

REMUNERATION POLICY in 2015

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, FCMC regulations No. 126 "Normative regulations for basic principles of remuneration policy" 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 2015.

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 Service of the Bank and other positions that affect its risk profile, 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 once 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 Group is specified by the Council.

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 2015 stipulated constant remuneration (a base salary consisting of a competitive monthly rate for each employee according to their position). The Bank did not pay variable parts of remuneration in the interpretation of Financial and Capital Market Commission normative regulation No. 126 "Normative regulations for basic principles of remuneration policy". The variable part of remuneration that was paid consisted of bonuses for participation in certain projects and implementation of projects, as well as some bonuses for overtime work, work on holidays, and one-off bonuses specified in the Bank's remuneration policy.

The remuneration system at the Group in 2015 only stipulated a constant part of remuneration, without specifying a variable part dependent on operational results.

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 2015, four employees in positions affecting the institution's risk profile terminated labour relations with the Bank. They received severance pay for a total of EUR 73 575.

Table 1

INFORMATION ABOUT REMUNERATION OF EMPLOYEES

	Council	Board	Investment services ¹	Services to individuals or small and mediumsized companies ²	Asset management ³	Corporate support function ⁴	Internal control function ⁵	Other activity types ⁶	Accounting value
Number of employees at the end of the year	3	3	15	10	3	74	65	105	
Profit / (loss) after tax									7432000
Total remuneration	420072	319174	432731	274278	101087	1560180	1512279	3308198	
Including: variable part of remuneration		105846	33719	10450	1547	56578	49977	156883	

¹ Providing financial advice to commercial associations, transactions with financial instruments traded or not traded in the regulated market, as well as services related to trading and selling of financial instruments.

² Lending to individuals and commercial associations.

³ Managing of individual investment portfolios, managing of UCITS (investment made into investment foundations in compliance with the requirements of Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 On the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)), and managing of other asset types.

⁴ All functions that apply to the entire credit institution/consolidated group, e.g. IT, personnel management.

⁵ Internal auditing, compliance control function and risk monitoring function.

⁶ Employees whose professional activity cannot be referred to the aforementioned activities. Along with the report, an institution provides an additional explanation, specifying types of professional activity performed by employees. Here: Attraction and servicing of Clients (except for lending).

⁷ Instruments in accordance with the requirements under Clause 18.2.2 of the Rules.

Table 2

INFORMATION ABOUT EMPLOYEES WHO IMPACT THE INSTITUTION'S RISK PROFILE

	Council	Board	Investment services ¹	Services to individuals or small and medium-sized companies ²	Asset management ³	Corporate support function ⁴	Internal control function ⁵	Other activity types ⁶
Number of employees who impact the institution's risk profile as of the end of the year	3	3	15	10	3	74	65	105
including the top management employees who impact the institution's risk profile	3	3	1		1	4	2	2
FIXED PART OF REMUNERATION								
Total fixed remuneration	420072	213328	399012	263828	99540	1503602	1462302	3151315
including money and other means of payment	420072	213328	399012	263828	99540	1503602	1462302	3151315
including shares and related instruments								
including other instruments ⁷								
VARIABLE PART OF REMUNERATION								
Total variable remuneration		105846	33719	10450	1547	56578	49977	156883
including money and other means of payment		10546	33719	10450	1547	56578	49977	156883
including shares and related instruments								
including other instruments ⁷								
DEFERRED VARIABLE PART OF REMUNERATION								
Total deferred variable remuneration in the reporting year								
including the deferred part in the monetary form and other means of payment								
including the deferred part in the form of shares and related instruments								
including the deferred part in the form of other instruments ⁷								
Total deferred variable remuneration unpaid but granted before the reporting year								
including the part to which irrevocable rights have been gained								

		Council	Board	Investment services ¹	Services to individuals or small and medium-sized companies ²	Asset management ³	Corporate support function ⁴	Internal control function ⁵	Other activity types ⁶
	including the part to which irrevocable rights have not been gained								
	Total deferred variable remuneration paid in the reporting year								
CORRECTION OF THE VARIABLE PART OF REMUNERATION	Correction of the variable remuneration applied during the reporting year as regards variable remuneration granted in previous years								
GUARANTEED VARIABLE PART OF REMUNERATION	Number of recipients of the guaranteed variable remuneration (<i>sign-on payments</i>)								
	Amount of the guaranteed variable remuneration (<i>sign-on</i>)								
COMPENSATION FOR THE TERMINATION OF EMPLOYMENT RELATIONS	Number of employees who have received compensation for termination of employment relations		1	2					
	Compensation amount paid during the reporting year for termination of employment relations		40200	33375					
	The largest compensation amount for one person in the case of terminating employment relations								
RETIREMENT-RELATED BENEFITS	Number of employees who receive retirement-related benefits								
	Amount of retirement-related benefits								

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