

# Nordea



## Remuneration Statement

25 February 2019



## Introduction

This Remuneration Statement has been reviewed at the meeting of the Board Remuneration Committee of Nordea Bank Abp on 4 February 2019 and proposed to and resolved by the Board of Directors of Nordea Bank Abp at its meeting 21 February 2019.

It is issued in accordance with the requirements of the Finnish Corporate Governance Code 2015 from the Securities Market Association, and is disclosed with other information on Nordea's website on <https://www.nordea.com/en/about-nordea/corporate-governance/remuneration/disclosures>.

## Nordea's decision-making procedures concerning remuneration

### *Remuneration for the Board of Directors*

Decisions concerning the remuneration of the Board of Directors are made at the Annual General Meeting (AGM). Preparatory work relating to the remuneration is delegated to the shareholders' Nomination Board.

### *Remuneration of the CEO and the Group Executive Management (GEM)*

The Board of Directors decides on the actual remuneration for the CEO and members of GEM

following a proposal from the Board Remuneration Committee (BRC).

BRC is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. BRC prepares alterations in salary levels and outcome GEM Executive Incentive Programme (GEM EIP) and other changes in the remuneration package for the CEO, the Group COO and Deputy CEO and members of GEM, for resolution by the Group Board.

## Principles of remuneration

Nordea offers competitive remuneration packages and has a total remuneration approach to compensation that recognises the importance of well-balanced but differentiated remuneration structures based on business and local market needs, as well as the importance of remuneration being consistent with and promoting sound and effective risk management, not encouraging excessive risk-taking or counteracting Nordea's long-term interests.

Nordea's aim is to align remuneration with the business strategy. Performance is assessed not only on "what" is achieved but equally important "how" it is achieved. There should be an equal balance between "what" and "how" when goals are assessed. Adherence to Nordea's purpose and values, business principles and Group Internal Rules are key considerations taken into account for determining variable remuneration awards.

### *The Board of Directors*

On proposal from the Nomination Board, the AGM annually decides on remuneration for the Board of Directors. The remuneration of the board members is offered in cash. The Board members are not part of any incentive program.

Remuneration is not paid to Board members who are employees of the Nordea Group.

There are no commitments for severance pay, pension or other remuneration to the members of the Board, except for a pension commitment to one Board member previously employed by Nordea.

### *The CEO and GEM*

Remuneration for the CEO and GEM includes fixed base salary, GEM EIP and benefits.

GEM EIP was offered to GEM in 2018 and will also be offered in 2019. GEM EIP has predetermined goals and targets at Group, where relevant business area (BA) or group function (GF) and at individual level. The effect on the long-term result is considered when the targets are determined. The outcome from GEM EIP is based on the Board of Directors' assessment of performance against the predetermined targets.

In 2018, goals at Group level included financial goals as well as non-financial goals relating to customer satisfaction on both absolute and relative levels. BA/GF goals (where relevant) included financial as well as non-financial goals relating to customer satisfaction. At individual level, performance was measured against the individually agreed goals and targets including risk and compliance as well as leadership and behaviours. The weight of Group, BA/GF (where relevant) and individual goals are determined in an individual manner for the CEO reflecting his overall responsibility for the Nordea Group, as well as for members heading a BA or a GF.



## Principles of remuneration (cont.)

The outcome from GEM EIP 2018 will be paid out over a five-year period in cash, and be subject to forfeiture clauses, Total Shareholder Return indexation (dividend factor to be excluded during the deferral period) and retention, taking account of domestic rules and practices where relevant.

40% of awards from GEM EIP 2018 is paid in 2019 and 30% is deferred for payout in 2022 and 30% is deferred for payout in 2024. When amounts are paid, 50% will be subject to retention for 12 months.

GEM EIP 2018 had a one-year performance period and the outcome could not exceed the fixed salary. The same will apply for 2019. The executive officers have been offered similar programs since 2013.

In addition to the remuneration, the CEO and GEM are in most cases subject to pension agreements offered in accordance with market practice in the country of which they are permanent residents. These are further summarized on page 4.

The levels of benefits are determined by what is considered fair in relation to general market practice.

## Proposed remuneration related changes during 2019

GEM EIP will continue as a remuneration component for the CEO and GEM in 2019.

The Board of Directors is considering introducing a share-based long term incentive plan for the GEM members and a small number senior leaders in Nordea to further align to the long term interest of Nordea and its shareholders. The introduction of a share-based long term incentive plan would also align the remuneration structure of Nordea to its European peers.

The total number of participants considered is 40-60, including GEM. Board members are not in scope.

To ensure the further alignment of Nordea and its shareholders, the long term incentive plan would be fully share based and not comprise any cash awards. A share ownership requirement for the CEO and the GEM will be introduced in connection with such a decision.

Share awards from a long term incentive plan are considered to commence from 2020, with any awards to include a 1-year pre-grant assessment period followed by a 3-year performance period with deferral and retention according to applicable regulations.

The shares would vest after the end of each deferral period with restricted disposal rights during the following retention period of 12-24 months. The terms of the long term incentive plan will also include forfeiture and claw-back provisions.

To allow continuation of current remuneration structures so to fulfil Finnish regulatory requirements impacting on remuneration, the Board of Directors decided to propose to the AGM 2019 to increase the cap between fixed and variable pay up to 200% for certain staff. This would also allow to implement a share-based long term incentive plan for participants including GEM, as outlined above. Further, the Board decided to propose to obtain shareholders' approval to authorize Nordea's Board to repurchase or issue new shares for remuneration purposes for Nordea to fulfil Finnish regulatory requirements to use shares for deferral and retention under GEM EIP and for Identified Staff for other of Nordea's variable pay plans, and allowing shares to be available for a share-based long term incentive plan. In addition to shareholder approvals, necessary regulatory approvals are being obtained.



## Pension

### *The CEO*

During the period 1 January 2018 to 30 September 2018 the CEO had a defined contribution plan in accordance with the Swedish collective agreement BTP1, with a complementing defined contribution plan on top of the collective agreement. The pension contribution in total was 30% of the fixed salary. Following the re-domiciliation to Finland the CEO is, as from 1 October 2018, covered by the Finnish statutory pension scheme and in addition has a defined contribution plan corresponding to 8.5% of the fixed salary.

### *The Group COO and Deputy CEO*

The Group COO and Deputy CEO has a defined contribution plan. The pension contribution is 30% of the fixed base salary.

### *Other GEM members*

The pension agreements for the other GEM members vary according to local country practices. Pension agreements are defined contribution plans or a combination of defined contribution and defined benefit plans.

As per 31 December 2018 three members have pensions in accordance with the Swedish collective agreement, one in BTP1 (defined contribution plan) and two in BTP2 (defined benefit plan), with complementing defined contribution plans on top of the collective agreement. The pension contribution is in total 30% of the fixed salary.

One member has pension in accordance with the local country statutory pension system in Finland. According to the statutory pension rules the part of GEM EIP 2017 outcome paid or retained in 2018 is included in the pensionable income.

Three members have a defined contribution plan in accordance with local practices in Denmark. The pension contribution is in total 30% of the fixed base salary.

Two GEM members do not have a pension agreement with Nordea.

## Notice period and severance pay

### *The CEO*

In accordance with the employment contract the CEO has a notice period of 12 months and Nordea a notice period of 12 months. The CEO has a severance pay equal to 12 months' salary to be reduced by the salary he receives from another employment during these 12 months.

### *The Group COO and Deputy CEO*

The Group COO and Deputy CEO has a notice period of 6 months and Nordea a notice period of 12 months. A severance pay of up to 12 months' salary

is provided to be reduced by the salary the Group COO and Deputy CEO receives from another employment during the severance pay period.

### *Other GEM members*

Nine GEM members have a notice period of 6 months and Nordea a notice period of 12 months. A severance pay of up to 12 months' salary is provided to be reduced by the salary the executive receives from another employment during the severance pay period.





## Remuneration Report 2018 about remuneration to the Board of Directors, CEO and GEM paid in 2018

### *The Board of Directors*

The AGM 2018 resolved the annual remuneration to the Board of Directors amounting to for the Chairman EUR 294,600, to the Deputy Chairman EUR 141,300 and to other members EUR 91,950. The annual remuneration was unchanged compared to 2017.

In addition, annual remuneration was paid for board committee work on the Compliance Committee, the

Board Audit Committee and the Board Risk Committee amounts to EUR 48,650 for the committee chairmen and EUR 29,600 for the other members. For board committee work on the Board Remuneration Committee annual remuneration amounted to EUR 36,050 for the committee chairman and EUR 25,750 for the other members.

Separate remuneration was not paid to members who are employees of the Nordea group.

### Remuneration of the Board of Directors<sup>1</sup>

	2018	2017
<b>EUR</b>		
Chairman of the Board: Björn Wahlroos	320,045	320,009
Vice Chairman of the Board: Marie Ehrling <sup>3</sup>	-	42,682
Lars G Nordström	180,323	157,742
Other Board members <sup>2</sup> : Tom Knutzen <sup>3</sup>	-	30,896
Nigel Hinshelwood <sup>5</sup>	120,818	-
Torbjörn Magnusson <sup>5</sup>	91,552	-
Robin Lawther	127,879	125,264
Sarah Russell	140,467	134,804
Silvija Seres	121,435	120,379
Kari Stadigh <sup>4</sup>	34,566	137,351
Birger Steen	140,467	134,804
Pernille Erenbjerg	121,434	93,965
Lars Wollung <sup>4</sup>	29,882	92,031
Maria Varsellona	121,434	93,965
<b>Total</b>	<b>1,550,302</b>	<b>1,483,892</b>

1) The Board remuneration consists of a fixed annual fee and a fixed annual fee for committee work. The fees are approved in EUR and paid out in four equal instalments, in SEK up until the third quarter and in EUR for the fourth quarter. For accounting purposes, the amounts paid out in SEK are converted back into EUR, using the average exchange rate each year.

2) Employee representatives excluded.

3) Resigned as member of the Board as from the AGM 2017.

4) Resigned as member of the Board as from the AGM 2018.

5) New member of the Board as from the AGM 2018.

### Proposed 2019 remuneration for the Board of Directors

It has been proposed that the AGM 2019 resolves to approve the annual remuneration to the Board of Directors that are elected as follows:

The Chairman EUR 300,000, the Deputy Chairman EUR 145,000 and to other members EUR 95,000.

In addition, annual remuneration is proposed to be paid for board committee work on the Compliance

Committee, the Board Audit Committee and the Board Risk Committee amounting to EUR 60,000 for the committee chairmen and EUR 30,000 for the other members and for board committee work on the Board Remuneration Committee amounting to EUR 42,000 for the committee chairman and EUR 26,000 for its other members.



## Remuneration of the CEO and GEM (excluding LTIP 2011 - 2012)

EUR	Fixed salary <sup>1</sup>		GEM EIP <sup>2</sup>		Benefits <sup>1</sup>		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>CEO:</b>								
Casper von Koskull <sup>3</sup>	1,334,678	1,354,462	691,000	735,925	92,571	24,744	<b>2,118,249</b>	<b>2,115,131</b>
<b>Group COO and Deputy CEO:</b>								
Torsten Hagen Jørgensen <sup>4</sup>	1,258,392	1,228,571	775,699	818,181	58,399	54,048	<b>2,092,490</b>	<b>2,100,800</b>
<b>GEM:</b>								
9 (8) individuals excluding CEO and Deputy CEO <sup>5</sup>	5,600,291	5,273,893	3,298,847	3,625,087	86,987	99,802	<b>8,986,125</b>	<b>8,998,782</b>
<b>Total</b>	<b>8,193,361</b>	<b>7,856,926</b>	<b>4,765,546</b>	<b>5,179,193</b>	<b>237,957</b>	<b>178,594</b>	<b>13,196,864</b>	<b>13,214,713</b>

- 1) The fixed salary is paid in local currencies and converted to EUR based on the average exchange rate each year. The fixed salary includes holiday pay and car allowance where applicable. Benefits are included at taxable values after salary deductions (if any).
- 2) Up until 2012 the CEO and members of GEM were offered a Variable Salary Part (VSP) and a share based Long Term Incentive Programme (LTIP). Since 2013, a GEM EIP has been offered. The outcome from GEM Executive Incentive Programme (GEM EIP) 2018 has been expensed in full in 2018 but will be paid out over a five-year deferral period with forfeiture clauses compliant to remuneration regulations. The GEM EIP 2018 is indexed with Nordea's total shareholder return (TSR) excluding dividends during the deferral period.
- 3) The annual fixed base salary as CEO is in 2018 SEK 13,054,000, converted to EUR 1,354,462 as from 1 October 2018. Benefits includes costs related to relocation to Finland of EUR 53,112.
- 4) The annual fixed base salary as Group COO and Deputy CEO is in 2018 DKK 8,560,000 (EUR 1,148,487) of which car and holiday allowance amount to DKK 669,695 (EUR 89,852). Benefits 2017 have been restated.
- 5) Remuneration to GEM members is included for the period they have been appointed. On 28 February 2018 one GEM member left Nordea and one has resigned as GEM member by 30 November 2018, before leaving Nordea. Three new GEM members were appointed during the year, on 1 March 2018, 1 September 2018 and 1 December 2018.

## Pension

EUR	2018		2017	
	Pension expense <sup>1</sup>	Pension obligation <sup>2</sup>	Pension expense <sup>1</sup>	Pension obligation <sup>2</sup>
<b>CEO:</b>				
Casper von Koskull <sup>3</sup>	313,663	357,936	406,339	336,341
<b>Group COO and Deputy CEO:</b>				
Torsten Hagen Jørgensen <sup>4</sup>	344,546	-	345,224	-
<b>GEM:</b>				
9 (8) individuals excluding CEO and Deputy CEO <sup>3</sup>	872,073	777,583	870,088	649,295
<b>Board members<sup>4</sup>:</b>				
Lars G Nordström	-	312,465	-	324,843
<b>Total</b>	<b>1,530,282</b>	<b>1,447,984</b>	<b>1,621,651</b>	<b>1,310,479</b>
<b>Former Chairman of the Board and CEOs:</b>				
Vesa Vainio <sup>5</sup>	-	4,844,682	-	5,215,266
<b>Total</b>	<b>1,530,282</b>	<b>6,292,666</b>	<b>1,621,651</b>	<b>6,525,745</b>

- 1) The pension expense is related to pension premiums paid in defined contribution agreements and pension rights earned during the year in defined benefit agreements (Current service cost and Past service cost and settlements as defined in IAS 19). Of the total pension expense EUR 1,471,537 (EUR 1,593,976) relates to defined contribution agreements. Contributions to the Finnish statutory pension schemes are reported as part of the social charges and thus excluded from the above disclosure.
- 2) The pension obligation (value of defined benefit pension plan liabilities) is calculated in accordance with IAS 19. The obligation is dependent on changes in actuarial assumptions and inter annual variations can therefore be significant. IAS 19 includes an assumption about future increases in salary, which leads to that the pension obligations disclosed are the earned pension rights calculated using the expected salary levels at retirement. The pension plans are funded, meaning that these obligations are backed with plan assets with fair value generally on a similar level as the obligations.
- 3) Members of GEM included for the period they are appointed. The pension obligation is the obligation towards GEM members as of 31 December 2018.
- 4) Employee representatives excluded. The pension obligation is in accordance with the collective pension agreement BTP2 and earned during the employment period for one Swedish board member.
- 5) The pension obligation for Former Chairman of the Board and CEO is mainly due to defined benefit pension rights earned in, and funded by, banks forming Nordea. The decrease in the pension obligation is mainly due to pension payments in 2018.



## The CEO

The annual fixed base salary as CEO was decided to be SEK 13,054,000 and was converted to EUR 1,354,462 as from 1 October 2018

GEM EIP 2018 was based on specific targets and could amount to a maximum of 100% of the fixed base salary. This will be similar in 2019. For 2018 the outcome of the GEM EIP amounted to EUR 691,000.

The benefits for 2018 amounted to EUR 92,571 and include primarily car benefits and tax consultation, housing (as from 1 October 2018) and costs related to relocation to Finland.

The total earned remuneration for 2018, as CEO, based on the three components (excluding pension) amounted to EUR 2,118,249.

The CEO took part of the LTIPs until 2012. For more information on the LTIPs see below on this page.

## Group COO and Deputy CEO

The annual fixed base salary as Group COO and Deputy CEO was decided to be DKK 8,560,000 (EUR 1,148,487).

GEM EIP 2018 was based on specific targets and could amount to a maximum of 100% of the fixed base salary. For 2018 the outcome of the GEM EIP amounted to EUR 775,699.

The benefits for 2018 amounted to EUR 58,399 and include primarily housing benefits.

The total earned remuneration for 2018, as Group COO and Deputy CEO, based on the three components (excluding pension) amounted to EUR 2,092,499.

The Group COO and Deputy CEO took part of the LTIPs until 2012. For more information on the LTIPs see below on this page.

## GEM excluding the CEO and Group COO and Deputy CEO

Remuneration for Group Executive Management excluding the CEO and the Group COO and Deputy COO is disclosed on an aggregated level in the table on page 6.

## Long Term Incentive Plan (LTIP) 2011 - 2012

	Number of outstanding shares <sup>1</sup>		
	LTIP 2012	LTIP 2011	Total
<b>CEO:</b>			
Casper von Koskull	19,312	7,501	26,813
<b>Group COO and Deputy CEO:</b>			
Torsten Hagen Jørgensen	17,912	6,712	24,624
<b>Total</b>	<b>37,224</b>	<b>14,213</b>	<b>51,437</b>
<b>Former CEO</b>			
Christian Clausen	27,413	10,362	37,775
<b>Total</b>	<b>64,637</b>	<b>24,575</b>	<b>89,212</b>

1) The LTIPs were fully expensed in May 2015. All shares in LTIPs are fully vested and consequently not conditional. 60% of the vested shares are deferred with forfeiture clauses in line with regulatory requirements and allotted over a five-year period, for LTIP 2011 starting May 2014 and for LTIP 2012 starting May 2015. The numbers of outstanding shares are presented as of 31 December 2018. No other GEM members have outstanding LTIP shares by 31 December 2018.