



spar nord



Remuneration report 2020



# Remuneration report 2020

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## Remuneration report 2020

### Purpose

This remuneration report provides an overview of the total remuneration received by each member of the Board of Directors and the Executive Board of the Spar Nord Group during the financial year 2020 compared with the financial year 2019. The Spar Nord Group comprises Spar Nord Bank, CVR no. 13737584, and Spar Nord's wholly owned subsidiary Aktieselskabet Skelagervej 15, CVR no. 32676960 ("Spar Nord"). The remuneration paid to the Board of Directors and the Executive Board of Spar Nord Bank and the Group is identical. The subsidiary's board of directors and executive board are composed of persons employed by Spar Nord Bank, and none of them have received remuneration as members of the subsidiary's board of directors and executive board. The remuneration of the Board of Directors and Executive Board is based on intragroup management agreements. The Executive Board includes the members of the two companies' Executive Boards who are registered with the Danish Business Authority. In addition, information is provided about remuneration paid to other employees of Spar Nord whose activities have a material effect on the Bank's risk profile (material risk takers).

The information set out in this remuneration report has been reconciled with the audited annual reports of Spar Nord for the financial years 2020 and 2019, which are available at the Bank's website [www.sparnord.dk](http://www.sparnord.dk).

### Remuneration policy

The remuneration of the Board of Directors and the Executive Board for the financial year 2020 has been awarded in accordance with Spar Nord's remuneration policy, which was approved at the Annual General Meeting on 17 June 2020 and is available on the Bank's website [www.sparnord.dk](http://www.sparnord.dk). The remuneration policy covers the requirements under sections 139 and 139 a of the Danish Companies Act and section 77 d of the Danish Financial Business Act.

The purpose of Spar Nord'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 Spar Nord'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.

Spar Nord wants the Group's remuneration level and principles to conform to the market, enabling the Group to constantly be able to attract, motivate and retain qualified employees in the Group as a whole.

### Financial performance – 2020

Spar Nord achieved a net profit of DKK 737 million in 2020, which corresponds to an annualised return on equity of 7.4 %. The profit is DKK 322 million, or 30%, lower than in 2019 but is considered satisfactory given the COVID-19 situation. The Group's total business volume (deposits, loans, advances and guarantees, facilitated mortgage loans, customers' custodianship accounts and life annuities) amounted to DKK 291.3 billion at 31 December 2020, which was DKK 18.9 billion higher than at end-2019.

The COVID-19 pandemic was the dominant theme of 2020, and one which had a strong impact on impairment charges for the year. In 2020, Spar Nord made a model-supported management estimate relating to COVID-19 of DKK 320 million. Because of the financial relief packages, the COVID-19 crisis in 2020 alone has caused moderate losses on individual exposures. However, a high level of uncertainty still attaches to the longer-term societal effects and consequences of the crisis, and especially the implications for Spar Nord's business customers.

At 31 December 2020, the common equity tier 1 (CET1) ratio was 17.2%, while the own funds ratio was 21.0%. Relative to a total capital requirement of 13.4%, the Bank thus had an excess capital coverage of 7.6 percentage points, equal to DKK 4.2 billion at 31 December.

On 22 December 2020, Spar Nord signed a conditional agreement for the acquisition of BankNordik's Danish business with a total business volume of approximately DKK 25 billion, distributed on some 60,000 customers. The purchase price was agreed at the carrying amount with the addition of goodwill of DKK 255 million. After regulatory approval, the acquisition was finalised on 1 February 2021.

## Remuneration report 2020

### Income statement

DKKm	2020	2019	Change in %
Net interest income *)	1,584	1,573	1
Net fee income	1,238	1,225	1
Market value adjustments and dividends	433	379	14
Other income	71	160	-56
<b>Core income</b>	<b>3,326</b>	<b>3,338</b>	<b>0</b>
Staff costs	1,293	1,218	6
Operating expenses	806	796	1
<b>Costs and expenses</b>	<b>2,099</b>	<b>2,014</b>	<b>4</b>
<b>Core earnings before impairment</b>	<b>1,227</b>	<b>1,324</b>	<b>-7</b>
Impairment of loans, advances and receivables etc, *)	309	22	-
<b>Profit/loss before tax</b>	<b>918</b>	<b>1,302</b>	<b>-29</b>
Tax	181	243	-26
<b>Profit/loss</b>	<b>737</b>	<b>1,059</b>	<b>-30</b>
Interest expenses to holders of additional tier 1 (AT1) capital	49	49	0

## Remuneration report

### Remuneration | Board of Directors

Pursuant to Spar Nord's adopted remuneration policy, members of the Board of Directors exclusively receive a fixed annual fee, which is approved by the shareholders at the general meeting. Members of the Board of Directors do not receive any variable remuneration components in the form of salary, shares, options, pension or other similar arrangements, nor any ad hoc or discretionary amounts paid in the course of the year.

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 for their extended duties.

Members of the Board of Directors who are also members of one or more board committees receive a fixed additional fee as remuneration for their committee work. 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.

The following fees to members of the Board of Directors of Spar Nord for the financial year 2020 were approved at the Annual General Meeting on 17 June 2020:

Table 1

	Board of Directors	Audit Committee	Nomination and Remuneration Committee	Risk Committee
Member	DKK 330,000 (base fee)	DKK 90,000	DKK 30,000	DKK 65,000
Chairman	DKK 759,000 (2.3 x base fee)	DKK 150,000	-	DKK 100,000
Deputy Chairman of the Board of Directors	DKK 438,900 (1.33 x base fee)	-	-	-

Members of the Board of Directors are not entitled to additional fees.

# Remuneration report

Table 2

## Remuneration of the Board of Directors for the financial year 2020 (DKK '000)

	Annual fee	Committee fee	Total remuneration
Kjeld Johannesen, Chairman Member of the Risk Committee and the Nomination and Remuneration Committee	759	95	<b>854</b>
Per Nikolaj Bukh, Deputy Chairman Member of the Audit Committee and the Nomination and Remuneration Committee	439	180	<b>619</b>
Kaj Christiansen, board member Member of the Risk Committee	330	100	<b>430</b>
Morten Bach Gaardboe, board member Member of the Audit Committee	330	90	<b>420</b>
Laila Mortensen, board member, (retired on 17 June 2020) Member of the Risk Committee	165	32	<b>197</b>
Henrik Sjøgreen, board member, (took office on 17 June 2020) Member of the Risk Committee	165	32	<b>197</b>
John Sørensen, board member Member of the Audit Committee	330	90	<b>420</b>
Lene Aaen, board member (employee representative)	330	-	<b>330</b>
Jannie Skovsen, board member (employee representative) Member of the Nomination and Remuneration Committee	330	18	<b>348</b>
Gitte Holmgaard Sørensen, board member (employee representative), (retired on 1 April 2020) Member of the Nomination and Remuneration Committee	82	8	<b>90</b>
Kim Østergaard, board member (employee representative), (took office on 1 April 2020)	248	-	<b>248</b>
<b>Total</b>			
<b>2020</b>	<b>3,508</b>	<b>645</b>	<b>4,153</b>
<b>2019</b>	<b>3,349</b>	<b>650</b>	<b>3,999</b>

## Remuneration report

### Remuneration | Executive Board

Pursuant to Spar Nord's adopted remuneration policy, members of the Executive Board receive a fixed base salary, which is approved by the Board of Directors on the basis of recommendations from the Nomination and Remuneration Committee. Members of the Executive Board do not receive any variable remuneration components in the form of salary, shares, options, pension or other similar arrangements, nor any ad hoc or discretionary amounts paid in the course of the year.

The remuneration of members of the Executive Board is determined on the basis of an 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.

Spar Nord aims to determine the annual fixed base salary on the basis of market practice and serves to attract, motivate and retain competent executive board members with a view to supporting Spar Nord's ability to promote value creation and thereby achieve the Bank's other short and long-term objectives.

The Board of Directors establishes the guidelines for retirement and termination of employment based on the recommendations of the Nomination and Remuneration Committee. The notice period on the part of Spar Nord is 12 months, while a member of the Executive Board may terminate his or her position by giving six months' notice.

Members of the Executive Board of Spar Nord are entitled to annual remuneration in accordance with the remuneration policy. The total remuneration consists of the following fixed remuneration components:

- fixed base salary;
- pension contribution;
- company car; and
- usual benefits

The members of Spar Nord's Executive Board are entitled to receive a pension contribution of 16.8% of their fixed salary and a company car at a value of no more than 7% of the monthly salary, calculated using the tax basis. The terms of employment and remuneration of the members of the Executive Board are agreed individually between each member of the Executive Board and the Board of Directors on the basis of a recommendation from the Nomination and Remuneration Committee.

Table 3

#### Remuneration of the Executive Board for the financial year 2020 (DKK '000)

		Base salary	Pension contribution	Benefits*	External fees received**	Total amount earned and remuneration paid by Spar Nord
Lasse Nyby, Chief Executive Officer		4,725	766	191	(668)	5,014
John Lundsgaard, Managing Director		4,004	619	7	(310)	4,320
Lars Møller, Managing Director		3,745	619	191	(675)	3,880
Martin Kudsk Rasmussen, Managing Director, (took office on 1 April 2020)		2,835	423	99	(121)	3,236
<b>Total</b>	<b>2020</b>	<b>15,309</b>	<b>2,427</b>	<b>488</b>	<b>(1,774)</b>	<b>16,450</b>
	<b>2019</b>	<b>11,890</b>	<b>1,894</b>	<b>445</b>	<b>(1,608)</b>	<b>12,621</b>

\* Benefits comprise company car and usual employee benefits such as health insurance and telephony.

\*\* Fees received for directorships. These fees are deducted from the remuneration paid.

Service contracts with members of the Executive Board are open-ended (i.e. not for a fixed term). The total value of severance pay cannot exceed two years' of salary, excluding pension and other components of remuneration, for any member of the Executive Board. In the event of the death of an Executive Board member during the period of employment, a post-service payment equal to three months' salary will be disbursed to the spouse, alternatively to any children under the age of 18. However, pursuant to his executive service contract, Martin Kudsk Rasmussen is entitled to a post-service payment equal to six months' salary to be paid to his spouse, alternatively to any children under the age of 18 in the event of his death during his period of employment, but a maximum payment equal to 12 months' salary in severance pay.

## Remuneration report

### Remuneration | Material risk takers

Pursuant to Spar Nord's adopted remuneration policy, material risk takers do not receive variable salary components above DKK 100,000, which is the permitted threshold set out in "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 this threshold 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.

Any distribution of variable pay that does not exceed the above-mentioned 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.

The tables below provide information on remuneration in the financial year 2020 aggregated at group level. In addition to information on Spar Nord's Board of Directors and Executive Board, the items "members of the board of directors" and "members of the executive board" also provide information about the board of directors and executive board of the subsidiary Aktieselskabet Skelagervej 15. As mentioned in the introduction, the remuneration paid to Spar Nord Bank's Board of Directors and Executive Board is identical to the remuneration paid to the Group's board of directors and executive board, while the number of members (directorships) comprises the board of directors and executive board of both companies.

Table 4

Responsibility and business areas (financial year 2020)	Amount (DKK '000)
Total amount re. remuneration granted in the financial year in the investment area	5,391
Of which total fixed salary	5,091
Of which total variable salary	300
Total amount re. remuneration granted in the financial year in the retail customer area	0
Of which total fixed salary	0
Of which total variable salary	0
Total amount re. remuneration granted in the financial year in the asset management area	0
Of which total fixed salary	0
Of which total variable salary	0
Total amount re. remuneration granted in the financial year for support functions	6,946
Of which total fixed salary	6,696
Of which total variable salary	250
Total amount re. remuneration granted in the financial year for independent control functions	5,670
Of which total fixed salary	5,495
Of which total variable salary	175
Total amount re. remuneration granted in the financial year for members of the board of directors	4,153
Of which total fixed salary	4,153
Of which total variable salary	0
Total amount re. remuneration granted in the financial year for members of the executive board	16,450
Of which total fixed salary	16,450
Of which total variable salary	0
Total amount re. remuneration granted in the financial year in other business areas	5,086
Of which total fixed salary	4,950
Of which total variable salary	136



## Remuneration report

Table 5

	Number/ amount (DKK '000 )	Number/ amount (DKK '000 )	Number/ amount (DKK '000 )
<b>Information on remuneration in the financial year 2020</b>	<b>Board of Directors</b>	<b>Executive Board</b>	<b>Material risk takers</b>
<b>Total amounts re. remuneration granted in the financial year</b>			
Total number of members / total no. of designated employees	12	5	20
Total number of fixed salary recipients	12	5	20
Total fixed salary granted in the financial year	4,153	16,450	22,232
<b>Agreements on variable remuneration concluded before 1 January 2011:</b>			
Total number of persons comprised by agreements concluded before 1 January 2011 (not covered by collective agreement)	0	0	1
Total salary granted in the financial year comprised by agreements concluded before 1 January 2011	0	0	1,212
Total fixed salary granted in the financial year comprised by agreements concluded before 1 January 2011	0	0	1,212
Total variable salary granted in the financial year comprised by agreements concluded before 1 January 2011 (not covered by collective agreement)	0	0	0
<b>Information on variable remuneration:</b>			
Total number of recipients of variable remuneration (covered/not covered by collective agreement)	0	0	12
<i>Covered by collective agreement</i>			
Total number of recipients of variable remuneration covered by collective agreement in the financial year	0	0	0
Total variable remuneration granted in the financial year covered by collective agreement	0	0	0
<i>Not covered by collective agreement</i>			
Total number of recipients of variable remuneration not covered by collective agreement in the financial year	0	0	12
Total variable remuneration granted in the financial year not covered by collective agreement	0	0	861
<i>Of which:</i>			
Cash	0	0	861
Shares and equity-like instruments	0	0	0
Share options or similar instruments	0	0	0
Additional tier 1 capital instruments	0	0	0
Tier 2 capital instruments	0	0	0
Other instruments	0	0	0
<i>Ratio between disbursed/postponed variable remuneration</i>			
Amount disbursed in the financial year	0	0	861
Amount postponed in the financial year	0	0	0

## Remuneration report

	Number/ amount (DKK '000 )	Number/ amount (DKK '000 )	Number/ amount (DKK '000 )	
Information on remuneration in the financial year 2020	Board of Directors	Executive Board	Material risk takers	
Permitted threshold of no more than DKK 100,000 in variable remuneration per recipient:				
Total number of persons comprised by threshold in the financial year		0	0	12
Total variable remuneration disbursed in the financial year pursuant to threshold		0	0	861
Postponed variable remuneration from prior financial years:				
Total sum of postponed variable remuneration not covered by collective agreement for all financial years		0	0	0
Of which:				
Variable remuneration granted in financial year, incl. previously postponed variable remuneration		0	0	0
Variable remuneration disbursed in financial year of previously postponed variable remuneration		0	0	0
Any variable remuneration reduced in financial year compared with previously postponed variable remuneration		0	0	0
Total amount repaid, e.g. due to bad faith or erroneous information		0	0	0
Sign-on and severance pay:				
Sign-on pay				
Total number of recipients of sign-on pay in the financial year		0	0	0
Total amount granted in sign-on pay in the financial year		0	0	0
Severance pay				
Total number of recipients of severance pay in the financial year		0	0	0
Total amount granted in severance pay in the financial year		0	0	0
Highest amount of severance pay granted to a single person in the financial year		0	0	0

During their employment or position as a board member, no person at Spar Nord received a total salary including pension in the financial year exceeding an amount corresponding to EUR 1 million.

## Notes to tables 4 and 5

### Number of directorships and executive positions

There are nine directorships in Spar Nord Bank and three directorships in the subsidiary Aktieselskabet Skelagervej 15 (total of 12). At the end of the year, there were four executive positions in Spar Nord Bank and one in the subsidiary Aktieselskabet Skelagervej 15 (total of five).

### Risk takers

At the end of 2020, 20 functions/positions were defined as risk takers. These are held by 17 persons, of which one risk taker covers two positions, and another two positions are held by members of the Executive Board, whose remuneration is included in the Executive Board's remuneration and therefore not in the remuneration of material risk takers.

At 1 April 2020, one risk taker became a part of the Executive Board. At the Annual General Meeting on 17 June 2020, two new functions were defined as material risk takers.

The persons and their remuneration are included for the periods in which they are risk takers. The total remuneration of risk takers thus comprises remuneration of 18 persons (an average of 16.3 over the course of the year).

The fee in connection with directorships is deducted from the fixed salary of the risk takers (a total of DKK 181,316).

# Remuneration report

## Remuneration | Comparative figures

Developments in the remuneration of the Board of Directors and the Executive Board for 2020 and 2019 are summarised in the table below. Additional comparative figures will be accumulated year by year over the next five years as permitted pursuant to the Danish Business Authority's guidelines.

Table 6

Comparison of remuneration of Board of Directors and Executive Board and Spar Nord's results for 2020 and 2019	2020 (DKK '000)	2020 vs. 2019 in %
Spar Nord's net profit before tax	917,717	-29
Spar Nord's net profit after tax	737,014	-30
<b>Executive Board</b>		
Lasse Nyby, Chief Executive Officer	5,014	7
John Lundsgaard, Managing Director	4,320	4
Lars Møller, Managing Director	3,880	2
Martin Kudsk Rasmussen, Managing Director (took office on 1 April 2020)	3,236	-
<b>Board of Directors</b>		
Kjeld Johannesen, Chairman	854	4
Per Nikolaj Bukh, Deputy Chairman	619	3
Kaj Christiansen, board member	430	4
Morten Bach Gaardboe, board member	420	4
Laila Mortensen, board member, (retired on 17 June 2020)	197	4
Henrik Sjøgreen, board member, (took office on 17 June 2020)	197	-
John Sørensen, board member	420	4
Lene Aaen, board member (employee representative)	330	5
Jannie Skovsen, board member (employee representative)*	348	10
Gitte Holmgaard Sørensen, board member, (employee representative), (retired on 1 April 2020)	90	4
Kim Østergaard, board member (employee representative), (took office on 1 April 2020)	248	-
<b>Average remuneration of employees (FTE)</b>		
Employees	701	2

\* After the Annual General Meeting on 17 June 2020, Jannie Skovsen became a member of the Nomination and Remuneration Committee.

For board members, who retired during 2020, the difference between 2020 and 2019 has been calculated on the basis of a full-year fee for 2020 in order to provide a meaningful comparative figure.



## Remuneration report

### **Conformity with the remuneration policy**

The remuneration of the Board of Directors and the Executive Board for the financial year 2020 is in line with the guidelines of the remuneration policy by contributing to Spar Nord's business strategy, long-term interests, sustainability and value creation, as Spar Nord achieved a satisfactory financial result in a historically turbulent year. Spar Nord recorded a profit of DKK 737 million after tax and a return on equity of 7.4%.

Compliance with the remuneration policy is reviewed once every year. The guidelines for this review, which is carried out by the HR Department, which is independent of the entities controlled, are defined by the Board of Directors, and the outcome of the review is reported to the Nomination and Remuneration Committee and to the Board of Directors as a whole. The 2020 review concluded that the remuneration policy had been complied with.



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