



# Nordax Bank

*This is an unofficial translation of the corresponding Swedish document. In the event of any discrepancies between this document and the Swedish version, the latter shall prevail.*

## Item 16

### **The Board of Directors' proposal regarding Management Incentive Plan for 2016**

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The Board of Directors' of Nordax Group AB (publ) proposes that the Annual General Meeting decides on a Management Incentive Plan for 2016 ("MIP 2016") to the Chief Executive Officer ("CEO") and the Management Team of the group based on the following scope and main guidelines:

#### **Background**

Nordax aims to attract and retain dedicated and competent employees who contribute to Nordax' long-term interests. Nordax' remuneration encourages sound behavior and balanced risk taking that is in line with the risk appetite set by the Board of Directors for the benefit of Nordax' shareholders, customers and other stakeholders.

A combination of cash and equity-based variable remuneration is a means to attract and retain staff with key competences in the Nordax group. It is also an incentive for key employees to become shareholders of Nordax and builds and strengthens long-term commitment in the interests of the shareholders. Furthermore, regulatory requirements for financial institutions demand that variable remuneration to a large extent is paid out in equity or equity-related instruments.

Nordax first introduced a combined cash and equity based Management Incentive Plan in 2015 ("MIP 2015"). Information about MIP 2015 has been provided in the 2015 annual report and in the prospectus prepared in connection with the company's IPO and Nasdaq Stockholm listing. The scope of MIP 2015 can be found in the 2015 annual report. In addition to MIP 2015, there are no other share-based incentive programs in Nordax.

The MIP 2015 is evaluated on a continuous basis throughout the year by the Remuneration Committee of the Board of Directors. The Remuneration Committee has also evaluated the respective members of the Management Team and the CEO encompassed by MIP 2015 and prepared the Board of Directors' decision on awarding of variable remuneration.

Based on the evaluation, it is proposed that the Annual General Meeting resolves on a Management Incentive Plan for 2016 encompassing the CEO and members of the Management Team of the group in all material respects similar to and based on the same structure as MIP 2015.

As described below, MIP 2016 is proposed to contain a 40% cash component and a 60% restricted share unit component. The restricted share unit component shall be subject to deferral before allotment.

#### **The preparation of the proposal**

The proposal has been prepared by the Board of Directors and the Remuneration Committee. The Board of Directors' and Remuneration Committee's view is that the proposal strikes an appropriate balance between motivating the CEO and the members of the Management Team and achieving a long-term, well-balanced and competitive remuneration.



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## MIP 2016

MIP 2016 is a program for 17 employees who are members of the Management Team.

The individual variable remuneration awarded under MIP 2016 shall be based on pre-determined and documented performance criteria (ex ante risk adjustment). Such criteria shall be based on (i) individual performance, (ii) the result of the relevant business unit and (iii) the overall business result of Nordax. In assessing individual performance, both financial and non-financial criteria shall be used. The performance criteria shall further be designed to consider the overall business performance of Nordax, and the interests of shareholders, customers, investors and other stakeholders. The targets determining the outcome under MIP 2016 are set annually.

The MIP shall comprise the following award components: 40% of the award is paid out in cash the same year as the resolution to award the remuneration has been adopted. 60% of the award is deferred into restricted stock units that are restricted for 3 years or, with respect to the CEO, 5 years (the qualifying period). Deferral shall take place every year upon cash payment of variable remuneration. The restricted stock units vest subject to continued service after the qualifying period. After the qualifying period the restricted stock units are converted (without consideration) into shares. One (1) restricted share unit shall entitle to one (1) share. If employment terminates before vesting, all deferred restricted stock units will as a main rule lapse at the date on which the member of the Management Team ceases to be staff member.

The total award under MIP 2016 may not exceed 100 % of the participant's base salary.

## Allotment under MIP 2016

MIP 2016 is proposed to comprise an obligation for Nordax to deliver a maximum of approximately 355,000 shares. The calculated *expected* outcome is approximately 125,000 shares. The maximum number of shares under MIP 2016 equals approximately 0.3 % of the total number of shares in Nordax (expected outcome equals approximately 0.1 % of the total number of shares in Nordax). The delivery of shares under MIP 2016 is proposed to be effectuated with existing shares. Allotment under MIP 2016 shall be made before the 2017 Annual General Meeting.

The number of shares which each participant may receive under MIP 2016 may be subject to recalculation in accordance with the terms and conditions of the program as a result of resolutions on issues of securities, splits, and similar measures.

Shares received under MIP 2016 are ordinary Nordax shares with a right to a dividend following vesting.

## General

Before payment of the cash component of the variable remuneration, and before conversion of restricted share units into shares after the qualifying period, the Board of Directors or if it so decides the Remuneration Committee and/or the Risk Committee, shall perform an assessment of the necessity of reducing the awarded cash remuneration, or reducing the number of shares awarded, or by cancelling the variable remuneration in full (ex post risk adjustment).

The assessment shall, among other things, take into consideration Nordax' financial results and position, capital and liquidity requirements, the conditions on the stock market,



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conditions related to the participant and other circumstances such as changes in accounting principles.

The Board of Directors, or if it so decides, the Remuneration Committee, is authorized to decide on the detailed terms and conditions for the MIP 2016 based on the aforementioned principles. The Board of Directors and/or the Remuneration Committee is also authorized to make changes to the MIP 2016 from time to time if so deemed advisable and provided that the MIP 2016 following such changes are within the limits of the maximum number of shares, the maximum number of shares as percentage of total number of shares and the calculated maximum cost for the MIP 2016.

## Taxation

MIP 2016 has been designed in such a way that participants will normally be taxed for the benefit of receiving shares when the restricted share units are converted into shares. The taxable value of the benefit will be equal to the closing price for the shares when the shares are received. The value of the benefit is taxed as income from employment for the participant. Thus, social security contributions will in most cases be charged on the benefit amount and be a cost for the employer.

## Costs

The *maximum* annual charge for MIP 2016 that may affect the profit and loss statement is SEK 28,000,000. The annual charge to the profit and loss statement for the *expected* calculated outcome under the MIP 2016 is estimated to approximately SEK 11,500,000. Both the maximum and estimated annual charge is inclusive of social costs (save for 2/3 of the social costs relating to the share component which is accrued over three years).

As the cost of social charges attributable to the equity component is not expected to be material in relation to the company's cash flow, such costs will be financed with liquid assets.

The *expected* calculated outcome is based on the assumption that no additional participant joins nor leaves the MIP 2016 during the qualifying period.

## Hedging and transfer of shares

MIP 2016 leads to certain financial exposure for Nordax, due to market price changes for the Nordax share. The aim is to hedge this exposure by the acquisition of own shares (item 17 on the agenda for the Annual General Meeting) or by equity swap contracts with third parties.

There are different methods for effectuating the transfer of shares to the participants under the program, such as delivery of own shares and an agreement with a third party under which the third party transfers shares to the participants under the program. The Board of Directors considers delivery of own shares as the most cost efficient and flexible method. Therefore this is the main alternative (item 17 on the agenda for the Annual General Meeting).

## The Board of Directors' proposal for resolution

With reference to the above description, the Board of Directors proposes that the Annual General Meeting resolves on MIP 2016.

## Majority requirements



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There is a requirement for resolutions to be passed in accordance with the Board of Directors' proposal that the resolutions of the Annual General Meeting are supported by shareholders representing more than half of the votes cast.

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The Board of Directors in April 2016

*Nordax Group AB (publ)*