

Note 23 - Personnel expenses and emoluments to senior employees and elected officers

All compensation arrangements at SpareBank 1 SMN are formulated in accordance with the Financial Institutions Act and with the Securities Trading Act with associated regulations concerning compensation arrangements at financial institutions, investment firms and mutual fund management companies.

The compensation committee conducts an annual review of compensation arrangements, and a written report is forwarded to the Board of Directors for scrutiny and approval. The compensation committee is required to ensure that the practising of the compensation arrangements is examined at least once yearly by independent control functions.

The Board of Directors is charged with approving and maintaining the compensation arrangements, and with ensuring that the documentation underlying decisions is safekept. The Board of Directors also approves any material change in or exception from the compensation arrangements.

The Group's guidelines for variable compensation are designed to assure that employees, groups and the business as a whole are compliant with the risk management strategies, processes and tools that the Group has put in place to protect assets and values. The compensation arrangements are formulated in such a way as to ensure that neither individuals nor the organisation take unacceptable risk in order to maximise the variable compensation. This entails inter alia that the basis for variable remuneration related to the entity's performance shall be a period of at least two years, and the earning period shall not be less than one year.

SpareBank 1 SMN's compensation arrangements also contain special rules for senior employees. For these groups the basis for variable remuneration related to undertaking's risk adjusted result is a period of at least two years. A minimum of 50 per cent of the variable remuneration is allocated in the form of equity certificates, which are tied and allocated in portions of one-third per year over three years.

SpareBank 1 SMN has no compensation arrangements for customer facing units that would be likely to encourage conduct which challenges the Bank's risk tolerance, ethical guidelines or which may contribute to conflicts of interest. The Bank has no compensation arrangements for control functions that would be likely to encourage conduct which challenges competence, and reduction clauses have been introduced for instances where breaches of applicable rules or guidelines are brought to light. Reduction has its basis in the Group's sanction system.

The following employee groups are covered by the arrangement:

Category 1: CEO and members of the Bank's management team

Category 2: Senior employees

Category 3: Employees with tasks of material significance for the Bank's risk exposure

Category 4: Employees with compensation corresponding to that of senior employees

Category 5: Employees with control functions

An assessment has in addition been made of whether other employees with compensation corresponding to that of the above groups should be subject to special rules under the above criteria.

Parent Bank			Group	
2013	2014	(NOK million)	2014	2013
522	-60	Wages	893	834
38	46	Pension costs (Note 25)	62	52
31	110	Social costs	47	37
592	95	Total personnel expenses	1,002	923
790	798	Average number of employees	1,241	1,195
757	753	Number of man-labour years as at 31 December	1,192	1,159
805	789	Number of employees as at 31 December	1,273	1,238

**Emoluments to Top Management
2014 (thousands of NOK)**

Name and title	Salary and other short term benefits*	*Of which bonuses ¹⁾	Of which share-based bonus payments	*Pension contribution for salaries above 12G	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12	No. of equity capital certificates
Finn Haugan Group CEO	6,609	399	200	2,297	16,156	640	10,619	177,906
Kjell Fordal Executive Director Group Finance	3,073	243	121	460	8,138	744	6,438	224,422
Wenche Margaretha Seljeseth 2) Executive Director products, processes and production	2,335	180	90	223	-	65	2,696	8,139
Tina Steinsvik Sund 2) Executive Director Performance Development, HR and Digital Channels	937	189	95	59	-	16	6,713	11,606
Vegard Helland Executive Director Corporate	2,733	206	103	307	1,946	130	2,357	13,312
Svein Tore Samdal Executive Director Retail	2,654	69	35	378	-	65	4,634	2,618

2013 (thousands of NOK)

Name and title	Salary and other short term benefits*	*Of which bonuses ¹⁾	Of which share-based bonus payments	*Pension contribution for salaries above 12G	Current value of pension liability	Pension rights accrued in past year	Loans at 31.12	No. of equity capital certificates
Finn Haugan Group CEO	5,707	260	190	1,722	16,025	682	6,696	173,351
Kjell Fordal Executive Director Group Finance	2,729	173	87	393	6,131	708	5,767	222,259
Wenche Margaretha Seljeseth 2) Executive Director products, processes and production	2,028	107	53	181	-	62	2,131	6,535
Tina Steinsvik Sund 2) Executive Director Performance Development, HR and Digital Channels	2,221	140	70	241	-	62	6,736	9,922
Vegard Helland Executive Director Group Customers	2,469	164	82	254	1,371	93	3,175	11,477
Svein Tore Samdal Executive Director Offices	2,084	-	0	44	-	21	5,052	2,000
Tore Haarberg Executive Director Products and Processes to end 31 August 2013	2,041	178	89	269	-	126	5,430	9,563

1) Paid bonuses for previous year

2) Defined-contribution pension scheme.

As a result of changes to the tax rules on top pensions, the Board of Directors decided to phase out the group pension scheme for salaries above 12G as from 1 January 2007. For that reason an individual top pension scheme was introduced in 2007 whereby employees with salaries above 12G receive a pension add-on of 16 per cent of salary above 12G. The pension add-on will go to pension saving in products delivered by SpareBank 1. To ensure equality with the phased-out scheme, compensation will be provided for tax on this pension add-on. A 12G arrangement has subsequently been established for a number of new managers. A condition is that the recipient undertakes not to dispose of these funds before reaching retirement age. The Board of Directors has at all times the right to check that pension saving of 12 times the basic amount available under the National Insurance Fund Scheme is carried out as intended.

An early retirement agreement has been entered with the CEO in the event of his stepping down before reaching age 67, entailing a pension equal to 68% of pensionable income. The Bank's group occupational pension is included in the Bank's pension obligation to the Group CEO. The Group CEO also has an agreement on a dependants' benefit.

The Executive Directors have bonus agreements which are dependent on goal achievement with reference to specific criteria set by the Board of Directors compensation committee. The Executive Directors have severance packages of 12 or 24 months in which are reduced by any salary earned in other employment. In all cases, maximum severance pay without any reduction is 12 months. An early retirement agreement has been established with one of the executive directors, granting this person the right to retire on reaching age 62. The pension is 68 per cent of pensionable income. The benefit associated with this arrangement is included in the basis for accumulated pension entitlement in the table above.

The number of equity capital certificates includes equity capital certificates owned by related parties and companies over which the individual exercises substantial influence.

Emoluments to the Board of Directors and the Control Committee 2014 (thousands of NOK)

Name	Title	Fee	Fees to the Audit, Risk and Remuneration committees	Other benefits	Loans as of 31.12	No. of equity capital certificates
Kjell Bjordal	Board chairman	370	30	8	-	100,000
Bård Benum	Deputy chair	200	76	2	-	-
Aud Skrudland	Board member	173	20	2	-	2,765
Arnhild Holstad	Board member	173	41	3	2,507	-
Paul E. Hjelm-Hansen	Board member	173	95	2	-	49,219
Venche Johnsen 1)	Board member, employee representative	173	-	689	108	24,716
Janne Thyø Thomsen	Boardmember as from 1 April 2014	130	36	1	-	-
Morten Loktu	Board member	173	20	4	-	5,000
Terje Lium	Chair, Control Committee	150	-	2	-	-
Anders Lian	Deputy Chair, Control Committee	100	-	2	-	-
Terje Ruud	Member, Control Committee	100	-	2	-	-

1) Other emoluments include salary in employment relationships.

2013 (thousands of NOK)

Name	Title	Fee	Fees to the Audit and Remuneration committee	Other benefits	Loans as of 31.12	No. of equity capital certificates
Kjell Bjordal	Board chairman as from 1 April 2013	306	18	116	-	100,000
Bård Benum	Deputy chair	182	55	1	-	-
Aud Skrudland	Board member	162	18	4	0	1,765
Arnhild Holstad	Board member	162	29	2	2,583	-
Paul E. Hjelm-Hansen	Board member	162	73	1	0	49,219
Venche Johnsen 1)	Board member, employee representative	162	-	671	235	24,716
Bente Karin Trana	Alternate	148	-	2	-	-
Morten Loktu	Board member as from 1 April 2013	122	7	1	-	-
Eldbjørg Gui Standal	Board member to end 31 January 2013	41	18	1	-	-
Per Axel Koch	Board chairman to end 31 March 2013	86	14	121	-	50,000
Rolf Røkke	Chair, Control Committee to end 31 March 2013	35	-	1	-	-
Terje Lium	Chair, Control Committee as from 1 April 2013	105	-	1	-	-
Anders Lian	Deputy Chair, Control Committee	94	-	1	-	-
Terje Ruud	Member, Control Committee	94	-	1	-	-

1) Other emoluments include salary in employment relationships.

The Board chairman has neither a bonus agreement nor any agreement on post-employment salary. The no. of equity capital certificates includes certificates owned by related parties and companies over which the individual exerts substantial influence.

Fees to the Supervisory Board (thousands of NOK)

2014

2013

Randi Dyrnes, Supervisory Board Chair
Other members

	78	73
	452	385