



HYPO

2019 REMUNERATION STATEMENT OF THE MORTGAGE SOCIETY OF FINLAND GROUP

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REMUNERATION STATEMENT OF THE MORTGAGE SOCIETY OF FINLAND GROUP

This statement contains

- **Required information under the article 450 of the regulation (EU) No 575/2013 of the European Parliament and of the Council concerning the remuneration policy of the Mortgage Society of Finland,**
- **a statement on how The Mortgage Society of Finland Group complies with the section 8 of the Act on Credit Institutions (610/2014) concerning the remuneration, and**
- **a remuneration statement 2019 pursuant to the Finnish Corporate Governance Code 2015.**

1. Decision-making procedure concerning remuneration

The General Meeting decides on the compensations to the members of the Supervisory Board on a proposal from the Compensation Committee in accordance with the Finnish Act on Mortgage Societies (936/1978) and with the Bylaws of The Mortgage Society of Finland (hereinafter “Hypo”). The Supervisory Board decides on the compensations to the members of the Board of Directors as well as the salary and compensation payable to the CEO and his deputy likewise on a proposal from the Compensation Committee.

According to Hypo’s bylaws, the Supervisory Board decides on the emoluments and remuneration of the other management. However, it has delegated the decision making power to the Board of Directors and to the CEO as made possible by the bylaws.

The Compensation Committee assembles when necessary, in any event at least once a year. In 2019, the Compensation Committee held one (1) meeting in February 2019.

2. The key principles of remuneration

2.1. The Board of Directors and the Supervisory Board

An annual fee and an attendance fee are paid to the members of the Supervisory Board and to the members of the Board of Directors. Half of the annual fee is paid in cash and the other half as insurance premium to the defined contribution-based Department M of Hypo’s Pension Foundation. Furthermore, an attendance fee is paid to the inspectors of the Supervisory Board according to their participation in the meetings. The members are entitled to compensations for their travel and accommodation expenses in accordance with the State Travel Regulations.

Hypo has established a voluntary statutory pension insurance (TyEL insurance) for the members of the Board of Directors. Since April 2018, the value of the insurance benefit has been added to the remunerations paid in cash to the members of the Board

of Directors. Neither the members of the Board of Directors nor the members of the Supervisory Board are part of the performance-related pay and incentive scheme, which would entitle them to receive additional compensations along with the remunerations decided by the Supervisory Board or the General Meeting.

2.2. Terms of the Chief Executive Officer's service relationship and remuneration

The Supervisory Board of The Mortgage Society of Finland has confirmed the terms of the CEO's service relationship on a proposal from the Nomination Committee as well as the salaries and compensations of the CEO on a proposal from the Compensation Committee.

In principle, Hypo's CEO is subject to the same remuneration principles and schemes as the permanent personnel. The remuneration scheme consists of fixed salary and variable compensation paid on the grounds of the performance-related pay and incentive scheme.

The CEO has a fixed monthly salary. The fixed monthly salary is a total salary including the fringe benefits. The CEO's entitlement to pension is in accordance with the Employees Pensions Act and the executive contract does not contain any specific condition related to pension. The CEO's term of notice is six (6) months. In case of a notice, the CEO shall be paid, in addition to the salary payable for the notice period, a payment corresponding to CEO's four (4) month's salary.

The CEO is covered by Hypo's performance-related pay and incentive scheme of which the CEO has an opportunity to obtain at most a payment corresponding to CEO's 20 weeks' salary. Possible variable compensation is paid in total as insurance premium to the defined contribution-based Department M of Hypo's Pension Foundation. Deferred compensations are paid to the Department M in the month of December following the ending of the period of acquisition. A notice of termination of employment given before the moment of confirmation prevents the confirmation of the insurance premium. The Board of Directors may cancel variable compensations already confirmed or paid with an unilateral decision on its own initiative. Cancellation and recovery is possible within three (3) years from the end of the performance year. There is no need to state reasons for the cancellation decision.

As regard to the CEO, the variable compensation is based on an overall assessment of accomplishment of Hypo Group's scorecard and performance targets. Business objectives and performance targets are established annually in the scoreboard confirmed by the Board of Directors. The main targets having an impact on the performance-related pay and incentive scheme are related to the level of the core earning established for the Hypo Group as well as the capital adequacies of CET1 and RAC. In order to be entitled to the variable compensation in its entirety, one has to significantly exceed the set targets.

2.3. Remuneration of other personnel

Hypo's other personnel has a fixed monthly salary. The salary is, in principle, a total remuneration including fringe benefits. Hypo's personnel, with the exception of the persons working in the internal audit and compliance functions, is covered by the performance-related pay and incentive scheme. Starting from the performance year 2018, the Chief Risk Officer acting as a member of the Board of Directors and as a deputy to the CEO has been included to the performance-related pay and incentive scheme under specific terms, intended to ensure the independence of the risk management function. Variable compensation may at most be a sum equivalent to 20 weeks' salary for deputy to the CEO and 16 weeks' salary for the rest of other personnel.

Variable compensation to the other personnel is based on an overall assessment of the performance of the whole company, individual business operations and individual employees. The main targets having an impact on the performance-related pay and incentive scheme are related to the level of the core earning established for the Hypo Group as well as the capital adequacies of CET1 and RAC. The overall assessment is always made on the grounds of set scorecard targets and personal targets deriving from it. Scorecard targets contain indicators related to both development of business operations and risk management. In order to be entitled to the variable compensation in its entirety, one has to significantly exceed the set targets.

As stated above, the Department M of the Hypo's Pension Foundation is utilized as a part of remuneration scheme. Compensation paid as insurance premiums is paid in gross to the Department M of Hypo's Pension Foundation. The possible variable compensation payable to the CEO and his deputy is paid in full as insurance premiums. For the Management Group, the part paid as insurance premiums is 50% and for other personnel, 25%. For fixed-term personnel variable compensation is paid totally in cash. Cash payment is paid to the salary account after the relevant deductions, such as taxes, have been taken into account. The payments are made in two installments: first half (50%) is paid in the month of June and the second half (50%) in the month of December following the performance year. In 2019, the variable compensations were paid in June and in December.

The variable compensation to the other personnel may be cancelled, meaning, that a compensation confirmed may be cancelled or a compensation already paid may be recovered if at a later stage it should appear, that the person who has received compensation has not complied with applicable regulation, instructions or operational principles. The decision on cancellation is made by the Board of Directors on a proposal from the receiver's superior after consulting the risk management and internal audit. Cancellation of the variable compensation of the deputy to the CEO is possible under the same regime and conditions as the CEO's compensation. When it comes to the other persons with a major impact on the risk position, the cancellation of the part paid as insurance premiums is possible within three (3) years after the end of the performance year. For the rest, the compensation paid as insurance premiums is

revocable during one (1) year after the end of the performance year. Other variable compensations payments are revocable within one (1) year after the end of the performance year. As stated above, the possible variable compensation to the CEO and his deputy is paid in full as insurance premiums.

For the part of variable compensations paid during the year 2019, the possibility to cancel them is limited to the CEO, to his deputy and to the persons with a major impact on the risk position. This cancellation possibility concerns all types of variable compensations. The preconditions for cancellation, however, are the same as explained above for the part of the CEO and other personnel.

2.4. Other information concerning the remuneration scheme

Amortization and postponement of remunerations underline the risk management and quality requirements related to Hypo Group's operations and take into account the regulations concerning remuneration schemes of the credit institutions.

Compensations based on the remuneration scheme do not encourage undesirable risk-taking even when paid in full. Furthermore, motivation to take risks is reduced due to the partial payment of compensations as insurance premiums to the Pension Foundation, where they are only at one's disposal when they retire.

In 2019, Korn Ferry / Hay Group Oy executed a salary and reward surveys of Hypo Group along with the scoring of the operational management. Remuneration scheme of the both Board of Directors and Supervisory Board consists solely of annual remuneration and meeting allowances.

In 2019, compensations based on performance-related pay and incentive scheme were paid to the management and personnel, excluding the persons holding positions in the internal control functions and taking into account what is stated above regarding the Chief Risk Officer.

A notice of the termination of employment given either before the moment of confirmation or before the moment of payment prevents the confirmation of insurance premium or payment of the compensation. No sum exceeding one million euros is used on remuneration of any of the persons covered by the remuneration scheme.

3. Persons with a major impact on the risk position

Taking into account Hypo's size, legal and administrative structure as well as the nature, complexity and diversity of the group's operations, members of the Management Group (the CEO, the Chief Risk Officer, the Chief Banking Officer, the Chief Economist and Head of Real Estate, Chief Treasury and Funding Officer and the Chief Financial Officer) as well as the Internal Auditor and the Compliance Officer from the internal control function were listed as persons with a major impact on the risk position. With respect to them, the remuneration scheme complies with the section 8 of the Act on Credit institutions.

Chief Audit Officer and Compliance Officer holding positions in the internal control functions have been excluded from the performance-related pay and incentive scheme. With respect to them, the remuneration scheme consists only of fixed monthly salary, which is a total salary (incl. fringe). Inclusion of the Chief Risk Officer to the performance-related pay and incentive scheme is reported separately in paragraph 2.3.

4. Remuneration Statement 2019

4.1. Remunerations and other benefits of the members of Board of Directors

As of 22 March 2019, the following remunerations for the Board of Directors were confirmed as follows:

Chair, annual fee	EUR 30,210
Vice chair, annual fee	EUR 18,490
Member, annual fee	EUR 14,790
Meeting attendance fee / meeting, chair	EUR 970
Meeting attendance fee / meeting, vice chair and member	EUR 750
Chair of the Risk Management Committee	
Meeting attendance fee / meeting	EUR 970
Vice chair and member of the Risk Management Committee	
Meeting attendance fee / meeting	EUR 750
Member of the Nomination Committee	
Meeting attendance fee / meeting	EUR 750

From 1 January 2019 to 21 March 2019, the remunerations were paid as confirmed in 2018, during which period the remunerations were as follows:

Chair, annual fee	EUR 27,460
Vice chair, annual fee	EUR 19,800
Member, annual fee	EUR 13,440
Meeting attendance fee / meeting, chair	EUR 880
Chair of the Risk Management Committee	
Meeting attendance fee / meeting	EUR 880
Vice chair and member of the Risk Management Committee	EUR 680

Meeting attendance fee / meeting vice chair and member	EUR 680
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In 2019, the remunerations paid to the Board of Directors were in total:

Board of Directors 2019	Part of the annual fees paid in cash	Meeting attendance fee	Meeting at which present	Total compensations fees paid in cash	Compensations paid as insurance premium	Fringe benefits/ TyEL insurance	Total remuneration
Sari Lounasmeri, chair	EUR 14,761.26	EUR 18,240.00	14/14	EUR 33,001.26	EUR 15,105.00	EUR 2,162.11	EUR 50,268.37
Harri Hiltunen, vice chair	EUR 9,033.78	EUR 14,580.00	14/14	EUR 23,613.78	EUR 9,245.00	EUR 1,886.23	EUR 34,745.01
Kai Heinonen	EUR 7,226.25	EUR 11,720.00	13/14	EUR 18,946.25	EUR 7,395.00	EUR 1,335.25	EUR 27,676.5
Pasi Holm	EUR 7,226.25	EUR 9,540.00	14/14	EUR 16,766.25	EUR 7,395.00	EUR 1,383.24	EUR 25,544.49
Hannu Kuusela	EUR 7,226.25	EUR 8,790.00	13/14	EUR 16,016.25	EUR 7,395.00	EUR 1,248.62	EUR 24,659.87
Teemu Lehtinen	EUR 7,226.25	EUR 9,540.00	14/14	EUR 16,766.25	EUR 7,395.00	EUR 1,383.24	EUR 25,544.49
Tuija Virtanen	EUR 7,226.25	EUR 9,540.00	14/14	EUR 16,766.25	EUR 7,395.00	EUR 1,383.24	EUR 25,544.49

The CEO and his deputy are also members of the Board of Directors as stated in the Act on Mortgage Societies. With respect to them, the remuneration consists solely of the aforementioned fixed salary per their respective service agreements, as well as variable remunerations based on the performance and incentive scheme. With respect to the CEO, the remunerations paid in 2019 are presented later in this document. The information regarding the deputy to the CEO is included in what has been presented below regarding the remunerations of other management. The combined remunerations paid to the CEO and his deputy in 2019 are published separately in a note to the Financial Statements.

4.2. Remunerations of the members of the Supervisory Board

As of 22 March 2019, the following remunerations for the Supervisory Board were confirmed as follows:

Chair, annual fee	EUR 8,070
Vice chair, annual fee	EUR 3,400
Member, annual fee	EUR 2,560
Meeting attendance fee / meeting	EUR 275
Inspectors of the Supervisory Board, attendance fee	EUR 750
Member of the Nomination Committee, attendance fee	EUR 750

From 1 January 2019 to 21 March 2019, the remunerations were paid as confirmed in 2018, during which period the remunerations were as follows:

Chair, annual fee	EUR 7,330
Vice chair, annual fee	EUR 3,090
Member, annual fee	EUR 2,320
Inspectors of the Supervisory Board, meeting attendance fee	EUR 680

In 2019, the remunerations paid to the Supervisory Board were in total:

Supervisory Board 2019	Part of the Annual fee paid in cash	Meeting attendance fee	Meeting at which present	Total compensations paid in cash	Compensations paid as insurance premium	Total remuneration
Markku Koskela, pj	EUR 4,035.00	EUR 4,290.00	5/5	EUR 8,325.00	EUR 4,035.00	EUR 12,360.00
Hannu Hokka, varapj	EUR 1,700.00	EUR 3,915.00	4/5	EUR 5,615.00	EUR 1,700.00	EUR 7,315.00
Aro Timo	EUR 1,280.00	EUR 375.00	1/3	EUR 1,655.00	EUR 1,280.00	EUR 2,935.00
Elina Bergroth	EUR 1,280.00	EUR 375.00	2/3	EUR 1,655.00	EUR 1,280.00	EUR 2,935.00
Borsos Julianna	EUR 1,280.00	EUR 375.00	2/3	EUR 1,655.00	EUR 1,280.00	EUR 2,935.00
Mikael Englund	EUR 1,280.00	EUR 750.00	3/3	EUR 2,030.00	EUR 1,280.00	EUR 3,310.00
Markus Heino	EUR 1,280.00	EUR 750.00	2/3	EUR 2,030.00	EUR 1,280.00	EUR 3,310.00
Timo Hietanen	EUR 1,280.00	EUR 750.00	3/3	EUR 2,030.00	EUR 1,280.00	EUR 3,310.00
Timo Kaisanlahti	EUR 1,280.00	EUR 375.00	2/3	EUR 1,655.00	EUR 1,280.00	EUR 2,935.00
Kaleva Hanna	EUR 1,280.00	EUR 750.00	3/3	EUR 2,030.00	EUR 1,280.00	EUR 3,310.00
Metsälä Juha	EUR 1,280.00	EUR 0.00	0/4	EUR 1,280.00	EUR 1,280.00	EUR 2,560.00
Elias Oikarinen	EUR 1,280.00	EUR 0.00	1/3	EUR 1,280.00	EUR 1,280.00	EUR 2,560.00
Kallepekka Osara	EUR 1,280.00	EUR 1,055.00	3/4	EUR 2,335.00	EUR 1,280.00	EUR 3,615.00
Anni Sinnemäki	EUR 1,280.00	EUR 0.00	0/4	EUR 1,280.00	EUR 1,280.00	EUR 2,560.00
Liisa Suvikumpu	EUR 1,280.00	EUR 1,500.00	4/4	EUR 2,780.00	EUR 1,280.00	EUR 4,060.00
Mari Vaattovaara	EUR 1,280.00	EUR 375.00	1/3	EUR 1,655.00	EUR 1,280.00	EUR 2,935.00
Riitta Vahela-kohonen	EUR 1,280.00	EUR 1,500.00	4/4	EUR 2,780.00	EUR 1,280.00	EUR 4,060.00
Ira van der Pals	EUR 1,280.00	EUR 375.00	2/3	EUR 1,655.00	EUR 1,280.00	EUR 2,935.00

The table above takes into account the attendance at the meetings of the Supervisory Board of each member. With respect to the chairpersons and inspectors, attendance at the meetings of the inspectors of the Supervisory Board has also been taken into account. In 2019, the Supervisory Board held altogether three meetings and the inspectors of the Supervisory Board held two meetings.

4.3. Financial benefits of the Chief Executive Officer

Salaries and remunerations paid to the CEO in 2019:

Fixed salary 2019	EUR
- salary	329,040.00
- fringe benefits	240.00
Total fixed salary	329,280.00
Performance-related compensations 2019	
Performance-related pay and incentive / paid in cash	0.00
Performance-related pay and incentive / paid as insurance premiums	0.00
Total compensations	0.00
Total remuneration	329,280.00

4.4. Financial benefits of other management

4.4.1. Persons with a major impact on the risk position

Salaries and compensations paid in 2019 to the persons whose professional activities have a major impact on the risk position (members of the management Group the CEO excluded and the persons holding offices in the internal control functions):

Fixed salaries 2019	EUR
- salary	996,344.32
- fringe benefits	14,763.21
Total fixed salaries	1,011,107.53
Performance-related compensations 2018	
Performance-related pay and incentives / paid in cash	29,897.70
Performance-related pay and incentives / paid as insurance premiums	52,172.70
Total compensations	82,070.40
Total remuneration	1,093,177.93

4.4.2. Persons holding offices in the internal control functions

In 2019, the remunerations paid to the persons holding offices in the internal control functions (Chief Risk Officer, Chief Audit Officer, Compliance Officer) were:

Fixed salaries 2019	EUR
- salary	434,167.24
- fringe benefits	8,732.76
Total fixed salaries	442,900.00
Performance-related compensations 2019	
Performance-related pay and incentives / paid in cash	0.00
Performance-related pay and incentives / paid as insurance premiums	22,275.00
Total compensations	22,275.00

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Total remuneration	465,175.00
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4.5. Language versions

This document is an unofficial English translation of the Finnish version. In case of discrepancy, the Finnish version shall prevail.