

TRANSLATION

## **Proposal of the Board of Directors of Swedbank AB on approval of the resolution of the Board of Directors of Swedbank AB regarding the common performance and share based remuneration program 2019 (“Eken 2019”) in accordance with item 21 a) in the proposed agenda at the AGM 2019**

The Board of Directors of Swedbank has resolved on a common performance and share based remuneration program for 2019 (“Eken 2019”), subject to the AGM’s subsequent approval, according to what is set out in the following.

### **Purpose and main features**

Eken 2019 aims to:

- create a group-wide program for variable remuneration to attract, retain and motivate the employees and to ensure that Swedbank’s remuneration levels are competitive in every submarket,
- stimulate the employees to make efforts which strengthen the bank in a long-term perspective, and
- create a long-term engagement in the bank by the employees and to align their interests with the shareholders’ interest through deferred variable remuneration in the form of shares.

Eken 2019 shall be aligned to the bank’s business strategy, promote a sound and effective risk management and discourage excessive risk taking.

In essence, Eken 2019 means that to the extent certain performance targets (“Performance Targets”) are achieved during the financial year 2019 (“Performance Year”) the participants in Eken 2019 (“Participant or Participants”) are awarded a variable remuneration in the beginning of 2020 (“Share Performance Amount”), which is intended to be allotted in the form of conditional, non-transferable rights (“Performance Rights”). Each Performance Right carries a right to receive in 2023 after the publication of the year-end report for 2022, automatically and at no cost one share in Swedbank (“Performance Share”). For the executive management (i.e. the Group Executive Committee “GEC”) each Performance Right carries a right to receive in 2025 after the publication of the year-end report for 2024, automatically and at no cost one share in Swedbank (“Performance Share”). For GEC the Performance Shares may be subject to further restrictions of disposal to comply with external regulatory or other requirements.

The duration of the program is approximately four years for the general participants, and six years for GEC, with earning period during the Performance Year. After the expiry of the Performance Year, allotment of the Share Performance Amount may occur followed by a deferral period of approximately three years for the general participants and a deferral period of approximately five years for GEC, before final transfer of Performance Shares, which is expected to occur in 2023 for the general participants and 2025 for GEC, after the publication of the year-end report for 2022 or 2024, respectively, and before the end of June the respective year.

Variable remuneration in the form of shares is not pensionable income.

When amounts in SEK are described in this proposal, they are expressed exclusive of social security costs, ancillary salary costs and corporate income tax, unless otherwise stated.

### Participants

Approximately 14.000 employees<sup>1</sup> of the Swedbank Group (the "Group") are included. Top executives are as a general rule included in Eken.

Staff included in the individual program 2019 ("IP 2019") or in the individual program Asset Management 2019 ("IPAM 2019") and staff included in other cash based variable pay programs are as a general rule not included in Eken 2019. Units that are excluded are amongst others the joint venture company Entercard, Ölands Bank and PayEx. Staff working with any of these units may be included.

Participants that in the course of the duration give or receive notice to leave, or due to any other reason is leaving the Group will not, as a general rule, have the right to continue to participate. Participants who enter leave of absence, parental leave, sick leave or similar during the Performance Year and remain employed have the right to continue to participate, subject to individual adjustments of the terms and conditions. Participants who have received allotment of a Share Performance Amount and after the allotment enter leave of absence, parental leave, sick leave or similar and remain employed or retire have the right to continue to participate. The Board of Directors' Remuneration Committee ("Remco") or the CEO (normally via the Group Executive Committee's Remuneration Committee ("GEC Remco"), if Remco so decides) are entitled to decide on deviations from the demarcations above both as general principles or in individual cases.

Any participation requires that such participation, in the bank's opinion, is permitted and appropriate with regard to applicable laws and regulations and that the bank deems it feasible at reasonable administrative and financial costs, where appropriate with local adjustments.

### Performance Targets and Share Performance Amount

The allotment of the Share Performance Amount, i.e. the outcome for each Participant is dependent on the extent to which the Performance Targets are achieved. The Performance

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<sup>1</sup> Full Time Equivalent employees.

Targets are measured during the Performance Year and are, for the majority of the Participants, determined based on the following evaluation levels:

- the profit after tax, adjusted for capital costs and risks, for the Group<sup>2</sup>,
- the fulfillment of individual Performance Targets set out in the bank's performance development process which also comprises assessing a number of behaviors linked to the Group's values – open, simple and caring,
- risk assessment which may be made at Group level and/or business area level and/or individual level.

The final assessment of the extent to which the Performance Targets have been achieved is made on a discretionary basis by the Board of Directors, or by a person authorized by the Board of Directors. The result of the assessment may be (i) that the total allotment is limited, in whole or in part, at Group level or at business area level (so called haircut) and/or (ii) that re-allocation may occur to the detriment of individuals considered to have performed insufficiently compared to individual Performance Targets to the benefit of individuals who are deemed to have overachieved compared to individual Performance Targets. Consequently, there is no automatic right to allotment of any Share Performance Amount even if the Performance Targets, in whole or in part, could be considered to have been achieved.

The maximum Share Performance Amount for an individual Participant (where appropriate after a recalculation from local currency to SEK at the exchange rate on 31 December 2019) is normally limited to 1.6 months' salary for an individual Participant employed in Estonia and Latvia, 1.28 months' salary for an individual Participant employed in Lithuania and 0.8 months' salary for an individual Participant employed in another country, in both cases in relation to the agreed base salary for the Performance Year (as of December 2019), unless re-allocation occurs as described in the preceding paragraph. If maximum re-allocation is made, the maximum Share Performance Amount corresponds to three times the above mentioned limitations.

The total Share Performance Amount for the Participants in Eken 2019 is limited to approximately SEK 445m.

### Performance Rights

The Share Performance Amount is converted into a number of Performance Rights, rounded off to the nearest whole number, by dividing the Share Performance Amount by the average daily volume weighted price paid per share in Swedbank at Nasdaq Stockholm during the last ten trading days in the month of January 2020 (the "Translation Rate"), however, not lower than SEK 100 per share (the "Floor Price"). The Board of Directors has the right, in connection with certain corporate events, inter alia, in case of a share split or a reverse share split, to resolve on an adjustment of the Floor Price in accordance with general principles on the equity market for recalculation in such events.

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<sup>2</sup> The profit, adjusted for capital costs and risks is measured as Economic Profit ("EP"). A prerequisite for allocation is a positive EP on Group level.

The total number of Performance Rights that may be allotted to the Participants amounts to a maximum of approximately 4.5m<sup>3</sup>, which equals the quotient of (a) the highest aggregate Share Performance Amount for all Participants, divided by (b) the Floor Price. If the Translation Rate hypothetically is assumed to be SEK 200, the total number of Performance Rights which may be allotted to the Participants amounts to a maximum of approximately 2.3m<sup>4</sup>.

A Performance Right does not constitute a security or a financial instrument and will not be registered on any VP account with any central securities depository. Participants do not have the right to pledge, sell, transfer or in any other way dispose of the Performance Rights.

A Performance Right does not carry any right to dividends or other shareholders' rights during the duration of the program. To the extent permitted in accordance with applicable regulatory requirements, dividend compensation is paid on the underlying Performance Shares during the deferral period according to the following. If and at each time the record day for receiving a cash dividend to a share as resolved by the bank occurs during the deferral period, the number of Performance Rights held by each Participant on such record day shall be adjusted by multiplying such number of Performance Rights by an adjustment factor, which shall be calculated according to the following. The adjustment factor shall be the sum of (1+K), where K is the quotient of the resolved cash dividend amount per share (expressed in SEK) divided by the average daily volume weighted price paid per share (expressed in SEK) at Nasdaq Stockholm during the ten trading days occurring from and including the first trading day prior to the relevant record day until and including the eighth trading day after the record day. For employees who have been identified as material risk takers, further restrictions may be imposed to comply with external regulatory or other requirements.

The number of Performance Rights can be recalculated in case of a bonus issue, new issue of shares, conversion of convertibles, share split or reverse share split and in certain other cases.

Each Performance Right carries a conditional right to receive at no cost and automatically one Performance Share in accordance with what is set out in the following.

#### Transfer of Performance Shares

Each Performance Right held by a Participant bestows a conditional right to receive in 2023 for the general participants or in 2025 for GEC, after the publication of the year-end report for 2022 or 2024, respectively, automatically and at no cost one Performance Share. The conditions for receiving a Performance Share are firstly, as a general rule, that the Participant at the delivery of the Performance Share has not given or received notice to leave or left the Group for any other reason, and secondly, the conditions stated below.

In order for a Performance Right to entitle to receive a Performance Share at no cost, the following conditions must be fulfilled at the time of delivery of the Performance Share:

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<sup>3</sup> Excluding anticipated dividend compensation and adjustment for forfeited Performance Rights.

<sup>4</sup> Excluding anticipated dividend compensation and adjustment for forfeited Performance Rights.

- (i) the Performance Targets shall still be deemed to have been achieved to the same extent as at the time of the allotment,
- (ii) the results and performances which formed the basis for the allotment of the Performance Rights shall be found sustainable in a long-term perspective with regard to the financial situation of the bank, the employer and/or the Group,
- (iii) the outcome shall still appear justified with regard to the financial situation of the bank, the employer and/or the Group.
- (iv) the outcome shall still appear justified with regard to the performance of (a) the bank, the employer and/or the Group, (b) the relevant business area or function, and (c) the Participant in question,
- (v) the outcome shall appear reasonable with regard to other relevant circumstances, including the situation on the equity market and possible changes in accounting principles or other external regulatory requirements, and
- (vi) the bank's, the employer's and/or the Group's position shall not have deteriorated materially, and no apparent risk of such material deterioration shall exist.

The Board of Directors, or Remco after authorization by the Board of Directors, shall prior to and in close proximity to each transfer of Performance Shares under Performance Rights evaluate whether and to which extent the stated conditions are fulfilled on Group level and business area level. If not all the conditions are considered to be fulfilled, the Board of Directors or, Remco, has the right, at its own discretion, within the frame of Eken 2019, to unilaterally change the terms and conditions as the Board of Directors or, Remco, deems appropriate and in this context for example in whole or in part declare outstanding Performance Rights forfeited, meaning that fewer or no Performance Shares at all will be transferred to the Participant. A decision of such change shall be publicly announced no later than in connection with the bank's first financial report following the decision.

### Hedging

The bank is, subject to certain conditions, committed to ensure that shares are transferred at no cost to the Participants. To the extent the bank chooses to hedge such commitment, different methods are available to the bank. For example, the commitment can be secured by using own repurchased shares, entering into agreements with financial institutions (equity swap agreements, certificates or similar) or by way of directed issues of shares. The Board of Directors has considered different arrangements for hedging the bank's commitment in relation to Eken 2019 and observes that the bank holds repurchased own shares in a number assumed to be sufficient to hedge the commitments towards the Participants.

The Board of Directors thus proposes that the AGM shall resolve to transfer own shares at no cost to entitled Participants, directly or, where applicable, indirectly through the bank's subsidiaries or to an external party engaged for this purpose, and, if the Board of Directors deems necessary, to transfer shares at Nasdaq Stockholm, in order to cover certain costs, in particular social security costs. For further information please refer to the proposal in item 21 c).

If the AGM does not approve the mentioned hedging alternative, the Board of Directors may instead hedge the bank's commitment to deliver shares according to Eken 2019, in whole or in part, by way of an agreement (equity swap agreement, certificate or similar) with a financial

institution, which according to such agreement will in its own name acquire and transfer to the Participants shares in Swedbank.

### Estimated costs

In the Group's financial accounting, the total Share Performance Amount will normally be recognized as staff costs in the income statement during the accrual period which in the accounts is considered to correspond to the duration.

The total cost corresponds to the Share Performance Amount with deductions for forfeited Performance Rights due to the fact that Participants during the duration give or receive notice to leave or by any other reason leave the Group. The cost is thus adjusted for forfeited Performance Rights, i.e. for accrual conditions that are not market conditions. The cost is not adjusted for market conditions, such as the fluctuation of the real value of the Performance Rights between the time of valuation and when the Participant receives Performance Rights 2020 or as a consequence of the Participant receiving additional Performance Rights as dividend compensation. In addition, social security costs and ancillary salary costs are also treated as staff costs. Furthermore, there are corporate tax effects mainly due to that the staff costs and the social security costs etc. are deductible.

The maximum cost for the Share Performance Amount amounts to approximately SEK 445m, which corresponds to approximately 0.2 per cent of Swedbank's market value as of 31 January 2019. The estimated cost for the Share Performance Amount amounts to approximately SEK 275m, which corresponds to approximately 0.1 per cent of Swedbank's market value as of 31 January 2019.

The maximum annual cost in the income statement is expected to be approximately SEK 105m. The estimated annual cost in the income statement amounts to approximately SEK 65m.

The social security costs, which are deductible, are recognized in the income statement. The costs are depending on the market value of the Performance Shares at the time of delivery in 2023 for the general participants or in 2025 for GEC. The corporate tax is normally affected by the market value of the Performance Shares at said point in time, since the market value as a rule is deductible when calculating the corporate tax. The corporate tax effect which corresponds to each respective country's corporate tax rate – calculated on the recognized cost for the Performance Rights, associated social security costs and other ancillary salary costs – is recognized in the income statement. Additional corporate tax effects are recognized directly in equity. The calculations take into account differences in tax rules in various countries.

### Dilution and effect on key ratios

The total number of Performance Rights which may be allotted to the Participants amounts to a maximum of approximately 4.4m<sup>5</sup>. If the Translation Rate hypothetically is assumed to be SEK 200 the total number of Performance Rights which may be allotted to the Participants amounts to a maximum of approximately 2.2m.

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<sup>5</sup> Excluding anticipated dividend compensation and adjustment for forfeited Performance Rights.

The bank's maximum commitment<sup>6</sup>, if hedged by way of a transfer of own shares, results in a total dilution of not more than approximately 0.4 per cent in relation to the outstanding number of shares and votes as of 31 December 2018.

The dilution is expected to have a marginal impact on the Group's key ratios, also when considering IP 2019 (according to the proposal under Item 21 b)).

If the bank's commitment is hedged by way of an agreement (equity swap agreement, certificate or similar) with a financial institution, which according to such agreement will in its own name acquire and transfer to the Participants shares in Swedbank, Eken 2019 will not have any dilutive effect, since no new outstanding shares will be added.

## Taxation

### Taxation of Participants

In Sweden the Participants will be taxed the income year when the Performance Shares are received (the Performance Right is for tax purposes classified as a so called employee stock option). The taxable value of the fringe benefit that arises when receiving the Performance Shares is calculated as the value of the Performance Shares upon delivery. The taxable value will be taxed for the Participants as income from employment.

For participants in other countries than Sweden the value of the fringe benefit will in some countries be taxed as income from employment and in some countries not taxed at all.

### Taxation of the bank

In Sweden, the bank has full right to deduct the market value of the Performance Shares at the time of transfer to the Participants. The tax deduction follows the financial accounting, i.e., the tax deduction will be accrued over the duration. However, in connection with the transfer of the Performance Shares a final adjustment of the tax deduction (reversed deduction or additional deduction) is made by comparing the market value of the Performance Shares at the transfer with the previous tax deductions. The transfer does not result in any taxable income for the bank.

In Sweden the bank is obliged to pay social security costs for the transfer of the Performance Shares based on the market value of the Performance Shares.

In countries outside Sweden the bank normally is entitled to fully deduct for the recognized cost and is obliged to pay social security costs for the transfer of the Performance Shares based on the market value hereof. In some of the countries outside Sweden the deduction of and payment of social security costs can be treated differently depending on the tax legislation in the country in question.

### Preparation of the program etc.

The proposal for Eken 2019 has been prepared by Remco. The Board of Directors' overall assessment is that Eken 2019 creates a uniform and sustainable system for variable

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<sup>6</sup> Excluding anticipated dividend compensation and adjustment for forfeited Performance Rights.

remuneration within the Group and will motivate to long-term creation of value by aligning the interests of the employees with the shareholders' interests.

The proposal has also been discussed with the bank's major shareholders, who generally welcome a program which aligns the shareholders' and the employees' interests and which promotes a long-term perspective.

The Group has share-based programs for 2014 (concluded), 2015, 2016, 2017 and 2018, all of them approved by the general meeting of shareholders of the bank.

The common program from last year has been evaluated. As a result of the evaluation, it is proposed that Eken 2019 remains unchanged in comparison to Eken 2018.

The Swedish Financial Supervisory Authority (Sw. Finansinspektionen) and the European Banking Authority issues rules, regulations, guidelines and other regulatory requirements regarding remuneration systems which comprise the bank. It may be necessary to adjust the design of Eken 2019 with regard to any amendments to such rules and regulations.

The Board of Directors, or Remco, if so decided by the Board of Directors, has the right to adjust Eken 2019 to any new or amended external regulatory requirements, or amended practice or interpretation hereof. Such adjustments may result in more stringent as well as more lenient conditions to the variable remuneration according to Eken 2019, such adjustments shall however be made in accordance with the principles for Eken 2019, as set out in this resolution. The Board of Directors, Remco, or the CEO normally via GEC Remco, if so decided by the Board of Directors, has the right to resolve on the detailed terms and conditions for Eken 2019, based on the principles for the program as they appear in this resolution.

#### The Board of Directors' proposal to the AGM

The resolution by the Board of Directors to establish Eken 2019 is adopted subject to the AGM's subsequent approval.

Due to the above, the Board of Directors proposes that the AGM resolves to approve the resolution of the Board of Directors to establish Eken 2019.

The AGM's resolution is valid if supported by shareholders holding more than half of the votes cast.

If the AGM does not approve the Board of Directors' resolution, the Board of Directors may instead resolve on a common program for variable remuneration with cash remuneration only, from which, where appropriate and considering IP 2019 (see 21 b)), categories of Participants that according to regulatory requirements may not be comprised by a purely cash based remuneration program may be excluded. Such a decision could result in that Eken 2019 will become a purely cash based program with a certain part as deferred cash remuneration.

Stockholm in February 2019

Swedbank AB (publ)  
The Board of Directors