

Order Execution Policy – financial instruments

Applicable from 3 January 2018

This policy sets out the principles that we follow when executing orders for our retail and professional clients in financial instruments to ensure that our clients obtain best execution.

The financial instruments in scope are listed at the end of this policy.

1. Best execution – summary for retail clients

Under the rules governing best execution (the so-called MiFID II rules), we are required to provide our retail clients (see section 2 below) with a summary of this policy:

Danske Bank A/S is required to take **all sufficient steps** to obtain the best possible result for its clients when executing their orders in financial instruments.

This is also known as our obligation to deliver **best execution**.

This policy explains the different criteria that we will take into account when providing you with best execution.

For **retail clients** the best possible result shall be determined in terms of the **total consideration**, i.e. the **total price** when they buy or sell financial instruments.

Total consideration is the price of the financial instrument and the costs related to execution. The total consideration includes all expenses for our client that are directly related to the execution of the order, such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

Specific instructions from you regarding an order may affect our obligation and possibility of delivering best execution and may prevent us from taking the steps that we would otherwise take to comply with this policy.

When executing your order, we may act as **principal** by dealing on our own account. You will then trade the financial instrument in question directly with us.

We may also choose to fill your order via **an execution venue** or by transmitting your order to one of our **brokers** who will then execute it. When we choose between different ways of executing orders, our focus will be on ensuring the best **total consideration** for you.

In order to make sure that we can provide best execution on an ongoing basis, we will continuously monitor our own performance and the performance of the execution venues and brokers that we use for executing your orders. If we find that the performance is not satisfactory we will resolve this.

We will publish **periodic reports** demonstrating how we have complied with our obligation to provide best execution.

At www.danskebank.com/bestexecution, you will find our **most recent execution quality** data on the financial instruments where we act as systematic internaliser, market maker or liquidity provider. The website also provides a link to the most recent execution quality data published by the major execution venues that we use (see section 5.2.3). At your request, we will demonstrate to you that we have executed your order in accordance with this policy. We may not have obtained the best possible result for you on a single specific occasion, but we will demonstrate that we have complied with the policy in the order execution process.

Please read the following for more details about how we deliver best execution.

2. Scope – retail and professional clients

We are required to divide our clients into three categories:

- **eligible counterparties** (banks, pension funds and insurance companies, etc.)
- **professional clients** (typically very large corporate clients)
- **retail clients** (all other clients)

This policy applies to you if you are a retail client or a professional client.

The policy does not apply to you if you are classified as an eligible counterparty. However, we will act honestly, fairly and professionally when executing orders from clients classified as eligible counterparties.

3. Best execution at Danske Bank

Danske Bank provides investment services to its clients in two business areas where we are subject to best execution obligations.

The two business areas are:

- (a) *Execution of orders on behalf of clients and reception and transmission of our clients' orders.* Here, we

execute orders that you place with us. This service begins when **you have decided** to buy or sell a financial instrument.

- (b) *Portfolio management.* Here, you have given us a mandate to buy or sell financial instruments on your behalf under a portfolio management agreement. We are obliged both to make decisions to deal, which serve your best interests, and to execute these **decisions to deal** in accordance with the best execution requirements.

These two business areas are handled separately by Danske Bank with full functional and structural separation.

Although our aim in both business areas is to provide the client with the best result when we execute orders, differences between the two areas exist.

How Danske Bank provides best execution within portfolio management is explained in the portfolio **management addendum** to this policy.

Please note that portfolio management is not provided by all branches of Danske Bank.

Likewise, we do not offer trading in the same financial instruments in all parts of Danske Bank. In addition, there may be local differences in the way our branches execute orders.

3.1 Exceptions – four-fold cumulative test

The requirement to provide best execution is subject to certain exceptions. These are situations where you do not **legitimately rely** on us to provide best execution. This may in particular be the case in quote-driven markets as described below.

If you as a **professional client** trade based on a **quote** provided by us, the initial assumption will be that you do not legitimately rely on us to provide best execution. This assumption will be checked against the so-called four-fold cumulative test, published by the European Commission to establish whether you may rely on us to provide best execution. The four-fold cumulative test encompasses the following criteria:

- which party initiates the transaction. If the client initiates a transaction it is less likely that the client will be relying on us to provide best execution.
- questions of market practice and the existence of a convention to “shop around”. In some markets, it is common practice that the client solicits quotes from various sources and then bases its decision to deal on these quotes. Under these circumstances, the client could not expect the dealer chosen to owe best execution.
- the relative levels of price transparency in a market. In markets where we have ready access to prices in the relevant markets and the client does not, the client is more likely to rely on us to provide best execution.
- the information provided by us and any agreement reached between the client and us may impact on whether we owe best execution.

For **retail clients**, the result of the four-fold cumulative test will normally be that you are entitled to best execution when you trade based on a quote provided by us.

4. Factors affecting best execution

4.1. Factors

When we choose how to ensure best execution, we take into account the following factors regarding the order:

- price
- costs
- speed
- likelihood of execution and settlement
- type and size of the order
- any other factor considered relevant to the execution of the order

In general, we prioritise the factors on the basis of the following:

- your situation and the objective of the order
- current market conditions
- the specific financial instrument that the order concerns
- relevant execution venues

By default, we will consider the following factors to be the most important:

Price and costs: In most cases, the **price** of the financial instrument and the **costs**, including commissions and fees, related to the execution are the essential factors for ensuring best execution.

For **retail clients** the best possible result shall be determined in terms of the **total consideration**. Total consideration means the price of the financial instrument together with the costs related to execution, including all expenses incurred by the client that are directly related to the execution of the order.

such as execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

It is not always possible to execute your order at the best price, but we will always strive to execute your order in accordance with our policy.

We strive to execute purchase orders at the lowest sales price offered and to execute sales orders at the highest purchase price offered.

Certain financial instruments (**OTC instruments**) do not have what could be defined as an observable market price, either because they are not admitted to trading on any trading venue or because trading does not take place on the relevant trading venue(s). For such instruments, we must check the fairness of the price by using relevant market data and also, where possible, by making a comparison with similar or comparable products.

Speed and likelihood of execution: Next to price and costs, we consider, by default, speed and likelihood of execution to be the most important factors when ensuring best execution.

Speed is the rate at which we progress your order. If you provide no instructions regarding the speed at which your order should be carried out, we will progress it at a rate that we believe represents a balance between creating market impact and executing your order in a timely fashion so as to reduce execution risk.

We will seek to achieve prompt execution of the entire order if we do not believe that prompt execution of the entire order will have a negative impact on execution quality.

If we believe, for example, that the size or nature of your order may affect the price level, we may postpone the execution of the entire order or parts of it. On the other hand, depending on the circumstances, we may also prioritise quick execution if we are of the opinion that this will be most favourable for you.

Likelihood of execution is the likelihood that we will be able to fill your order in full or at least a substantial part of it. This factor will be of particular relevance if, for instance, the financial instrument in question is illiquid or if you limit the price of the order at a price that does not correspond to the prevailing market price.

Market conditions for the relevant financial instrument may cause us to prioritise the likelihood of execution. We may therefore decide to execute your order at the execution venue(s) that have the necessary liquidity and depth of trading interests to ensure timely execution and the smallest possible effect on the price level.

Likelihood of settlement: Generally, we expect orders that we execute on your behalf to be settled in a timely fashion. If we become aware that a particular execution strategy may compromise the likelihood of settlement, we may not pursue that strategy even if it would result in a better price.

Other relevant factors: While we consider the above-mentioned factors to be the predominant ones there may be situations where additional factors may influence our strategy to obtain best execution.

4.2. Client instructions

If you provide us with instructions regarding an order or any aspect of an order, we will execute the order in accordance with such instructions to the extent reasonably possible.

However, please note that these instructions may prevent us from taking the steps that we would otherwise take to comply

with this policy. Therefore, we may not be able to ensure best execution in respect of the aspect(s) of the trade where we act in accordance with your instructions.

If your instructions only cover certain parts or aspects of the order, we will endeavour to ensure best execution in respect of any other part or aspect of your order.

If you do not provide any instructions, we will exercise our own discretion regarding the order in accordance with this policy.

5. Order execution

5.1 Own account, execution venues and brokers

When executing your order, we choose the place of execution that, in our opinion, will provide you with the best result.

We execute orders at execution venues as well as outside execution venues.

When we execute orders outside execution venues we may act as principal by dealing on own account. You will then trade the financial instrument in question directly with us. This may be in our capacity as systematic internaliser (see section 6).

At your request, we can provide you with additional information about the consequences of trading outside trading venues.

We may execute orders by combining clients' trading interests (clients' buy and sell orders). We may do this outside a trading venue or by concluding the transaction under the rules of a trading venue.

We execute orders promptly, fairly and expeditiously and in the sequence in which they are received.

5.2.1 Execution venues

Execution venues are regulated markets, multilateral trading facilities (MTF), organised trading facilities (OTF), systematic internalisers, market makers and liquidity providers.

If we choose to execute your order via an execution venue, we will choose an execution venue that, in our opinion, offers the best possibilities of ensuring best execution. For all classes of financial instruments, the main criterion when choosing between execution venues is efficient pricing, such as the size of bid-ask spreads and access to price information. In this assessment, we include liquidity and the costs of executing orders on the relevant execution venues.

To make sure that our clients' total consideration is not negatively affected by our choice of execution venue, we also consider any external costs when choosing between venues. These could be costs related to for instance clearing.

5.2.2 Brokers

In this context, a broker is another investment firm that receives the order from us and decides how to execute it. If we choose to execute your order via a broker, we will choose a broker that, in our opinion, offers the best possibilities of ensuring best execution. We only transmit client orders to brokers who we believe can deliver a result that will live up to the best execution requirements.

5.2.3 List of execution venues and brokers

Our most recent list of major execution venues and brokers is available at www.danskebank.com/bestexecution. Here, you can also see which execution venues we use for each class of financial instruments, for retail client orders and professional client orders.

As described in more detail in section 9 below, we will continuously monitor the execution quality that we deliver to our clients. This includes monitoring the performance of the execution venues and brokers that we use.

6. Systematic internaliser (SI)

We are a systematic internaliser in financial instruments which we trade on an organised, frequent, systematic and substantial basis when executing client orders outside trading venues.

As a systematic internaliser, we have certain obligations to make firm quotes available to our clients.

When we provide firm quotes to our clients in our capacity as a systematic internaliser, these quotes must meet our best execution requirements.

In addition, we must ensure that the prices we quote as a systematic internaliser reflect prevailing market conditions. In terms of shares, depositary receipts, exchange-traded funds, certificates and other similar financial instruments, this means that our quoted prices must be close in price to the prices on the most relevant European trading venue in terms of liquidity.

In terms of bonds, structured finance products, emission allowances and derivatives, it means that our prices must reflect the prevailing market conditions in relation to prices at which transactions are concluded for the same or similar financial instruments on a trading venue.

The specific requirements for the pricing of instruments where we are systematic internalisers apply only up to certain order sizes.

On our website, you can see the list of instruments for which we are systematic internalisers.

7. Aggregation of orders

We may aggregate orders and execute them in one or more tranches if, due to demand, we believe that these orders will then be executed at an average price that we consider generally favourable. Consequently, aggregation may be to the disadvantage of an individual order.

We execute at a weighted average price when we aggregate orders and execute them in more than one tranche.

When executed, aggregated orders are, to the extent possible, allocated to clients on the trading day at the calculated average trade price. If aggregated orders can be executed only in part, we allocate the executed part to the participating clients either proportionately according to the size of the orders or by allocating the same portion to all participating clients (one-for-one basis). When choosing between the two methods, we consider the relevant factors, including the relative size of the orders, in which order we receive the orders and the present liquidity situation in the market of the financial product in question.

If client orders have been aggregated with transactions in our own name, we participate in the allocation only if all participating clients are satisfied in full. If a client order could not have been executed on the same favourable terms without aggregation, we may distribute the transaction proportionately.

8. Classes of financial instruments

8.1 Annexes

Annexes 1-8 to this policy explain how we ensure best execution in relation to specific classes of financial instruments with focus on the most relevant execution factor(s). The purpose of the annexes is to provide an overview of different trading scenarios at Danske Bank and not to provide a full description of all trading scenarios and all steps when Danske Bank executes orders.

The annexes are an addition to the general description of factors affecting best execution under section 4.1. Where relevant, all the different factors will be included in our trading scenarios even where they are not explained or mentioned in the annexes.

Each annex should be read in conjunction with the other parts of this policy. For instance, the rules described above under section 6 apply if Danske Bank is a systematic internaliser in a financial instrument covered by one of the annexes

Annex 1: Equities and equity-like instruments

Annex 2: Exchange-traded derivatives

Annex 3: Bonds

Annex 4: Structured notes

Annex 5: Interest rate derivatives

Annex 6: Foreign exchange derivatives

Annex 7: OTC commodity derivatives

Annex 8: Securities financing transactions

9. Monitoring, evaluation and changes

We monitor and evaluate the effectiveness of this policy and the measures taken to comply with it.

The monitoring of the effectiveness of this policy takes place on a consistent basis by the trading desks directly responsible for delivering best execution as well as by internal control functions at Danske Bank that operate independently from the functions executing client orders.

In addition, Danske Bank has established a **Best Execution Committee** for the purpose of ensuring that information about execution quality in Danske Bank's business units and areas is gathered and considered centrally.

If we find that we do not fulfil our best execution obligations, we will change our policy and relevant measures promptly and effectively.

We also assess, on an ongoing basis, whether the execution venues and brokers that we have chosen to ensure best execution continue to meet our standards. If not, we will make the necessary changes.

10. Reporting

10.1. Danske Bank as execution venue

Danske Bank is an execution venue if we act as a systematic internaliser (see section 6). We will also be an execution venue if we act as a market maker or liquidity provider.

Four times a year and not later than three months after the end of each quarter of the calendar year, we will, at www.danskebank.com/bestexecution, publish information about our quality of execution in financial instruments where we act as an execution venue.

This will include information about prices, costs and likelihood of execution.

10.2 Top five venues and brokers

Once a year, at www.danskebank.com/bestexecution, we will publish information for each class of financial instruments about the top five execution venues in terms of trading volumes for all executed client orders for retail clients and professional clients, respectively, and information about the top five execution venues for all executed client orders in securities financing transactions.

As part of this report, we will, for each class of financial instruments, publish a summary of the analysis and conclusions we have drawn from our detailed monitoring of the quality of execution that we have obtained on the execution venues where we executed all our client orders in the previous year.

We will publish a similar report for our top five brokers.

11. Changes to the policy

Any changes to our order execution policy will be published on our website.

All clients with whom we have an ongoing client relationship will be informed of any material changes to our order execution arrangements or this order execution policy.

12. More information

For more information about the execution of your order, please contact your branch

Financial instruments covered by this policy, as defined by the MiFID II rules:

- (1) Transferable securities;
- (2) Money-market instruments;
- (3) Units in collective investment undertakings;
- (4) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
- (5) Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event;
- (6) Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled;
- (7) Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments;
- (8) Derivative instruments for the transfer of credit risk;
- (9) Financial contracts for differences;
- (10) Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF;
- (11) Emission allowances

Annex 1 – Order Execution

Financial instruments in scope

This annex explains our best execution processes for the following equity and equity-like financial instruments:

- **Shares**
- **Depository receipts**
- **Securitised derivatives (warrants and certificate derivatives)**
- **Exchange traded funds and exchange traded notes**
- **Units in exchange traded collective investment funds**

How to place an order/trade

You can place an order with us in the following ways:

- **Electronically:** You send the order electronically and directly to Danske Bank for execution via one of our online banking solutions.
- **Manual intervention:** You place the order in direct contact with Danske Bank, for instance at a meeting, over the phone or via a chat function.
- **Quote:** You can trade with us on the basis of a quote provided to you by us. When you trade equities and equity-like instruments with us on the basis of a quote, we act in a principal capacity.

How we handle your order

The financial instruments covered by this annex are all admitted to trading on trading venues and they are all fundamentally handled by Danske Bank in the same way using one of the four following processes:

- **Routed orders:** Orders that can be sent immediately to one or more venues for execution.
- **Care orders:** Orders that cannot be sent immediately to one or more venues for execution, or which are received with specific execution instructions.
- **Immediate orders:** In some instruments, Danske Bank offers clients immediate orders up to a predefined size.

This means that we publish firm bid and offer prices to our clients, which the clients can accept and thus create immediate trades. Danske Bank's bid and offer prices reflect prevailing market conditions and they thus live up to the best execution requirements. Some of the immediate prices may be in instruments for which Danske Bank is a systematic internaliser.

- **Quotes:** If you have received a quote from us the trade is concluded when you accept the quote.

In addition, Danske Bank provides certain e-trading solutions to our professional clients and eligible counterparties, which allow these clients to trade directly on trading venues via direct

market/strategy access. Such solutions are subject to a special on-boarding process and are not described further in this annex.

Routed orders

An order is processed as a routed order when it meets certain pre-set requirements in Danske Bank's systems. When setting up these requirements for routing, we aim to secure best execution.

Depending on the specific financial instrument in question and the order size, Danske Bank's internal systems decide whether the order is to be sent directly to one or more trading venues for execution or directly to one of the external brokers, which Danske Bank uses for execution.

If an order does not meet the pre-set parameters for routing, it is automatically stopped and directed to a trader to be treated as a care order. For example, the financial instrument in question may not be sufficiently liquid to be routed directly to a trading venue.

Danske Bank's automated routing system and the parameters used are monitored on an ongoing basis by Danske Bank to make sure that the system is always able to provide best execution.

Care orders

If an order does not meet the pre-set parameters in Danske Bank's system for auto-routing, the order is handled as a care order.

All orders received from our Baltic clients are handled as care orders, including orders sent via online banking.

Best execution criteria

The main factors for ensuring best execution are the price of the financial instrument and the costs, including commissions and fees, related to execution.

This usually leads to Danske Bank promptly either

- placing the order at one or more execution venues with which Danske Bank is directly connected, subject to the rules of the individual venue
- placing the order with, or soliciting a quote from, one of our external brokers (investment firms), or
- executing the order with Danske Bank as counterparty or cross the order with that of another client

However, market conditions or specific characteristics regarding the financial instrument in question may mean that we do not believe that you will get the best price if we try to promptly execute the order. For instance, it may be our assessment that placing your entire order could adversely impact prices and that it would be in your best interest to divide the order into smaller orders (child orders) or, for other reasons, to postpone all or part of your order.

Please see section 4.1 of the Order Execution Policy, which describes how we prioritise the various execution factors, including factors other than price and costs. These factors apply to our execution of instruments covered by this annex when you place a market order with us.

Annex 2 – Order Execution

Financial instruments in scope

This annex explains our best execution processes for derivatives traded on a trading venue such as the following options and futures:

- **Equity options and futures**
- **Interest rate options and futures**
- **Commodity options and futures**

This annex also covers derivatives traded over-the-counter (OTC) with Danske Bank as your counterparty where the OTC trades have features identical to those of derivatives traded directly on a trading venue. Such OTC derivatives are commonly referred to as look-alike derivatives.

Whether you trade the derivatives on a trading venue or as look-alike derivatives depends on the agreement between you and Danske Bank regarding the derivative product in question.

How to place an order/trade

You trade the derivatives covered by this annex by placing a market order or on the basis of a quote provided to you by us. When you place a market order, we choose the execution method in accordance with the Order Execution Policy. You may choose a “market order with limit”. This means that you specify the limit for the price at which we may execute the order.

Market orders (with or without a limit) are assessed individually by our trading desk. The trading desk decides whether routing the order to a trading venue or executing it with Danske Bank trading as principal will provide the best result for you.

When you trade on the basis of a quote, we always execute the order as principal. This means that we deal on own account and that you trade directly with us.

The financial instruments covered by this annex are all admitted to trading on trading venues, or traded similarly to such instruments.

Best execution criteria

In most cases, the price of the financial instrument and the costs, including commissions and fees, related to execution are the main factors for ensuring best execution.

In the case of a market order, this usually leads to Danske Bank promptly either:

- placing the order at one or more execution venues with which Danske Bank is directly connected subject to the rules of the individual venue;
- placing the order with, or soliciting a quote from, one of our external brokers (investment firms), or
- executing the order with Danske Bank as counterparty or cross the order with that of another client

In the case of look-alike derivatives, the trade we enter into with you reflects current conditions on the relevant trading venue(s).

However, market conditions or specific characteristics regarding the financial instrument in question may mean that we do not believe that you will get the best price if we try to promptly execute the order. For instance, it may be our assessment that placing your entire order could adversely impact prices and that it would be in your best interest to divide the order into smaller orders (child orders) or, for other reasons, to postpone all or part of your order.

Please see section 4.1 of the Order Execution Policy, which describes how we prioritise the various execution factors, including factors other than price and costs. These factors apply to our execution of instruments covered by this annex when you place a market order with us.

Annex 3 – Order Execution

Financial instruments in scope

This annex explains our best execution processes for bonds such as

- **Government bonds**
- **Mortgage bonds**
- **Credit bonds**

How to place an order/trade

You trade bonds on the basis of a quote provided to you by us or by placing a market order. When you place a market order, we choose the execution method in accordance with the Order Execution Policy. You may choose a “market order with limit”. This means that you specify the limit for the price at which we may execute the order.

When you trade bonds on the basis of a quote, we always execute the order as principal. This means that we deal on our own account and that you trade directly with us.

Market orders (with or without a limit) are assessed individually by our trading desk. The trading desk decides whether routing the order to a trading venue or executing it with Danske Bank trading as principal will provide the best result for you.

For some of the above instruments and certain trade sizes, we offer immediate trading via one of our online banking solutions.

Best execution criteria

The main factor for ensuring best execution in relation to bonds is the price.

The markets for bonds are characterised by varying levels of liquidity, as some bonds have a high level of liquidity and some a lower level of liquidity.

The key factors when pricing bonds are

- observable prices on trading venues for identical or similar instruments (if any)
- yield curves, volatility, yield and price spreads, co-variation
- market liquidity
- size and nature of the order
- regulatory issues affecting pricing

The price of bonds thus depends in particular on the uncertainty about the future development in interest rate levels and market liquidity.

For liquid bonds, we base our quotes in particular on observable market prices (bid and offer) on trading venues.

The less liquid the bonds are, the more we generally rely on the other factors described above and our internal models for pricing. Our models are based on market feeds that we consider relevant and are, when necessary, calibrated with our own input to ensure what we see as a fair market price. The level of calibration depends on the level of volatility and liquidity in the relevant market.

Please see section 4.1 of the Order Execution Policy, which describes how we prioritise the various execution factors, including factors other than price. These factors apply to our execution of instruments covered by this annex when you place a market order with us.

Annex 4 – Order Execution

Financial instruments in scope

This annex explains our best execution processes for

- **Structured notes**

How to place an order/trade

Danske Bank issues a variety of structured notes that can be traded in the primary or the secondary market.

The first time a structured note is traded, it is traded in the primary market. The transaction takes place during the subscription period directly between you and Danske Bank.

Once the initial sale (in the primary market) is complete, trading takes place in the secondary market, if there is a secondary market for the structured note in question.

Subscription – primary market

When you trade in the primary market, you subscribe for structured notes during the subscription period. The subscription is based on indicative terms and conditions, which explain the characteristics of the structured note in question.

Trading – secondary market

When you trade in the secondary market, you trade on the basis of a quote provided to you by us or by placing a market order. When you place a market order, we choose the execution method in accordance with the Order Execution Policy. You may choose a “market order with limit”. This means that you specify a limit for the price at which you want us to execute the order.

When you trade on the basis of a quote, we always execute the order as principal. This means that we deal on own account and that you trade directly with us.

For some of the above instruments and certain trade sizes, we offer immediate trading via one of our online banking solutions.

Best execution criteria

The main factor for ensuring best execution in relation to structured notes is the **price**.

The price of a structured note is based on an underlying reference item, which can be, for instance, a specific financial instrument or an index, which tracks the performance of financial instruments.

The key factors when pricing structured notes, on primary and secondary markets, are

- observable prices on trading venues for identical or similar instruments (if any)
- spot values of underlying financial instruments and currencies
- yield and credit curves, volatility, yield and price spreads, co-variation
- market liquidity
- size and nature of the order
- regulatory issues affecting pricing

Danske Bank typically acts as market maker on trading venues for structured notes that Danske Bank has issued. This means that Danske Bank bases its quotes in particular on the trading venue in question and on the above criteria. The price is the same when Danske Bank trades these instruments OTC, that is, outside a trading venue.

Please see section 4.1 of the Order Execution Policy, which describes how we prioritise the various execution factors, including factors other than price. These factors apply to our execution of instruments covered by this annex when you place a market order with us.

Annex 5 – Order Execution

Financial instruments in scope

This annex explains our best execution processes for interest rate derivatives such as

- Interest rate swaps
- Interest rate forwards
- Interest rate options
- Cross currency swaps
- Inflation swaps
- Forward rate agreements

How to place an order/trade

You trade an interest rate derivative by accepting a quote provided to you by us or by placing an order with us without having received a quote. Our trading desk assesses all orders individually.

When you trade an interest rate derivative with us, we always execute as principal. This means that we deal on our own account and that you trade directly with us.

Best execution criteria

The main factor for ensuring best execution in relation to interest rate derivatives is the price.

The market for interest rate derivatives is characterised by varying levels of liquidity, as some derivatives have a high level of liquidity and some a low level of liquidity.

The key factors when pricing interest rate derivatives are

- observable prices (bid and offers) on trading venues for identical or similar instruments (if any)
- yield curves, volatility, yield and price spreads, co-variation
- market liquidity
- size and nature of the order
- regulatory issues affecting pricing

The price of an interest rate instrument thus depends in particular on the uncertainty about the future development in interest rate levels and market liquidity.

For liquid interest rate instruments, we base our quotes in particular on observable market prices (bid and offer) on trading venues.

The less liquid the interest rate instrument is, the more we generally rely on the other factors described above and our internal models for pricing. Our models are based on market feeds that we consider relevant and are, when necessary, calibrated with our own input to ensure what we see as a fair market price. The level of calibration depends on the level of volatility and liquidity in the relevant market.

Annex 6 – Order Execution

Financial instruments in scope

This annex explains our best execution processes for foreign exchange derivatives such as

- FX forwards
- FX swaps
- FX non deliverable forwards (NDF)
- FX options

How to place an order/trade

You trade an FX instrument by accepting a quote provided to you by us.

When you trade an FX instrument with us, we always execute as principal. This means that we deal on own account and that you trade directly with us.

For some of the above instruments and for certain trade sizes, we offer immediate trading via one of our online banking solutions.

Best execution criteria

The main factor for ensuring best execution in relation to FX instruments is the price.

The key factors when pricing FX instruments are

- the spot rate(s) of the relevant currency or currencies
- observable prices on trading venues for identical or similar instruments (if any)
- yield curves, volatility, yield and price spreads, co-variation
- market liquidity
- size and nature of the order
- regulatory issues affecting the pricing

The price of an FX instrument thus depends in particular on the uncertainty about the future development in the relevant currencies, interest rate levels and market liquidity.

For liquid FX instruments, we base our quotes in particular on observable market prices (bid and offer) on trading venues.

The less liquid the FX instrument is, the more we generally rely on the other factors described above and our internal models for pricing. Our models are based on market feeds that we consider relevant and are, when necessary, calibrated with our own input to ensure what we see as a fair market price.

The level of calibration depends on the level of volatility and liquidity in the relevant market.

Annex 7 – Order Execution

Financial instruments in scope

This annex explains our best execution processes for commodity derivatives such as

- **Commodity forwards**
- **Commodity swaps**
- **Commodity options**

How to place an order/trade

You trade a commodity derivative by accepting a quote provided to you by us, or by placing an order with us without having received a quote. Our trading desk assesses all orders individually.

When you trade a commodity derivative with us, we always execute as principal. This means that we deal on own account and that you trade directly with us.

Best execution criteria

The main factor for ensuring best execution in relation to commodity derivatives is the price.

The key factors when pricing commodity derivatives are

- the value of the commodity or commodities on which the contract is based
- observable prices on trading venues for identical or similar instruments (if any)
- yield curves, volatility, yield and price spreads, co-variation
- market liquidity
- size and nature of the order
- regulatory issues affecting pricing

The price of a commodity derivative thus depends in particular on the uncertainty about the future development in the relevant commodities, interest rate levels and market liquidity.

We trade commodity derivatives, including emission allowances (CO₂), in a wide range of commodities such as energy products, industrial metals and soft commodities.

There is significant variation in the liquidity of specific commodities and this affects the pricing of a given commodity derivative.

For liquid commodity derivatives, we base our quotes in particular on observable market prices (bid and offer) on trading venues.

The less liquid the commodity derivative is, the more we generally rely on the other factors described above and our internal models for pricing. Our models are based on market feeds that we consider relevant and are, when necessary, calibrated with our own input to ensure what we see as a fair market price. The level of calibration depends on the level of volatility and liquidity in the relevant market.

We may provide quotes to our clients in commodity derivatives based on quotes solicited in the market. Normally, we try to get at least two or three quotes from our business partners before providing a quote to you. We assess the quotes and the number of quotes we believe we should solicit on the basis of the above criteria.

Annex 8 – Order Execution

Financial instruments in scope

This annex explains our best execution processes for securities financing transactions (SFT) such as

- REPOs
- Securities lending

How to place an order/trade

You enter into an SFT by accepting a quote provided to you by us.

When you enter into an SFT with us, we always execute as principal. This means that we deal on own account and that you trade the financial instrument in question directly with us.

Best execution criteria

The main factor for ensuring best execution in relation to SFTs is the price.

The key factors when pricing SFTs are

- the spot rate of the relevant underlying asset
- yield and credit curves, volatility, yield and price spreads, co-variation
- market liquidity
- size and nature of the order
- regulatory issues affecting the pricing

The price of the SFT thus depends in particular on the uncertainty about the future development in the relevant security, interest rate levels and market liquidity.

For SFTs, we base our quotes on internal models. Our models are based on market feeds that we consider relevant and are, when necessary, calibrated with our own input to ensure what we see as a fair market price. The level of calibration depends on the level of volatility and liquidity in the relevant market.

Portfolio Management Addendum

to Danske Bank A/S's Order Execution Policy

1. Purpose of this addendum

This addendum sets out the principles that Danske Bank A/S applies when executing decisions to deal on the best possible terms in connection with providing portfolio management services to you.

Portfolio management services are provided by Asset Management which is part of a separate Wealth Management business unit in Danske Bank A/S. Asset Management carries out its activities independently of the other activities of Danske Bank A/S.

The portfolio management investment service consists of managing your portfolio of financial instruments in accordance with the investment mandate we have agreed with you. When providing portfolio management, we act on a discretionary basis, which means that we make the decision when to buy or sell financial instruments on your behalf.

We have an obligation to act in your best interest when making decisions to deal. This means that we must aim at making investment decisions that are beneficial for you, that is, which financial instruments to buy or sell and when to carry out the investment decision.

The obligation to provide best execution begins once we have made the decision to initiate the purchase or sale of a particular financial instrument.

References in this addendum are made to the Order Execution Policy of Danske Bank A/S (hereinafter referred to as "OEP") where applicable to the portfolio management services.

2. Best execution obligation

"Best execution" means that we must take all sufficient steps to obtain the best possible results for you on a continuous basis when we execute decisions to deal. We are required to take into account the execution factors described in sections 4 and 5 and to determine their relative importance on the basis of the characteristics of your portfolio mandate.

It should be noted that the best execution requirement does not mean that we must obtain the best result for you on every single occasion. Rather, we monitor on an ongoing basis that the processes for providing you with best execution in accordance with this addendum work well when executing decisions to deal on your behalf.

3. Scope of customers

We provide best execution to all our portfolio management customers.

However, where we have agreed to specific terms in the portfolio management agreement or receive specific instructions from you, we execute the decisions to deal in accordance with those terms and instructions, collectively referred to as "Specific Conditions".

Specific Conditions have precedence over what is stated in this addendum. This means that Specific Conditions may prevent us from taking the steps that we would otherwise have taken to comply with this addendum. Therefore, we may not be able to ensure best execution in respect of the aspect(s) of the transaction where we are acting in accordance with Specific Conditions.

We always strive to ensure the best possible result for you within the framework of any Specific Conditions.

4. Selection and monitoring of financial intermediaries

Selection process

Our primary goal when selecting brokers, execution venues and counterparties, collectively referred to as "financial intermediaries", is to select the providers that enable us to provide best execution to you on a continuous basis, taking into account the execution factors described in sections 4 and 5.

We choose "financial intermediaries" in accordance with the same criteria as described sections 5.2.1 and 5.2.2 of the OEP.

In connection with the portfolio management services, we generally act in an agency capacity, meaning that we execute decisions to deal in our own name, but on your behalf, without realising any gain or loss on the transaction. When providing portfolio management services, we do not act as principal by dealing on own account.

In our selection of financial intermediaries, however, we may choose another unit of Danske Bank A/S to provide brokerage services. When we choose another unit of Danske Bank A/S, that unit may act as principal by dealing on own account in a transaction in accordance with the OEP.

We choose our financial intermediaries on the basis of an assessment of their capability to best carry out any given transaction in your best interest. This may lead to us selecting

another unit of Danske Bank A/S to execute a transaction. Any dealing or relationship between units is conducted in accordance with Danske Bank A/S's Conflict of Interest policy.

A list of applicable financial intermediaries per class of financial instrument can be found here: www.danskebank.com/bestexecution

Monitoring of selected financial intermediaries

Regularly, and at least once a year, we assess our selected financial intermediaries on the basis of their ability to meet the set criteria and provide execution on a continuous basis in accordance with this addendum. The assessment will include evaluating and comparing published execution quality reports of the financial intermediaries to ensure that the selected providers meet their best execution obligations.

5. Executing decisions to deal

Aggregations and allocations

When providing portfolio management services, we act in your best interest, and we secure equal treatment of all our customers. We will therefore aggregate orders to be placed on the market for execution where we make a decision to deal the same financial instrument for several customers at the same time. Aggregation of orders is common practice.

Executed aggregated orders are allocated among the customer portfolios using the traded price. When orders are executed by multiple fills over the day, we allocate the financial instruments in question using a calculated average price. If the aggregated orders can be executed only partially, we allocate on a pro rata basis, which means that you will receive your proportion of the partially executed order taking into account the best possible final result for you, and the equal treatment of all customers. We may deviate from the pro rata allocation if we justifiably believe that the expected benefits of the executed aggregated order cannot be realised by receiving a pro rata allocation.

Placing orders on the market

Where our investment process results in taking decisions to deal on your behalf, we have different choices for execution:

1. We may execute the decision to deal on a trading venue, that is, a Regulated Market, Multilateral Trading Facility ("MTF") or Organised Trading Facility ("OTF"). When providing portfolio management services, we do not have direct access to any regulated market, but we can access them indirectly by placing an order through a broker, including a unit of Danske Bank A/S providing brokerage services, which is a member of the relevant regulated market.
2. We may also execute transactions outside trading venues (Over The Counter ("OTC")). The counterparty then acts as principal by dealing on own account. This includes situations where the counterparty, including a unit of Danske Bank A/S providing brokerage services, acts in its capacity as Systematic Internaliser ("SI") (see section 6 of the OEP).
3. We may take decisions to deal that result in buying a financial instrument on behalf of one customer portfolio mandate and selling the same financial instrument under another customer portfolio mandate. We normally execute such deals on a trading venue or via a broker, including a unit of Danske Bank A/S providing brokerage services. We execute such simultaneous crossing deals only when we believe it is in your best interest.

In certain market situations, such as where there is insufficient liquidity or where, due to the specific nature of the class of financial instrument, there may be only one appropriate financial intermediary available or approaching multiple financial intermediaries for a competing quote would be likely to have an adverse effect on the price of the transaction because of possible information leakage, we will, to safeguard your best interest when executing a decision to deal, try to validate the price by all available means.

Under such circumstances, we may not, however, be able to obtain the same level of information for our assessment of the decision to deal as we would have had if the financial instrument had been available through multiple financial intermediaries or otherwise widely traded. We may also execute decisions to deal where offers are made to us without asking for quotes from other brokers if we believe this is in your best interest.

When we carry out a transaction under your ISDA Master Agreement or any other relevant agreement, for example a Global Master Repurchase Agreement, we are in some cases, particularly in relation to executing decisions to deal in financial derivatives instruments or securities financing transactions, constrained in the number of counterparties with whom we can enter into a transaction on your behalf. In these situations, our ability to deliver best execution is restricted, depending on the number of counterparties you have entered into agreements with and their suitability for the types of transactions we execute decisions to deal in. Such transactions are covered by the order execution policy of the counterparty.

Execution factors

Using our reasonable judgement, we weigh the execution factors at the time of execution in accordance with your portfolio mandate and any Special Conditions, the type of the deal, financial instrument involved and prevailing market conditions.

The execution factors are the price at which we can execute the decision to deal, the cost and the speed of execution, the likelihood of execution and settlement, the size and nature of the order to be placed on the market and any other consideration relevant to execution, such as the market impact. Obtaining the best price for the size of the aggregated order we place on the market while minimising the market impact are the key factors for all of our decisions to deal.

The likelihood of execution often depends on liquidity in the market or on whether a specific broker can or will provide the necessary liquidity to fill an order.

When taking all sufficient steps to obtain the best possible results for you, we apply different execution criteria depending on the class of financial instrument or the type of a transaction we execute on your behalf.

Criteria may include, but are not limited to

- whether or not the financial instrument is traded on a trading venue or OTC
- the size of the transaction relative to other transactions in the same class of financial instrument
- minimising the possible market impact
- access to liquidity
- your portfolio mandate and Special Conditions laid down by you
- commission rates and other costs
- characteristics of the financial intermediaries capable of executing the order

An overview of the key execution factors can be found on the last page of this addendum.

6. Monitoring and reporting

Monitoring

For monitoring and evaluation of the effectiveness of this addendum, see section 9 of the OEP (Monitoring, evaluation and changes).

Top five venues and brokers

For reporting about Danske Bank A/S's top-five venues and brokers, see section 10.2. of the OEP (Top five venues and brokers).

7. Changes to the addendum

Any changes to this addendum will be published on Danske Bank A/S's website.

All customers with whom we have an ongoing relationship are informed of any material changes to the execution arrangements or this addendum.

8. More information

For more information, please contact your account manager.

Portfolio Management - Overview of generally applied execution criteria

Class of financial instrument	Applicable venues	Description	Key execution factors
Equities, exchange-traded funds, depositary receipts	Regulated market, MTF, SI	Executed through a broker on a regulated market or as SI or directly at a MTF. Market impact on the basis, for example, of illiquidity or the size of the order may mean that orders are executed more slowly than would normally be the case, or that orders are directed to a particular financial intermediary.	1. Price and cost 2. Likelihood of execution (liquidity) 3. Speed
Bonds	OTC, MTF, OTF, SI	Request for quote ("RFQ") from several counterparties either bilaterally or through a MTF or an OTF. If, on the basis, for example, of illiquidity or the size of the order, obtaining multiple quotes have an impact on the market price or an adverse impact on the obtainable price, the number of requested quotes can be limited to one.	1. Price and cost 2. Likelihood of execution (liquidity)
Money market instruments	OTC, MTF, OTF, SI	Request for quote ("RFQ") from several counterparties either bilaterally or through an MTF or an OTF. If, on the basis, for example, of illiquidity or the size of the order, obtaining multiple quotes may have an impact on the market price or an adverse impact on the obtainable price, the number of requested quotes can be limited to one.	1. Price and cost 2. Likelihood of execution (liquidity)
Units in collective investment schemes	Transfer agent or other appointed distributor	Normally executed via the transfer agent appointed by the fund management company in accordance with the prospectus or similar documentation. A transfer agent or another appointed distributor is normally the single execution venue to which the orders are directed for subscriptions or redemptions.	Timeliness of the placement of the order according to the rules set by the fund management company
Exchange traded derivatives	Regulated market, MTF, SI	Executed through a broker on a regulated market or as SI or directly at a MTF. Market impact on the basis, for example, of illiquidity or the size of the order may mean that orders are executed more slowly than would normally be the case, or that orders are directed to a particular financial intermediary.	1. Price and cost 2. Likelihood of execution (liquidity) 3. Speed
OTC derivatives	OTC, MTF, OTF, SI	Request for quote ("RFQ") from several counterparties either bilaterally or through a MTF or an OTF. The number of counterparties we can ask for RFQ is restricted to the agreements made available for us to trade on behalf of. If, on the basis, for example, of illiquidity or the size of the order, obtaining multiple quotes may have an impact on the market price or an adverse impact on the obtainable price, the number of requested quotes can be limited to one.	1. Price and cost 2. Likelihood of execution (liquidity)