

Baltikums Bank



# REMUNERATION POLICY IN 2014

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In accordance with the provisions of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 and in observance of principles for protection of personal data, Baltikums Bank AS (the Bank) discloses data on the remuneration policy of the Bank and the Group in 2014.

## THE BANK HAS ESTABLISHED ITS REMUNERATION STRUCTURE AS FOLLOWS

- ▶ The Council specifies and approves the Bank's Remuneration Policy guidelines, supervises implementation of the Remuneration Policy, specifies remuneration for members of the Board, head and employees of the Internal Audit of the Bank, as well as for employees whose remuneration is equal to or higher than the lowest amount of remuneration for any of the members of the Board. The Bank regularly (no less than one per year) revises the Remuneration Policy guidelines to ensure conformance to its current activities and development strategy, as well as to changes in external factors.
- ▶ Remuneration for the Council of the Bank is specified by the Bank's Shareholders' Meeting.
- ▶ The Board is responsible for observing the Remuneration Policy guidelines, developing an adequate remuneration system and approving related documents. Matters of remuneration for the Bank's personnel are stipulated in the Human Resources Policy, Remuneration Policy, and Procedure for Calculating and Paying Bonuses and Evaluating Employee Violations.
- ▶ The Human Resources Department ensures everyday monitoring of compliance with the Remuneration Policy guidelines at the Bank. If necessary, it initiates amendments to the Remuneration Policy and other documents that concern human resources and remuneration.

Remuneration for Board members at the other companies of the Group is specified by the founder.

The Bank's and the Group's Remuneration Policy conforms to the Bank's and the Group's operational strategy and values. It aims to specify guidelines for employee remuneration that are grounded in the Bank's and the Group's development strategy and operational performance and that conform to the Bank's and the Group's operational specifics and risk profile. The remuneration system developed at the Bank is aimed at motivating personnel and promoting employee development, ensuring adequate performance assessment of employees and appropriate remuneration for work that is done well.

The remuneration system at the Bank in 2014 stipulated constant remuneration (a base salary consisting of a competitive monthly rate for each employee according to their position, with one-off bonuses and benefits specified in the Bank's remuneration system) and variable remuneration in accordance with the Procedure for Calculating and Paying Bonuses and Evaluating Employee Violations, from a bonus fund allocated to each structural division. One-off bonuses were paid to some employees for their participation in various projects essential to the Bank, as decided by the Executive Committee. The Bank does not specify deferred payment of variable remuneration. A bonus fund is approved by the Bank's Executive Committee; bonuses are allocated within a structural division by its manager, based on an evaluation of each employee's performance during the preceding period.

The remuneration system for other Group companies in 2014 specified only a constant part of remuneration but not a variable part dependent on operational performance.

Remuneration for Bank employees is set at an adequate level to ensure long-term development of the Bank's and the Group's business, attract highly qualified specialists, retain personnel and encourage employees' professional growth, as well as to avoid assuming unnecessary risks.

The adequacy of employee remuneration is reviewed annually. Revision of remuneration is directly dependent on the Bank's current and expected performance indicators.

In 2014, no employee in a position affecting the institution's risk profile terminated labour relations with the Bank.

## Remuneration data grouped by type of activity, as of 31.12.2014

| Group  | Constant remuneration |                     | Variable remuneration |                     |
|--|-----------------------|---------------------|-----------------------|---------------------|
|  | EUR'000               | Number of employees | EUR'000               | Number of employees |
| Board, Council   | 543                   | 10                  | 72                    | 6                   |
| Employees whose professional activities significantly affect the Bank's risk profile | 1,489                 | 35                  | 213                   | 35                  |
| Other employees  | 4,901                 | 239                 | 689                   | 225                 |
| <b>Total</b>   | <b>6,933</b>          | <b>284</b>          | <b>974</b>            | <b>266</b>          |

## Remuneration data grouped by type of activity, as of 31.12.2014

| Bank   | Constant remuneration |                     | Variable remuneration |                     |
|--|-----------------------|---------------------|-----------------------|---------------------|
|  | EUR'000               | Number of employees | EUR'000               | Number of employees |
| Board, Council   | 519                   | 6                   | 72                    | 6                   |
| Employees whose professional activities significantly affect the Bank's risk profile | 1,489                 | 35                  | 213                   | 35                  |
| Other employees  | 4,510                 | 225                 | 689                   | 225                 |
| <b>Total</b>   | <b>6,518</b>          | <b>266</b>          | <b>974</b>            | <b>266</b>          |

Baltikums Bank AS reports that the Bank and the Group did not have any employees in 2014 that would be considered highly paid employees (remuneration during the reporting year is equal to or higher than 1 million euros).

Information specified in the Financial and Capital Market Commission regulations No. 126, Normative Regulations for Basic Principles of Remuneration Policy, table annex No. 1, will be disclosed by the deadline specified in these regulations, i.e. by 1 May 2015.