

# **Remuneration Report 2021**

**Aktia**



# Remuneration Report 2021 for the governing bodies of Aktia Bank Plc

## Dear Shareholder,

This Remuneration Report for the governing bodies at Aktia Bank Plc (hereinafter **Aktia Bank**) sets out how Aktia Bank has implemented its guidelines on remuneration in 2021, concerning remuneration of the Board of Directors (hereinafter **the Board**) as well as the CEO and the Deputy CEO of Aktia Bank between 1 January 2021 and 31 December 2021. The Report is based on the Recommendations on Corporate Governance Code for Finnish Listed Companies (1 January 2020) as well as the provisions to the Finnish Securities Market Act (746/2012), the Limited Liability Companies Act (624/2006) and the Decree of the Ministry of Finance (608/2019). Aktia Bank also complies with the provisions of the Act on Credit Institutions (213/2013) on remuneration systems.

The Report has been reviewed by the Aktia Bank Remuneration and Corporate Governance Committee and approved by the Board. The Report will be presented to Aktia Bank's Annual General Meeting

on 6 April 2022 where the shareholders will make an advisory decision on its contents.

## Overview of Aktia Bank Remuneration in 2021

Remuneration of the Aktia Bank governing bodies is based on the guidelines on remuneration for the governing bodies of Aktia Bank Plc, that was presented for an advisory decision at the Annual General Meeting held on 16 April 2020. The Guidelines will be applied until the Annual General Meeting 2024, unless the Board decides to bring it for an advisory decision at an earlier General Meeting.

The decision-making process on remuneration, as defined in the Guidelines on remuneration, has been followed in the decision-making on remuneration in 2021. No temporary deviations from the Guidelines were applied in 2021. Furthermore, the Board did not observe any circumstances or activities that would

have resulted in a need to apply clawback clauses applicable to the variable remuneration of the CEO and Deputy CEO in 2021.

## Aktia Bank's Remuneration Principles

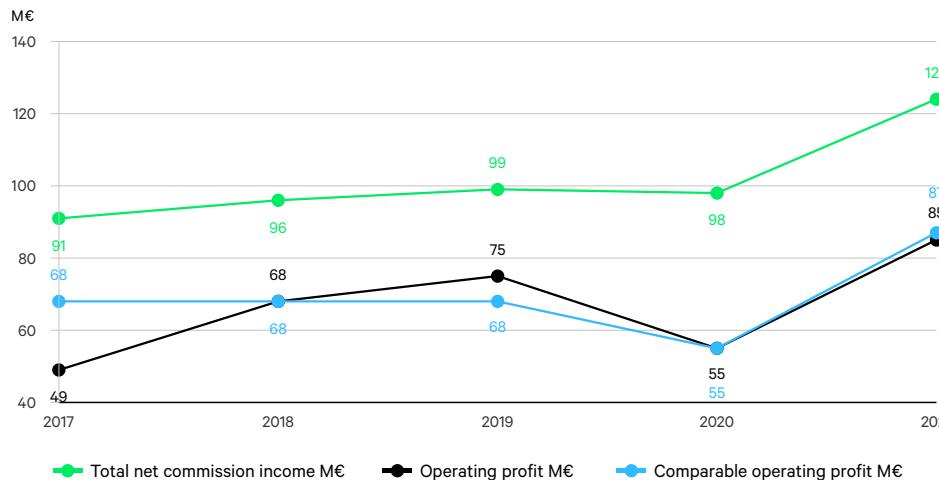
Aktia Bank is committed to developing a strong pay for performance culture throughout the organisation. Aktia Bank's remuneration policy is based on the Group's strategy, goals, values, and long-term benefits. To support, guide and achieve Aktia's vision, it is important that Aktia attracts, retains, develops, and rewards the right expertise. The remuneration principle provides a framework for sustainable, long-term value creation in the best interests of the shareholder. Aktia Bank's principles on remuneration are built to support and reward for such performance that is in line with the advancement of the company's strategy, long-term financial results, as well as the individual's personal performance. The remuneration shall steer toward effective and appropriate risk

management, restraining from excess risk-taking, so that excess risk-taking is not rewarded and conflicts of interest in the Group are prevented.

The remuneration must be in line with performance as well as competitive in relation to relevant peers in the market. The CEO's and Deputy CEO's variable remuneration consists of a short-term incentive programme (hereinafter **STI**) and a long-term incentive programme (hereinafter **LTI**). At the beginning of the year, the Board of Directors has decided on the earning opportunities and performance targets of both programmes. The CEO and the Deputy CEO are expected to build and maintain a meaningful shareholding of Aktia Bank's shares to further support and align with shareholder interest.

## Development of Aktia Bank's Financial Performance and Remuneration

2021 was a year of strong growth. The comparable operating profit increased by 59% compared to the previous year. The comparable operating profit for the whole year was the highest in the history of Aktia. The comparable income increased by 31% compared to the previous year. The year's profit showed growth in all income classes, the acquisition of Taaleri's wealth management operations contributed to the increase in commission income.

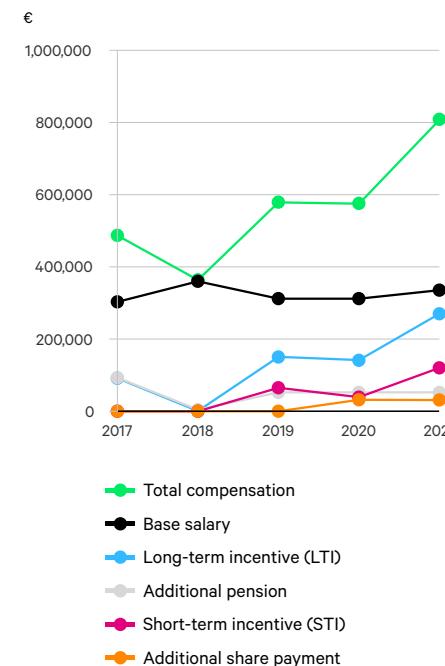


Aktia became a wealth manager bank — in line with the strategy update in the autumn, we are focusing on the cooperation between business areas (asset management, banking and life insurance).

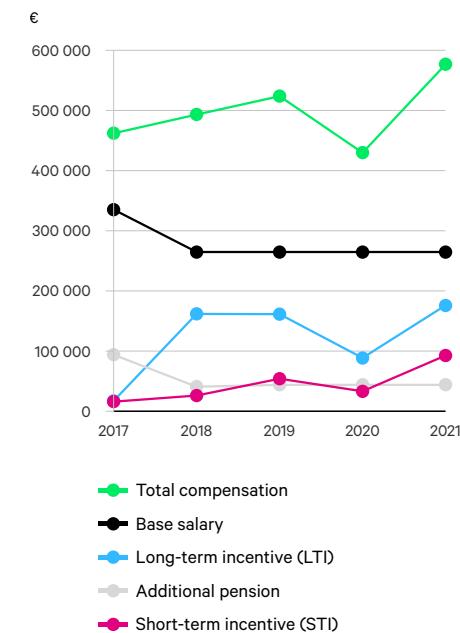
The STI and LTI remuneration objectives were based, for example, on the Group's financial objectives, such as net commission income and comparable operating profit. The outcome for the long-term incentive plan is reflecting a two-year performance period 2020–2021.

The charts below show the development of the remuneration (earned) of Aktia Bank's CEOs and Deputy CEOs, as well as the average salary development of the employee over a five-year period.

### CEO



### DEPUTY CEO



## Development of average employee salary



The employee average salary development is based on identical employees' salary calculated from 31.12 the year before, to 31.12 in the year in question.

## Earned remuneration of the CEO and Deputy CEO as well as Board remuneration fees - 5 year period

The Graph presents remuneration earned during the corresponding financial year. For example, in 2021:

- Base Salary paid in 2021
- STI earned 2021, pay out 2022–2026
- LTI earned from the period 2020–2021, pay out 2022–2026
- Supplementary pension contribution paid 2021
- Additional share payment paid 2021 as one-time payment

## Development of CEO and deputy remuneration

CEO	2017 <sup>1</sup>	2018 <sup>2</sup>	2019 <sup>3</sup>	2020	2021
Base salary	303,000	360,000	312,000	312,000	335,400
Short-term incentive (STI)	0	0	65,000	39,000	120,120
Long-term incentive (LTI)*	91,100	0	150,234	141,045	269,948
Additional pension	93,000	4,000	52,000	52,000	52,000
Additional share payment				31,699	31,195
<b>Total compensation</b>	<b>487,100</b>	<b>364,000</b>	<b>579,234</b>	<b>575,744</b>	<b>808,663</b>

1) 2017 Jussi Laitinen (until 3.3.2017) Base/STI/LTI/additional pension: 46/0/0/55, Martin Backman: 257/0/91/38

2) 2018 Martin Backman (until 7.3.2018) Base/STI/LTI/additional pension: 282/0/46/4, Mikko Ayub: 78/0/0/0

3) 2019 - Mikko Ayub

\* Share Price applied at 31.12. of year in question

Deputy CEO	2017 <sup>4</sup>	2018 <sup>5</sup>	2019	2020	2021
Base salary	335,000	264,468	264,468	264,468	264,468
Short-term incentive (STI)	16,000	26,000	54,000	33,000	92,564
Long-term incentive (LTI)*	17,160	161,820	161,320	88,374	175,683
Additional pension	94,000	41,000	44,000	44,000	44,068
<b>Total compensation</b>	<b>462,160</b>	<b>493,288</b>	<b>523,788</b>	<b>429,842</b>	<b>576,783</b>

4) 2017 Taru Narvamaa (until 5.5.2017) Base/STI/LTI/additional pension: 89/0/6/59, Juha Hammarén: 246/16/9/35

5) 2018 - Juha Hammarén (interim CEO)

\* Share Price applied at 31.12. of year in question

## Development of board remuneration

Board	2017	2018	2019	2020	2021
Chairman annual fee	61,200	61,200	61,200	64,300	64,300
Vice chairman annual fee	34,650	34,650	34,650	36,400	43,000
Board member annual fee	27,140	27,140	27,140	28,500	35,000
Meeting fee	500	500	500	500	500
Meeting fee, committee chair per committee meeting	1,000	1,000	1,000	1,000	500
Annual fee, committee chairman	0	0	0	0	8,000

## Aktia Bank Board Remuneration 2021

At the Annual General Meeting, April 2021, the annual fee for the members of the Board of Directors was set at EUR 64,300 for the Chairman, EUR 43,000 for the Deputy Chairman and EUR 35,000 for the members. In addition, an annual fee of EUR 8,000 is paid to the Chairman. The meeting fee was maintained, and the fee was set at 500 euros per present member. The

members received an annual remuneration as well as remuneration per attended meeting during the period from the ordinary Annual General Meeting in 2021 until the Annual General Meeting in 2022.

In 2021 (1 January–31 December 2021), the Board members of Aktia Bank were compensated as set out in the following table.

### Board remuneration 2021

EUR		Annual board fees gross	Board and committee meeting fees	Total fees
lasse Svens	Chairman, remuneration and corporate governance committee chairman	72,711	24,000	96,711
Timo Vättö (as of 13.4.2021)	Vice Chairman, remuneration and corporate governance committee member	43,275	8,000	51,275
Arja Talma	Member, audit committee chairman	43,275	16,500	59,775
Johan Hammarén	Member, remuneration and corporate governance committee member	35,224	20,000	55,224
Maria Jerhamre Engström	Member, risk committee chairman	43,275	19,000	62,275
Harri Lauslahti	Member, risk committee member	35,224	17,000	52,224
Olli-Petteri Lehtinen	Member, audit & risk committee member	35,224	18,500	53,724
Johannes Schulman	Member, audit committee member	35,224	14,500	49,724
<b>Former Board members</b>				
Christina Dahlblom	Member, remuneration and corporate governance committee chairman	0	12,000	12,000
Kari A.J. Järvinen	Member, remuneration and corporate governance committee member	0	12,500	12,500
<b>TOTAL</b>		<b>343,432</b>	<b>162,000</b>	<b>505,432</b>

Approximately 40% of the Board members' annual remuneration was paid in the form of Aktia shares. The Board members are encouraged to keep these shares for the duration of their Board mandate in Aktia Bank.

In compliance with the Finnish Tax Administration's guidelines for travels, travel and accommodation expenses are paid to the Board members for travels that are directly related to the Board work. In addition, Aktia Bank has taken out a voluntary statutory (TyEL) union representative insurance for the Board members.

### Remuneration of the CEO and Deputy CEO 2021

#### Fixed compensation and benefits in kind

The CEO received a base salary of EUR 28,600 per month and the Deputy a base salary of EUR 26,000 per month in 2021, including benefits in kind. Both the CEO and the Deputy CEO are entitled to employee benefits in compliance with Aktia Group's principles valid at any given point in time.

The CEO and the Deputy CEO are entitled to a premium-based defined contribution supplementary pension plan, according to the voluntary unit-linked group pension insurance that Aktia Bank has taken out for Aktia Bank's Executive Committee. The CEO and the Deputy CEO have the right to the paid-up policy if the duration of their duty last at least five (5)

years. The cost of the plan in 2021 was EUR 52,000 for the CEO and EUR 44,078 for the Deputy CEO respectively.

#### Variable compensation

In 2021, the CEO and Deputy CEO were offered two performance-based incentive programmes: an annual STI and a share-based LTI. The performance criteria and earning opportunities for both programmes were set by the Board at the beginning of the financial year.

Aktia Bank complies with the finance sector's rules on variable compensation, which means that at least half of the variable compensation shall be paid in the form of shares. A considerable part of the earned variable compensation shall be postponed for payment during a period of approximately four (4) years, followed by a waiting period of one year. Additionally, each payment of variable remuneration requires that the Board considers the Group's Risk Control Function assessment that there is no impediment to payment, taking into account the Group's own funds, liquidity situation and how the key person performed his duties, taking into account mandatory regulation, the Group's strategy, rules and good practices.

In accordance with the resolution by the Annual General Meeting in 2020, the maximum ratio between the variable and the fixed compensation components for the total remuneration of the CEO and the Deputy CEO shall be 200%.

**Short term incentive 2021**

The short-term incentive programme (STI) could in 2021 amount at the most to the base salary of six (6) months for the CEO and the Deputy CEO.

The STI goals were based on the Group's financial targets (50 %), strategical targets (25 %) and individual targets (25 %), aimed at encouraging and measuring the advancement of the strategy implementation to reach Aktia Group's long-term financial targets.

The achieved performance for the STI in 2021 equals 70 % out of the maximum for both the CEO and the Deputy CEO respectively. The Remuneration will be paid in compliance with regulation in five (5) annual instalments in Spring 2022–2026.

**Long term incentive 2021**

Aktia Bank's long-term remuneration framework is built on a share-based incentive programme, where participants are offered to invest in the Aktia share and thus earn the right to receive additional Aktia shares (matching shares) as long-term incentives (LTI). The shares are earned as reward 1) partly through the all-employee share savings plan AktiaUna (hereinafter **AktiaUna**) and 2) partly through the Aktia Bank performance based key employee programme AktiaUna PSP (hereinafter **UnaPSP**).

Through AktiaUna, the CEO and the Deputy CEO have been offered the opportunity to put aside

(save) up to seven (7) % of their annual salary for the acquisition of Aktia shares at a discounted price (-10%). In return, the participants earn the right to receive one Aktia matching share (gross) for each acquired share within the plan. Matching shares will be granted after a waiting period of approximately two (2) years from the outset of the period, provided that the employment contract has not ended and that the participant has not sold the shares within the frame of the programme.

The CEO and the Deputy CEO are furthermore included, in the performance-based programme UnaPSP, provided that they participate in AktiaUna. Through the programme, the CEO and the Deputy CEO may earn additional Aktia shares against each share acquired within the AktiaUna programme based on the earning criteria established by the Board. The UnaPSP programme has a performance period that span over a two-year period. The earning criteria for the 2021–2022 performance period were the two-year (2) development of the Aktia Group's comparable operating profit (60 % weight), and the Group's two-year total net commission income (40 % weight). The 2021–2022 performance period is ongoing with the same earning criteria and weights.

The maximum number of matching shares from UnaPSP, with a 100 % outcome, gives the CEO an additional 12 matching shares and the Deputy CEO an additional 8 matching shares per share acquired through AktiaUna. The total earnings of LTI thus depend on the underlying share savings within

AktiaUna and on the achievement of the earning criteria for the performance-based programme during each earning period. As a rule, earned shares are not paid to a participant whose employment contract has ended before the time of payment.

The achieved performance for the LTI period 2020–2021 equalled 73 % out of the maximum, which amounted to 22,019 total earned gross shares (including AktiaUna) for the CEO and to 14,330 gross

shares for the Deputy CEO. The Remuneration will be paid according to the terms of the programme and in compliance with regulation in five (5) annual instalments in Spring 2022–2026. In addition, received shares are subject to a waiting period of one (1) year.

The CEO and the Deputy CEO must keep half of the shares earned through all LTI programmes until they own Aktia shares the amount of which corresponds to the value of their fixed annual salary.

**Summary of ongoing LTI programmes**

CEO	Program	Aquired shares, through AktiaUna*	Matching gross shares, AktiaUna program	Maximum shares, UnaPSP program	Outcome%, UnaPSP program	Total earned shares	Reward payout schedule
	LTI 2018-2019	1,336	1,336	16,032	92%	16,085	2020 - 2023
	LTI 2019-2020	3,132	3,132	37,584	30%	14,407	2021 - 2024
	LTI 2020-2021	2,256	2,256	27,072	73%	22,019	2022 - 2026
	LTI 2021-2022**	x	x	x			2023 - 2027

**Deputy CEO**

	LTI 2018-2019	2,066	2,066	16,528	92%	17,272	2020 - 2023
	LTI 2019-2020	2,655	2,655	21,240	30%	9,027	2021 - 2024
	LTI 2020-2021	2,095	2,095	16,760	73%	14,330	2022 - 2026
	LTI 2021-2022**	x	x	x			2023 - 2027

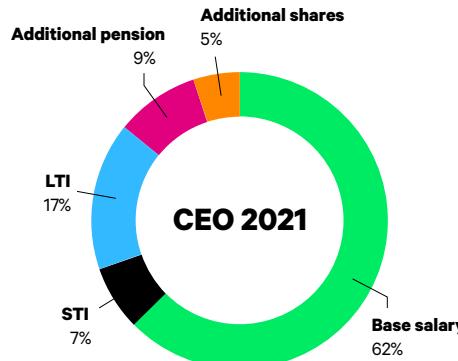
\* Participant aquires shares with net salary and receives the right to earn matching and performance shares.

\*\* Acquisition of shares still ongoing. Number of matching- and maximum performance shares will be determined later.

## Remuneration to the CEO and Deputy CEO – Paid 2021

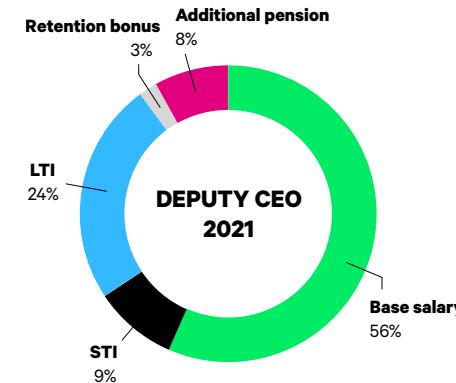
The total paid remuneration to the CEO and the Deputy CEO for 2021 amounted to a total of EUR 568 587 and EUR 494 093. Remuneration earned in Aktia Bank's STI and LTI have been deferred in compliance with the terms of the programs as well as valid regulations in the financial sector. In addition to the LTI, the CEO was awarded a one-time payment (additional shares) of 3,236 shares in 2021.

Below charts present the distribution between different remuneration elements which was paid to the CEO and Deputy CEO in 2021. The paid STI and LTI presented are the actual payments that have taken place during the reporting year 2021.

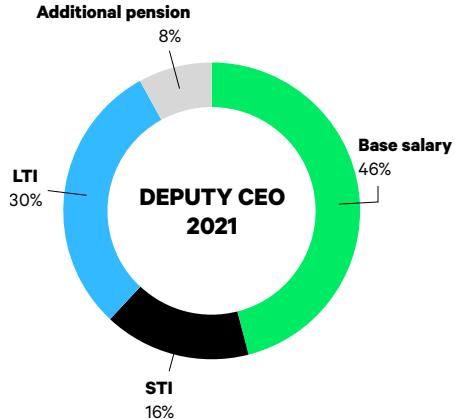
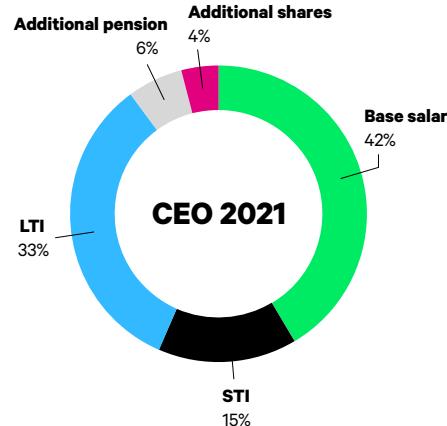


The paid STI in 2021 to the CEO and Deputy CEO includes partial payment from the earning period 2020 and the rest of it has been deferred to upcoming three (3) years. The paid STI to the Deputy CEO includes deferred payments from the STI periods 2017–2019. The paid LTI in 2021 includes partial payment from the LTI period 2019–2020 both to the CEO and the Deputy CEO, the rest of which has been deferred. It also includes deferred parts from the LTI periods 2016–2019 for the Deputy CEO. The LTI remuneration was paid out partly in shares and partly in cash to cover the taxes arising from the share payment.

The holiday premium was considered as part of the base pay paid in 2021.



## Compensation to the CEO and Deputy CEO – Earned in 2021



## Termination Clauses

The period of notice of the CEO's and the Deputy CEO's employment contract is six (6) months. If notice is given by Aktia Bank they shall receive, in addition to the salary for the period of notice, a sum

of money (severance pay) corresponding to their monetary salary for nine (9) months respectively. However, this is not the case if notice is given on grounds which would have entitled to a cancellation of the contract.

## Contact information

Aktia Bank Plc  
PO Box 207  
Arkadiankatu 4–6, 00101 Helsinki  
Tel. + 358 10 247 5000  
Fax + 358 10 247 6356

Group and investor pages: [www.aktia.com](http://www.aktia.com)  
Internet services: [www.aktia.fi](http://www.aktia.fi)  
Contact: [aktia@aktia.fi](mailto:aktia@aktia.fi)  
Email: [first name.last name@aktia.fi](mailto:first name.last name@aktia.fi)  
Business ID: 2181702-8  
**BIC/S.W.I.F.T: HELSFIHH**

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