- observance of the Group's core values and delivery on the Essence of Danske Bank Group
- compliance with legislation and/or internal business procedures

- performance which supports the strategy of the business unit and/or the Group
- expected loss or similar risk measures
- innovation
- observance of the Group's and business units' risk management and compliance culture
- leadership/employee engagement

Long-term performance-based incentives (LTI) can be applied to certain employees. The LTI can be related to other/additional criteria, such as creation of shareholder value, that is, the remuneration is based on a rolling 3-year performance on total shareholder return against peers.

Further, the KPIs are designed to prevent conflicts of interest and thus ensure that employees are remunerated in alignment with serving the best interest of all stakeholders, inclusive of customers. Employees are not incentivised to sell specific products to customers if other products would serve the customers better or be more suitable for the customer in accordance with best practice, customer analyses, etc. Where applicable, the Group has implemented a prohibition of employees being remunerated on sale of specific products.

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 be used only to attract or retain highly specialised 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 is, according to applicable legislation, as a main rule conditional on the employee not resigning within a given period of time after the pay.

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

Sign-on, stay-on or guaranteed variable pay are subject to and paid in accordance with relevant legislation applicable for both Group and for local entities subject to national legislation.

Diversity and equal pay

An employee's total remuneration package is determined on the basis of the role and position of the individual employee, professional experience, seniority, education, responsibility, job complexity, local market conditions, the results of the Group, the business unit in which the employee is employed and the individual's performance, etc.

The Group has for several years adopted a strategy and policy on Diversity and Inclusion which can be found at [danskebank.com](https://www.danskebank.com). The objectives of that Policy imply that the remuneration of individuals is set with no regard to gender, race, ethnic origin, political views, sexual orientation, age or other discriminatory factors. The Group constantly strives to promote equality within the Group both with respect to employment, career development, promotions, equal pay etc. This implies that to overcome gender pay gaps, the Group does not focus only on pay but more broadly on diversity and inclusion to ensure a more even distribution of women in particularly higher managerial positions and in positions within professional areas with higher market remuneration levels. The Group has implemented numerous initiatives to achieve its ambitions within diversity and equal pay and regularly performs internal reviews in order to ensure that the Group lives up to the set strategy and targets. Further information on this can be found in the Corporate Responsibility report at [danskebank.com](https://www.danskebank.com).

Non-employees of the Group

When cooperating with non-employees of the Group, such as agents, independent contractors/consultants, temporary workers from temp agencies etc., the Group strives to ensure that the terms and conditions in the contract lives up to the Group's business and risk strategy, long-term interest of the Group, core values, avoid conflict of interests and does not encourage excessive risk-taking or the mis-selling of products. Accordingly, as an overall starting point non-employees are remunerated with a fixed hourly fee or a fixed project fee and do not receive variable pay. In alignment with the above set criteria the CEO in cooperation with the Head of Procurement can in extraordinary and exceptional cases decide to deviate from fixed remuneration and agree on project bonuses etc. However, in any and all cases such bonus shall respect the criteria above and may not reward any kind of failure or misconduct/non-compliance with Group policies on behalf of the non-employee.

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 local Remuneration Committees and regulatory qualitative and quantitative criteria. Members of the Executive Board and the Board of Directors are appointed material risk takers on an ongoing basis.

For the Company Members of the management team are appointed material risk takers due to the Commission delegated regulation (EU) 604/2014.

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 of the Board of Directors of Danske Mortgage Bank Plc

Company's Board member will receive a fixed fee amount of € 16.000 for the year 2019 decided by Annual General Meeting. Such Board members are not covered by incentive programmes and do not receive performance-based remuneration. The fees are set at a level that is market aligned and reflects the qualifications and competencies required in view of the Company'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. Board members who belong to the Group's staff will not receive separate fee for Board member's role.

Personnel Fund

Employee can decide on the payment of the bonus up to the Personnel fund, according to its rules.

Disclosure

Once a year the Company discloses its remunerations policy and information on the Company's remuneration practices at its web pages.

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.