



Remuneration policy for the Spar Nord Group

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This remuneration policy describes the remuneration framework for the Spar Nord Group. The Bank's Nomination and Remuneration Committee prepares the remuneration policy, which is then adopted by the Board of Directors and finally approved at the annual general meeting. The remuneration policy is updated once a year.

The remuneration policy applies to all Spar Nord Group senior staff members and employees and is grouped into four main categories:

- 1) General remuneration principles and remuneration conditions
- 2) Special rules for employees having a material impact on the Company's risk profile
- 3) Members of the Board of Directors and their remuneration
- 4) Members of the Executive Board and their remuneration

The purpose of the Spar Nord Group's remuneration policy is to promote long-term value creation for shareholders with due consideration to principles regarding sound and effective risk management, corporate governance and considerations for the Group's reputation and social responsibility.

The remuneration policy must contribute to the Bank's business strategy, objectives, values and long-term interests and ensure that remuneration of the Bank's employees is in accordance with the statutory provisions on protection of customers and investors and other legislative requirements. The remuneration policy makes a contribution on the basis of the defined principles for remuneration described in the four following main sections.

General remuneration principles and remuneration conditions

Spar Nord wants the Group's remuneration level and principles to conform to the market, enabling the Group to constantly be able to attract and retain the right employees. Thus, remuneration is considered to be one of several parameters of importance to our endeavours to remain an attractive place of work.

The specific remuneration of the individual employee is determined according to an individual agreement, and the point of departure is the job content and the employee's qualifications and performance. Remuneration of the Bank's employees must not encourage risk-taking exceeding the Bank's risk profile.

For employees covered by collective agreement, the total remuneration follows the collective agreement between the Danish Employers' Association for the Financial Sector and the Danish Financial Services Union. Employees are graded into pay brackets determined by collective agreement, and the pay is adjusted pursuant to the provisions of the standard collective agreement.

Clear and well-known criteria must be set up for the Group, specifying the efforts and results that may lead to upgrading to another pay bracket and lump sum payments. The decentralised business model and the goals of the local action plans provide the framework for the assessments underlying decisions about which employees to offer extraordinary rewards. A central set of rules has been set up to govern the criteria with which employees must as a minimum comply. These are set out in the staff handbook. Any promotion must be backed by reasons provided by the responsible manager.

Remuneration of the Bank's employees who provide advice to consumers on, and provide or grant credit against mortgage security or other similar security provided against real estate, is determined in compliance with the Bank's obligations under the rules on good banking practice set out in the Danish Financial Business Act. Remuneration of such employees must not encourage risk-taking exceeding the Bank's risk profile. In addition, the remuneration is not dependent on the number or amount of mortgage loan applications granted or on any other sales targets in mortgage finance.

Remuneration of the Bank's employees who arrange or distribute insurance products to consumers is determined in compliance with the Bank's obligations to trade in the customer's best interest and in accordance with best practice in the area. Furthermore, remuneration is independent of sales targets that encourage the employee to recommend specific insurance products to a customer when the Bank offers other insurance products that better cover the customer's needs.

Employees selling or advising about financial instruments are not eligible for variable remuneration components, which are subject to achieving a sales target for the individual defining a sales volume of the financial instruments that must be achieved relative to retail customers.

In addition, the Executive Board has the option of rewarding extraordinary results with bonus payments. This bonus may not exceed the defined lower threshold limit (DKK 100,000) for the group of persons that fall within the scope of section 77a of the Danish Financial Business Act. As concerns employees in control functions, any bonus may not be tied to performance in the department(s) subject to control.

The employees are comprised by the pension scheme laid down in the collective agreement between the Danish Employers' Association for the Financial Sector and the Danish Financial Services Union and thus pay part of their salary to a pension scheme. Spar Nord also makes a contribution to this scheme. An accession agreement with AP Pension has been concluded regarding pension schemes.

The Group's employees have access to a wide range of employee benefits.

On retirement, severance pay will be paid according to the provisions of the Danish Salaried Employees Act and the collective agreement. The Group has a severance programme that is negotiated by the Cooperation Committee when so requested by one or more members of the Committee. The programme can be terminated at 3 months' notice. The employee may apply for participation in the severance programme, or may be offered to take part in it by his/her superior.

Remuneration of individuals comprised by section 77a of the Danish Financial Business Act

Spar Nord has determined that the groups and individuals stated below fall under section 77a-d of the Danish Financial Business Act, as they have "a material impact on the company's risk profile".

GROUP MANAGEMENT	MATERIAL RISK TAKERS
Board of Directors of Spar Nord Bank A/S	Credit Rating Department <ul style="list-style-type: none"> • Credit Manager • Departmental Manager of Analysis and Process Department
Executive Board of Spar Nord Bank A/S	Trading Division <ul style="list-style-type: none"> • Head of Trading Division • Head of Markets • Head of Equities
	Finance & Accounts <ul style="list-style-type: none"> • Chief Financial Officer • Departmental Manager of Finance & Accounts
	Risk Management <ul style="list-style-type: none"> • Chief Risk Officer • Departmental Manager of IRB • Departmental Manager of Credit Quality • Departmental Manager of Risk Analysis and Reporting
	Internal Audit Department <ul style="list-style-type: none"> • Head of Internal Audit Department
	Compliance <ul style="list-style-type: none"> • Head of Compliance
	Legal Department <ul style="list-style-type: none"> • Head of Legal Department
	Back Office <ul style="list-style-type: none"> • Head of Back Office
	IT <ul style="list-style-type: none"> • Head of IT
	Group IT Security <ul style="list-style-type: none"> • Head of Group IT Security
	Members of the Credit Committee

Material risk takers do not receive variable salary components above the permitted lower threshold limit (DKK 100,000 per year) in pursuance of the applicable "Executive Order on remuneration policy and remuneration in banks, mortgage credit institutions, investment companies, investment management companies, financial holding companies and investment associations", including discretionary pension benefits. Variable remuneration pursuant to the threshold limit is exempt from the requirements defined in the Danish Financial Business Act on postponement of variable remuneration and payment in shares/financial instruments. However, variable remuneration pursuant to the threshold limit is not exempt from the possibility of a repayment requirement if the payment was made on a false basis and the employee was in bad faith.

The remuneration paid to Group Management (Board of Directors and Executive Board) does not include any variable components or discretionary pension benefits.

Retention bonus may be granted to the above-mentioned group of persons, except for Group Management, if the total annual variable pay is below the lower threshold limit per person.

Any distribution of variable pay that does not exceed the lower threshold limit takes place according to a concrete assessment of the employee's overall performance in the relevant job function made by the Executive Board. See the appropriate provisions of the above-mentioned Executive Order.

Spar Nord Bank has concluded severance agreements with members of the Executive Board and risk takers which ensure compliance with both the statutory requirements and the Group's long-term interests.

Members of the Board of Directors and their remuneration

The members of the Board of Directors elected by the general meeting are elected for terms of two years. The two-year period is staggered, so that half of the members are up for election every year. Employee-elected board members are elected by the employees for terms of four years.

The members of Spar Nord's Board of Directors exclusively receive a fixed fee and are not covered by incentive schemes or performance-based remuneration. Endeavours are made to fix the remuneration of Board of Directors at a level that is in line with market standards having regard to the requirements as to qualifications and resources applying to members of the Board of Directors.

The Chairman and Deputy Chairman of the Board of Directors receive remuneration equal to 2.3 times and 1.33 times, respectively, of the ordinary board remuneration. In addition to the board remuneration, the members of the Audit Committee, the Risk Committee and the Nomination and Remuneration Committee receive a separate fee. These fees vary from one committee to the next but are capped at 30% of the ordinary board remuneration. The chairmen of the Audit Committee and of the Risk Committee receive a fee equal to 1.7 times and 1.5 times, respectively, of the committee fee.

Spar Nord's Board of Directors has set up a Nomination and Remuneration Committee charged with overseeing the preparatory work concerning the Board of Directors' consideration of matters relating to remuneration, including an annual update and review of the remuneration policy. The committee may consult with the Executive Board, but the Executive Board has no decision-making powers in respect of the remuneration policy.

The remuneration of the Board of Directors is approved at the annual general meeting, as a result of which there is no risk of any conflicts of interest in connection with the Board of Directors' work with the remuneration policy.

Members of the Executive Board and their remuneration

The members of Spar Nord Bank's Executive Board are employed on an open-ended contractual basis and their contract terms, including remuneration, are subject to annual review. This review includes the handling of the Bank's long-term interests and implementation of the Bank's business strategy, including its social responsibility.

The combined remuneration package for the members of the Executive Board is determined by the Board of Directors, which aims to combine the package on the basis of market practice and at a level that makes it possible for Spar Nord Bank to attract and retain a competent Executive Board.

The remuneration of the members of the Executive Board consists of fixed salary, pension (16.8%), company car (maximum of 7% of the monthly salary, calculated using the tax basis) and usual benefits such as telephone, newspaper subscription and health insurance. In order to ensure a balanced risk assumption, the Executive Board may not receive variable salary components or share-based remuneration.

The service contract of members of the Executive Board may be terminated by the Bank at 12 months' notice and by the member of the Executive Board at six months' notice. If the contract is terminated by the Bank, the member of the Executive Board is entitled to receive severance pay corresponding to two years' salary until their 64th birthday. Subsequently, the severance pay will be reduced gradually, and no severance pay will be paid when member of the Executive Board has reached the age of 67. In the event that the Bank is merged or taken over by another company, and the Executive Board member does not form part of the executive board of the continuing company, the Executive Board member is entitled to terminate the contract and receive severance pay as if the Bank had terminated the contract. In the event of the death of the Executive Board member during the period of employment, early retirement benefits will be disbursed to the spouse, alternatively to any children under the age of 18.

Fees to the members of the Executive Board for external directorships are set off against the pay from Spar Nord Bank.

Aalborg, 5 February 2020

Kjeld Johannsen

Per Nikolaj Bukh

Kaj Christiansen

Chairman of the Board of Directors Deputy Chairman of the Board of Directors

Laila Mortensen

Morten Bach Gaardboe

John Sørensen

Jannie Skovsen

Gitte Holmgaard Sørensen

Lene Aaen