

1. Introduction and objective

According to executive order on remuneration policy, the CRR-decree as well as regulatory disclosure duties regarding remuneration in financial companies, the Board of Directors of P/F BankNordik has adopted this remuneration policy.

The BankNordik group's remuneration policy applies to all group employees.

In order to comply with relevant legislation, some group units have policies and guidelines that apply in addition to the group's remuneration policy.

The remuneration policy reflects the group's objectives for a systematic governance process and for sustainable and long-term value creation for its shareholders. The remuneration policy is also intended to ensure:

- that the group is able to attract, develop and retain high-performing and motivated employees in a competitive international market;
- that the employees are offered a competitive and market-aligned remuneration in which the fixed remuneration is the most significant component; and
- that the employees feel encouraged to create sustainable results and that the interests of shareholders, customers and employees are aligned
- that the remuneration of the group's employees is consistent with regulatory requirements regarding customer- and investor protection as well as other relevant legislation.

The remuneration policy should also provide for a healthy and effective risk management by ensuring consistency between the group's business strategy, values, key priorities and long-term goals.

2. Corporate governance

The Board of Directors has defined a set of guidelines for reviewing and monitoring compliance with the remuneration policy. The Board of Directors has also established a Remuneration Committee, which prepares the work of the Board on remuneration issues. A description of the composition, duties and authority of the Remuneration Committee is available in the Charter for the Remuneration Committee, which is available from the Bank's website, www.banknordik.com.

When deemed appropriate, but at least once a year, the Board of Directors monitors compliance with the Remuneration Policy. If found necessary due to changes or developments of the group's business, the Board of Directors submits, on the recommendation of the Remuneration Committee, proposals for relevant policy adjustments for approval at a general meeting.

The Board of Directors determines the award of any variable remuneration components on the basis of recommendations from the Remuneration Committee.

3. Remuneration components

The group intends for its remuneration packages to be appropriately balanced in terms of the following components:

- Fixed remuneration including pension contributions
- Variable (performance-based) remuneration consisting of shares, share-based instruments, conventional bonus arrangements, commission, performance-based contracts, sign-on bonuses and retention bonuses.
- Other staff benefits
- If relevant, a termination payment

The fixed remuneration is determined on the basis of the role and position of each employee, including his or her professional experience, responsibility, job complexity and local market conditions.

Performance-based remuneration is intended to motivate and reward high-performers who contribute significantly to sustainable results, strengthen long-term customer relations, and generate shareholder value and earnings for the group.

4. Variable/performance-based remuneration components

The group's overall performance-based remuneration expense must not undermine its ability to strengthen its total capital. In addition, the structure of performance-based remuneration components must be compatible with the group's business strategy, values and long-term objectives, including for a sustainable business model, and must not be inconsistent with maintaining healthy and effective risk management.

Any award of performance-based remuneration should duly consider relevant risk management principles and should not induce any inappropriate risk taking on the part of the group. An appropriate balance between fixed and variable/performance-based remuneration components should also be ensured within the legal framework applying from time to time.

Variable/performance-based remuneration components to the senior management must not exceed 50% of their fixed salary including pension. For other employees whose activities have a material impact on the group's risk profile, an appropriate cap for variable/performance-based remuneration components will be determined up to a maximum of 25% of their fixed salary including pension. Variable/performance-based remuneration components for other employees whose activities have a material impact on the group's risk profile will be based on the position of the recipient, the business area and local factors, and should be used to ensure that the group's remuneration levels are market compliant.

The group's payment 40% or more, and for larger amounts 60% or more, of an employee's variable/performance-based remuneration components will be disbursed over periods of at least three years to be commenced one year after the date of calculation – for members of the Executive Board over at least four years – such amount being equally distributed or with an accumulating proportion being disbursed towards the end of such period.

Non-disbursed variable/performance-based components are subject to back testing and may lapse in whole or in part if granted on the basis of results that prove to be unsustainable, or if the group's financial situation has deteriorated significantly.

All variable/performance-based remuneration components may be subject to clawback provisions if granted on the basis of data which subsequently prove to be manifestly misstated or inaccurate.

Severance agreements concluded on or after the effective date of this remuneration policy must not contain variable/performance-based remuneration components.

5. Remuneration to the members of the Board of Directors

Members of the bank's Board of Directors receive fixed base remuneration and are not awarded any variable or performance-based pay. The fixed base remuneration payable to members of the Board of Directors is set at a level that is market compliant and reflects the qualifications and competencies required in view of the group's size and complexity, the responsibilities and the time they are expected to allocate to fulfil their duties as Board members. No pension contributions are payable on Board members' fixed base remuneration.

The Chairman of the Board receives three times the fixed base remuneration and the deputy chairman receives twice the fixed base remuneration.

Based on the recommendation of the Remuneration Committee, the Board of Directors submits proposals for adjustments in remuneration of the Board of Directors to the annual general meeting for approval.

Information about specific remuneration to members of the bank's Board of Directors and remuneration of the senior management and other material risk takers is set out in the annual report and is disclosed once a year on the bank's website, www.banknordik.com.

6. Remuneration of the senior management

The remuneration of the senior management is intended to ensure the group's continued ability to attract and retain the most qualified members of the senior management and to provide a solid basis for succession planning. Remuneration of the senior management is reviewed on a regular basis and includes a systematic assessment of developments in market practice.

The Remuneration Committee submits recommendations on adjustments in remuneration of the senior management to the Board of Directors for approval. Remuneration of the senior management consists of a fixed salary including pension contributions and any variable/performance-based remuneration based on business and value creation targets. However, subject to applicable legislation, the yearly variable/performance-based remuneration to the senior management cannot exceed 50% of the yearly fixed salary including pension contributions.

The variable/performance-based remuneration of the senior management is determined on the basis of an assessment of the group's financial results and a number of key performance indicators (KPIs) reflecting the group's principal strategic, business and value creation priorities.

Variable/performance-based remuneration components to the senior management may only consist of cash bonus payments, shares or share-based instruments in BankNordik or of instruments that reflect the bank's credit rating. Variable/performance-based remuneration components awarded to the senior management must at the calculation moment consist of not

less than 50% shares or share-based instruments in BankNordik or of instruments that reflect the bank's credit rating.

Subject to individual agreement, the senior management is also entitled to a company car, phone and other fixed benefits. The maximum severance pay is two years' fixed salary.

The performance of the senior management is individually assessed once a year based on performance agreements containing both financial and non-financial criteria. These criteria reflect the group's goal of short-term and long-term value creation.

7. Other significant risk takers

Once a year, the Board of Directors identifies the group's other material risk takers, who are employees whose activities have a material impact on the group's risk profile. The Board of Directors identifies other material risk takers on the basis of qualitative and quantitative criteria defined in articles 3 and 4 of the EU Commission's regulatory technical standards for identifying other material risk takers.¹

Remuneration of other material risk takers consists of a fixed salary including pension contributions and possibly variable/performance-based remuneration based on business and value creation targets awarded in accordance with the objectives and conditions set out in clause 4 hereof.

Variable/performance-based remuneration components to employees whose activities have a material impact on the company's risk profile may only consist of cash bonus payments, shares or share-based instruments in BankNordik or of instruments that reflect the bank's credit rating. Variable/performance-based remuneration components awarded to employees, whose activities have a material impact on the company's risk profile must at the calculation moment consist of not less than 50% shares or share-based instruments in BankNordik or of instruments that reflect the bank's credit rating.

8. Other employees

Any possible grant of variable/performance-based remuneration to other employees who are not material risk takers may as a general rule only consist of a cash bonus or commissions. Accordingly, variable/performance-based remuneration is not available to the group's other employees unless approved unanimously by the Board of Directors followed by an approval from the general meeting.

9. Liability:

After adoption by the Board of Directors this remuneration policy shall be submitted to the shareholders for approval at the general meeting.

¹ Commission delegated regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile.

The Board of Directors revives this remuneration policy on an annual basis, with regards to make adjustments in line with the group's development and relevant legislation.

Adopted adjustments of this remuneration policy shall be submitted to the shareholders for approval at the general meeting.