

Nykredit
Group

Remuneration report
2018



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INTRODUCTION

Nykredit is one of Denmark's largest financial institutions, and we are the largest lender in Denmark. Predominantly owned by an association, Forenet Kredit, which represents our customers, Nykredit is a unique entity in the Danish financial landscape. Due to our position, we have a special responsibility for operating our business in ways that actively support long-term, sustainable and stable development for our customers, our owners and society.

Our vision is to be homeowners' first choice and a pillar of strength in the Danish economy. We have thus prepared our remuneration policy with focus on accountability and risk management, supporting the objective that Nykredit contributes to financial stability. Moreover, the remuneration policy must counter conflicts of interest and ensure that staff members always act in our customers' best interests.

PURPOSE

The main purpose of this remuneration report is to disclose the remuneration of the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S (hereinafter "Nykredit"), Nykredit's Group Executive Board and other staff members of the Group whose activities have a material impact on the risk profile of Nykredit (hereinafter "material risk takers").

Nykredit has based its remuneration report on the following recommendation from the Danish Committee on Corporate Governance:

"The company prepares a remuneration report that includes information on the total remuneration received by each member of the board of directors and the executive board from the company and other companies in the group and associates for the last three years, including information on the most important contents of retention and retirement/resignation schemes, and that the correlation between the remuneration and company strategy and relevant related goals be explained. The remuneration report should be published on the company's website."

The remuneration report also discloses information on remuneration of, and general remuneration principles applying to, material risk takers in the past financial year. Nykredit is required to disclose such information once a year.

The report also describes the correlation between remuneration and Nykredit's strategy.

For further details on Nykredit's remuneration principles and practices, see Nykredit's remuneration policy at nykredit.com

NYKREDIT'S REMUNERATION POLICY

Nykredit's remuneration policy has been prepared on the basis of Nykredit's strategy and lays down Nykredit's general remuneration principles and components, underpinning:

- Delivery of Nykredit's strategy
- Nykredit's ability to attract and retain qualified and performance-oriented staff
- Nykredit's wish to prioritise development and opportunities for engaged and skilled people

- Promotion of responsible business conduct
- Sound and effective risk management – including that Nykredit's remuneration structure does not encourage excessive risk taking

Nykredit uses Balanced Scorecard as a strategic management tool to measure the effects of its business initiatives and to help ensure that the required business development is realised. The Balanced Scorecard includes both Group and individual business area targets, focusing on capital, finances, customers, processes and staff.

The extent of target attainment as determined in the Balanced Scorecard has an impact on the size of any bonus awards and other variable remuneration in the Group.

The remuneration level of staff is based on the relative complexity of the job held, market conditions as well as the staff member's professional skills and performance. Recognised external benchmarks are used to assess market conditions.

Remuneration of staff is independent of gender, religion, sexual orientation, political affiliation and ethnic origin.

Nykredit's Board of Directors has appointed a Board Remuneration Committee which operates in compliance with the recommendation of the Committee on Corporate Governance, including performing the following preparatory tasks:

- Recommend the remuneration policy (including the general guidelines for incentive-based remuneration) to the board of directors and the executive board for approval by the board of directors prior to approval by the general meeting
- Submit proposals to the board of directors for remuneration of the members of the board of directors and the executive board, as well as ensure that such remuneration is in accordance with the company's remuneration policy and the assessment of the performance of the persons concerned. The committee should have information about the total amount of remuneration that members of the board of directors and the executive board receive from other companies in the group
- Recommend a remuneration policy applicable for the company in general
- Assist with the preparation of the annual remuneration report

For a more detailed description of the Board Remuneration Committee's members, responsibilities, tasks and powers, see nykredit.com

REMUNERATION OF BOARDS OF DIRECTORS, GROUP EXECUTIVE BOARD AND OTHER MATERIAL RISK TAKERS

Boards of Directors

Members of the Boards of Directors of Nykredit Realkredit A/S and Nykredit A/S receive fixed fees and are moreover paid a fixed fee for serving on Board committees. Members of the Boards of Directors do not receive variable remuneration. The fees are subject to approval by the General Meeting.

Staff-elected board members may, by virtue of their employment with Nykredit, receive variable remuneration, but this will not be related to their service on the Board of Directors.

Nykredit's size, complexity and status as a systemically important financial institution make special demands on the skills of the members of the Boards of Directors, and the number of board meetings and restrictions on board members' other activities also form part of the overall remuneration assessment. The fees paid to the Boards of Directors are fixed relative to market standards and so as to reflect the qualifications, skills, responsibility, restrictions and work load required by the directorship.

Based on the recommendation of the Board Remuneration Committee, the Boards of Directors determine the fees and structure to be presented for approval at the annual general meeting in March, after which they take effect as at 1 July.

Fees paid to the Boards of Directors in the past three financial years are shown in Appendix 1.

Group Executive Board

Members of the Group Executive Board receive fixed salaries covering all directorships and executive positions in Nykredit A/S as well as Group enterprises and associates.

Michael Rasmussen, Group Chief Executive, and David Hellemann and Anders Jensen, Group Managing Directors, receive pension contributions.

Kim Duus and Søren Holm, Group Managing Directors, are covered by a defined benefit pension plan, which as a result of their retirement at end-June 2019 will be activated as at 1 July 2019 and apply for five years.

Michael Rasmussen, Group Chief Executive, and David Hellemann and Anders Jensen, Group Managing Directors, have been awarded retention fees fixed at one year's salary, excluding pension, provided that they do not resign from their positions for a fixed number of years. Conditions for payment of the retention fee are set out in Appendix 2.

It is decisive for the Board of Directors that Nykredit maintains a high-calibre Executive Board, and the Board of Directors wants to raise the probability that the above members of the Group Executive Board contribute to realising the ambitious business plan prepared by Nykredit as a basis for the investor solution, which strengthened Nykredit's capital position. The retention fee is thus essential to implementing and delivering Nykredit's strategy, which calls for management continuity and retention of key skills.

Payment of retention fees is subject to the terms, conditions and restrictions laid down in legislation relative to variable remuneration of executive board members.

Apart from that, Group Managing Directors do not receive variable remuneration.

Upon appointment to the Executive Board, severance pay to members of the Group Executive Board has been individually agreed and is not performance-driven. Severance pay constitutes between 12 and 23 months' salary.

The salaries of the Group Executive Board members are based on an external benchmark assessment of comparable roles, the competition for special skills and the aim of continuity. Any salary adjustment will take effect on 1 January each year.

Remuneration paid to members of the Group Executive Board in the past three financial years is shown in Appendix 2.

Material risk takers

All members of the boards of directors and executive boards of Nykredit's financial companies are material risk takers merely by virtue of their directorships and executive positions.

Moreover, other material risk takers at Nykredit are designated based on the criteria laid down in law for identifying which staff members are material risk takers. These criteria have been compared with Nykredit's present situation. This has resulted in specific criteria for identifying the staff members at Nykredit who are material risk takers.

Based on these criteria, the HR and Risk units will designate specific management staff and non-management staff as material risk takers at Nykredit. The specific considerations, criteria and material risk takers are subject to annual approval by the Board Remuneration Committee and the Board of Directors. In addition, material risk takers are designated over the year in connection with resignations/recruitments, organisational changes, changes in job profile etc.

Bonus programmes and other forms of variable performance-driven remuneration are described in Nykredit's remuneration policy. For material risk takers subject to variable remuneration, the following applies:

- Variable performance-driven remuneration is determined on the basis of the performance of the individual staff member, of the business unit of the said staff member and of the overall results of the company
- The performance measurement used as a basis for the variable remuneration reflects the current and future risks related to the actual performance and any cost of capital and liquidity required to obtain such performance
- When assessing the performance of the individual staff member, consideration is made for non-financial criteria such as compliance with internal rules and procedures and with the company's guidelines and business procedures

Legislation regulates matters relating to variable remuneration of material risk takers for the purpose of ensuring that material risk takers have a long-term perspective when making material decisions. This means, among other things, that:

- Part of the variable remuneration must be paid by way of a long-term instrument (remuneration bonds at Nykredit) subject to a 12-month selling restriction
- A minimum share of 40% of the variable remuneration is deferred for a period of 3-5 years, depending on the type of material risk taker
- In connection with the payout of deferred amounts – including the bond part – Nykredit will consider whether the criteria underlying the calculation of the bonus continue to be met at the time of payout. It must be assessed whether the individual

performance/actions on which the variable remuneration was awarded in the year in question continue to exist at the time of payout

For further information on rules, principles and practices relating to remuneration of material risk takers, see Nykredit's remuneration policy.

Remuneration paid to material risk takers in the past financial year is shown in Appendix 3.

BONUS PROGRAMMES

Nykredit's remuneration policy describes the principles of Nykredit's bonus programmes.

The basis for, and the staff participating in, the bonus programmes are assessed annually by the Group Executive Board, which recommends any material changes to the Board Remuneration Committee. In support of the Group Executive Board's assessment of bonus programmes comprising Markets, Asset Management and Group Treasury, evaluations are obtained regularly from an external, recognised incentive scheme specialist. The evaluation from 2018 concluded that current schemes are market-conform, compliant and support the delivery of business targets without encouraging excessive risk taking.

APPENDIX 1

Fees paid to the Board of Directors

2018	Nykredit A/S	Nykredit Realkredit A/S	Nykredit A/S / Nykredit Realkredit A/S	Nykredit Group	Forenet Kredit f.m.b.a. ²	Forenet Kredit Group ²		
Fees (DKK '000)	Fees paid to the Board of Directors	Fees paid to the Board of Directors	Board committees	Total	Fees paid to the Board of Directors	Total 2018	2017	2016
Steffen Kragh	819	395	200	1,414	-	1,414	1,210	1,055
Merete Eldrup	546	263	425	1,234	-	1,234	1,080	859
Nina Smith	546	263	100	909	195	1,104	1,013	856
Hans Bang-Hansen ¹	68	33	-	100	33	133	483	529
Helge Leiro Baastad	273	132	150	555	-	555	453	229
Olav Bredgaard Brusen	273	132	-	405	75	480	428	285
Steen E. Christensen ¹	-	-	-	-	-	-	-	304
Michael Demsitz	273	132	150	555	116	671	553	480
Per W. Hallgren	273	132	325	730	75	805	690	393
Marlene Holm	273	132	-	405	-	405	353	324
Hans-Ole Jochumsen ¹	206	99	113	417	-	417	-	-
Vibeke Krag	273	132	113	517	34	551	420	-
Allan Kristiansen ³	273	132	-	405	-	405	353	305
Gert Kryger	-	-	-	-	-	-	-	46
Bent Naur ¹	68	33	63	163	-	163	578	480
Ina Nielsen ¹	-	-	-	-	-	-	-	95
Lasse Nyby ³	273	-	-	273	-	273	228	185
Anders C. Obel ¹	-	-	-	-	-	-	145	555
Claus E. Petersen ³	273	-	-	273	-	273	228	185
Erling Bech Poulsen ¹	68	33	-	100	-	100	353	305
Inge Sand	273	132	-	405	75	480	428	285
Lars Peter Skaarup ¹	227	-	-	227	-	227	228	234
Jens Erik Udsen ¹	-	-	-	-	-	-	-	120
Leif Vinther	273	132	50	455	75	530	478	430
Total	5,549	2,301	1,688	9,537	678	10,215	9,695	8,538

¹ Hans-Ole Jochumsen joined Nykredit A/S and Nykredit Realkredit A/S in 2018, and Hans Bang-Hansen, Bent Naur and Erling Bech Poulsen resigned from Nykredit A/S and Nykredit Realkredit A/S in 2018. Lars Peter Skaarup resigned from Nykredit A/S in 2018. Anders C. Obel resigned from Nykredit A/S and Nykredit Realkredit A/S in 2017. Steen E. Christensen, Jens Erik Udsen and Ina Nielsen resigned from Nykredit A/S and Nykredit Realkredit A/S in 2016. Gert Kryger resigned from Nykredit A/S in 2016. Lars Peter Skaarup resigned from Nykredit Realkredit A/S in 2016.

² As Forenet Kredit and the Nykredit Group are consolidated companies and due to the requirement pursuant to the Danish Financial Business Act, information regarding total fees paid to the Board of Directors of the Nykredit Group and the Forenet Kredit Group is included.

³ In addition, Allan Kristiansen received a fee as staff-elected member of the Board of Directors of Nykredit Bank A/S of DKK 60 thousand in 2018. Claus E. Petersen and Lasse Nyby moreover received fees as members of the Board of Directors of Totalkredit of DKK 150 thousand and DKK 100 thousand, respectively.

APPENDIX 2

Remuneration of the Executive Board

	Michael Rasmussen			Kim Duus			Søren Holm			Anders Jensen			David Hellemann ³		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Contractual salary	11,045	10,786	9,805	6,527	6,374	6,070	6,527	6,374	6,070	6,527	6,374	6,070	6,527	6,374	2,024
Pension contributions ¹	2,557	2,497	2,270	-	-	-	-	-	-	1,501	1,466	1,396	1,501	1,466	466
Total	13,602	13,283	12,075	6,527	6,374	6,070	6,527	6,374	6,070	8,028	7,840	7,466	8,028	7,840	2,490
Defined benefit plans for a maximum of five years	-	-	-	852	1,511	1,717	852	1,511	1,717	-	-	-	-	-	-
Total inclusive of pension	13,602	13,283	12,075	7,379	7,885	7,787	7,379	7,885	7,787	8,028	7,840	7,466	8,028	7,840	2,490
Various benefits ²	17	30	27	13	16	13	14	16	20	19	25	23	16	12	4

¹ In addition to their contractual salaries, Michael Rasmussen, Anders Jensen and David Hellemann receive a pension contribution of 23% for a pension plan of their own choice. Kim Duus and Søren Holm are covered by defined benefit pension plans.

² In addition to their contractual salary and pension, the Group Executive Board receive the following benefits: Telephone free of charge, medical examination, security surveillance, critical illness insurance, group life insurance as well as accident and health insurance.

³ David Hellemann joined the Executive Board on 1 September 2016.

Pension, retention benefits and severance pay

	Michael Rasmussen	Kim Duus ¹	Søren Holm ²	Anders Jensen	David Hellemann
Pension plan	-	Defined benefit	Defined benefit	-	-
Pension terms	-	60% of fixed salary for up to five years from the age of 60	60% of fixed salary for up to five years from the age of 60	-	-
Retention terms ^{3, 4}	1 year's salary excl pension			1 year's salary excl pension	1 year's salary excl pension
Severance pay	23 mths			12 mths	12 mths
Notice of termination by the member of the Executive Board	6 mths	12 mths	12 mths	6 mths	6 mths
Notice of termination by Nykredit	6 mths	6 mths	6 mths	6 mths	6 mths

¹ Kim Duus has given notice of resignation and will leave his position by end-June 2019 after which he will receive pension benefits in accordance with the terms laid down.

² Søren Holm has given notice of resignation and will leave his position by end-June 2019 after which he will receive pension benefits in accordance with the terms laid down.

³ Nykredit A/S has entered into a retention agreement with Michael Rasmussen, Group Chief Executive. The retention fee payable by 50% at end-December 2019 and 50% at end-June 2020 has been set at one year's salary, excluding pension. The retention fee is payable only if Michael Rasmussen has not resigned his position and is not in breach of his contractual duties at 1 January 2020. Provisions are made for the retention fee during the vesting period running from 1 April 2017 to end-December 2019. A retention fee of DKK 3.1 million for Michael Rasmussen was charged to the income statement in 2018.

⁴ Nykredit Realkredit A/S has entered into retention agreements with each of Group Managing Directors Anders Jensen and David Hellemann. The retention fees payable by 50% at end-December 2020 and 50% at end-June 2021 have been set at one year's salary, excluding pension. The retention fees are payable only if Anders Jensen or David Hellemann have not resigned their positions at 1 January 2021 or are not in breach of their contractual duties. Provisions are made for the retention fees during the vesting period running from 1 January 2018 to end-December 2020.

APPENDIX 3

Remuneration – material risk takers 2018

(DKK '000)	Retail	Wealth management	Investment	Control functions ³	Staff functions
Total remuneration by business area	132,037	17,118	45,156	18,557	53,202
(DKK '000) Total remuneration broken down into fixed and variable remuneration		Board of Directors¹	Executive Board²	Other	
Number of risk takers (FTE)		29	12	158	
Number of risk takers as at 31 December 2018		29	12	158	
Fixed remuneration		16,202	50,289	210,324	
Variable remuneration		0	12,425	55,746	
Variable remuneration broken down into cash and bonds					
Cash		0	3,672	29,147	
Bonds		0	8,753	26,599	
Variable remuneration broken down into paid and deferred remuneration					
Paid		0	5,780	27,995	
Deferred		0	6,645	27,751	
Severance pay awarded					
Severance pay awarded		0	0	5,357	
Highest amount of severance pay awarded		0	0	1,350	
Number of recipients		0	0	7	
Severance pay paid					
Severance pay paid		0	0	0	
Number of recipients		0	0	0	
Outstanding deferred remuneration					
Outstanding deferred remuneration related to previous years		0	3,036	67,358	
Payments of deferred amounts related to previous years		0	(537)	(14,946)	
Reduced		0	0	0	
Total deferred remuneration		0	2,499	52,412	
Number of staff earning EUR 1 million or more, broken down into bands of EUR 500,000					
Total remuneration: EUR 1.0 million - EUR 1.5 million		0	2	0	
Total remuneration: EUR 1.5 million - EUR 2.0 million		0	1	0	
Total remuneration: EUR 2.0 million - EUR 2.5 million		0	0	0	
Total remuneration above EUR 2.5 million		0	0	0	

¹ Includes members of the boards of directors of all the Group's financial companies.

² Includes members of the executive boards of all Nykredit's financial subsidiaries.

³ Includes control functions in accordance with Nykredit's remuneration policy. Control functions comprise Credit Controlling, Group Finance, Risk, Compliance, IT Security, Internal Audit and HR Operations.