

Note 22 - Personnel expenses and emoluments to senior employees and elected officers

SpareBank 1 SMN's remuneration arrangements

All remuneration at SpareBank 1 SMN shall contribute to goal achievement and the desired conduct. The remuneration arrangements shall at the same time promote and incentivise good management and control of Group risk, counteract high risk taking and contribute to the avoidance of conflicts of interest.

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

The Group's guidelines on 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 implemented by the Group to protect assets and values. The remuneration 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 remuneration. This entails that the basis for variable remuneration connected to the entity's risk adjusted profit shall be a period of at least one year, and that the earning period shall not be less than one year. SpareBank 1 SMN has no remuneration arrangements for customer facing units that encourage conduct which challenges the Bank's risk tolerance, ethical guidelines or which may contribute to conflicts of interest. The Bank has no remuneration arrangements for control functions that encourage conduct that poses a challenge to competence.

It is SpareBank 1 SMN's policy that, as a rule, profit- or performance-based variable remuneration arrangements shall not be established for employees.

Where variable remuneration arrangements are nonetheless established for employees, the following guidelines apply:

- There shall be an appropriate balance between fixed and variable remuneration, and the fixed component shall be sufficiently high to allow the undertaking the possibility of paying no variable component at all.
- The variable component shall as a rule not exceed 50% of the fixed remuneration.
- Alternative arrangements may be established by way of exception where this is considered to be a necessary alignment with the "industry standard" among competing undertakings.

Reduction clauses have been introduced for any instances where breaches of applicable rules or guidelines are brought to light.

Remuneration to senior employees of SpareBank 1 SMN may contain the following elements:

- Fixed pay
- Variable remuneration based on performance
- Pension scheme
- Post-employment benefits
- Other benefits

The total remuneration shall be competitive but not wage leading. It shall ensure that the Group over time has the ability to attract and retain senior employees with the desired expertise and experience.

Decision process

The board of directors of SpareBank 1 SMN has established a remuneration committee comprising three members of the board of directors and a representative for the employees.

The remuneration committee's responsibilities include:

- Annually reviewing and recommending the total salary and other remuneration of the Group CEO
- Acting as adviser to the Group CEO in matters of salary and other remuneration of the executive directors
- Annually reviewing the Group's remuneration arrangement
- Ensuring that the implementation of the remuneration arrangement is annually reviewed by an independent control function.

Guidelines for the forthcoming financial year**Remuneration of the Group CEO**

The Group CEO's salary and other financial benefits are determined annually by the board of directors following a recommendation by the remuneration committee. The assessment is based on results achieved, individual performances and the trend in salaries in comparable positions.

The Group CEO does not have variable remuneration based on results or performance.

An early retirement agreement has been entered into with the CEO in the event of his stepping down before reaching the age of 67. The agreement applies to the end of the month in which the CEO reaches age 67. The early retirement pension shall provide a benefit of 68% of the CEO's fixed annual pay at the time of retirement.

An agreement has also been entered into with the CEO to the effect that all pension liabilities shall have been met upon his reaching the age of 67. The CEO therefore receives an annual sum which up to his reaching the age of 67 provides an overall disbursement corresponding to 68% of his total pensionable income. The sum is disbursed as an addition to salary.

The CEO is entitled, on a par with other employees of the Group, to participate in private placings directed at the Group's employees. The board of directors imposes a lock-in period of three years for senior employees who acquire equity certificates at a discount.

The Group operates a savings arrangement whereby employees are entitled to purchase equity certificates (MING) up to a value of NOK 24,000 per year. Under the arrangement one bonus equity certificate is allotted for every two equity certificates purchased provided the employee holds the equity certificates for a minimum of two years. The CEO is entitled to participate in the savings arrangement on an equal footing with other employees.

The CEO has no agreement on post-employment benefit in the event of his stepping down before reaching retirement age.

Remuneration of other members of the Group management team

The CEO establishes the remuneration of members of the Group management team after discussion with the remuneration committee. The remuneration is determined on the basis of results achieved, individual performances and conditions in the market for the respective business lines.

Executive directors do not have variable remuneration based on results or performances.

Executive directors are members of the bank's general pension scheme for salaries up to 12G (12 times the basic amount available under the National Insurance Fund Scheme). In addition a top pension scheme has been introduced corresponding to 15 per cent of salary above 12G. Up to 1 July 2017 the arrangement was a collective arrangement, but was closed with effect from that date. Employees on salaries above 12G appointed after 1 July 2017 are therefore not included in the scheme.

An early retirement agreement has been established with one of the executive directors, granting this person the right to retire on reaching age 62 with a benefit of 68 per cent of pensionable income, including pension from SpareBank 1 SMN's pension fund, the National Insurance Scheme Fund and AFP (the financial industry's contractual early retirement pension scheme).

Executive Directors have severance packages of up to 12 months as from the agreed retirement date. The size of any post-employment benefit will be subject to assessment under the remuneration rules in force at any and all times.

Other benefits to the Group CEO and senior employees

Other benefits to the Group CEO and senior employees may be granted to the extent such benefits are related to their function in the Group and are in line with market practice in general. A flat rate car allowance is available to members of the bank's Group management team who use their private cars for business purposes.

Special guidelines on remuneration of senior employees, employees with functions of material significance for the undertaking's risk exposure, employees with control functions and elected officers

SpareBank 1 SMN has adopted separate guidelines for senior employees, employees with functions of material significance for the undertaking's risk exposure, employees with control functions and elected officers.

Pursuant to the Financial Institutions Act and the Financial Institutions Regulations, the Group has defined which employees are covered by the special rules based on the defined criteria.

Today no employees of SpareBank 1 SMN covered by the special rules have arrangements involving profit- or performance-based remuneration.

Binding guidelines for shares, subscription rights, options etc., for the coming financial year

The Group CEO and senior employees are permitted to participate in private placings/share saving programmes on an equal footing with other employees of the Group. The board of directors imposes a lock-in period of three years on senior employees who acquire equity certificates at a discount.

Of the variable remuneration of the Group CEO, senior employees and other risk takers, a share corresponding to 50 per cent of the accumulated variable remuneration is invested in equity certificates of SpareBank 1 SMN with a lock-in period of one year for one-third, two years for one-third and three years for one-third.

Statement of management pay policy for the preceding financial year

The Group's standards established in 2011, as subsequently revised, have been followed in 2018.

Parent Bank			Group	
2017	2018	(NOK million)	2018	2017
501	497	Wages	1,423	1,284
40	46	Pension costs (Note 24)	96	79
35	34	Social costs	65	62
575	577	Total personnel expenses	1,584	1,426
656	623	Average number of employees	1,535	1,405
595	572	Number of man-labour years as at 31 December	1,493	1,399
637	608	Number of employees as at 31 December	1,588	1,482

Emoluments to Top Management

2018 (thousands of NOK)

Name and title	Title	Salary and other short-term benefits	Pension contribution for salaries above 12G	Of which share-based bonus payments ¹⁾	Current value of pension liability	Pension rights accrued in past year ²⁾	Loans at 31.12	No. of equity capital certificates
Finn Haugan	Group CEO	7,269	2,297	8	10,250	130	8,520	201,910
Kjell Fordal	Executive Director Group Finance	3,430	344	8	11,480	136	12,995	245,334
Vegard Helland	Executive Director Corporate	2,941	169	8	1,300	140	1,263	34,224
Svein Tore Samdal ³⁾	Executive Director Retail	2,855	174	8	-	139	7,819	23,461
Nelly Maske ⁴⁾	Executive Director Retail	2,612	135	-	-	143	5,587	23,005
Ola Neråsen ⁵⁾	Executive Director Risk and Compliance	2,215	117	-	2,438	138	-	41,786
Rolf Jarle Brøske	Executive director Communication and Society	2,164	95	-	-	129	9,602	6,585

1) Amount of bonus-Ming received 2019 in conjunction with MING-saving scheme. This is an arrangement open for all employees and all employees have the same conditions

2) Defined-contribution pension scheme

3) Svein Tore Samdal resigned from his position 30.11.19

4) Nelly Maske was Executive Director Business Operation and Development until 30.11.19 and took over Executive Director Retail 01.12.19

5) Executive Director Risk and Compliance was established 01.05.19

6) The number of equity certificates includes equity certificates owned by close associates and companies where you have considerable influence

2017 (thousands of NOK)

Name and title	Title	Salary and other short-term benefits	Pension contribution for salaries above 12G	Of which share-based bonus payments	Current value of pension liability	Pension rights accrued in last year ¹⁾	Loans at 31.12	No. of equity capital certificates
Finn Haugan	Group CEO	7,041	2,297	0	12,653	115	3,693	200,521
Kjell Fordal	Executive Director Group Finance	3,269	424	0	11,304	115	8,925	244,945
Vegard Helland	Executive Director Corporate	2,822	246	0	1,338	115	1,254	33,835
Svein Tore Sandal	Executive Director Retail	2,936	275	0	0	115	7,344	23,141
Nelly Maske	Executive Director Business Operation and Development	2,377	171	0	-	115	6,864	20,305
Rolf Jarle Brøske	Executive director Communication and Society	1,960	137	0	-	115	9,937	5,305

¹⁾ Defined-contribution pension scheme, pension rights accrued is paid amount for the year.

**Emoluments to the Board of Directors and the Supervisory Board
2018 (thousands of NOK)**

Name	Title	Fee	Fees to audit, risk and remuneration committee	Other benefits	Loans as of 31 December	No. of equity capital certificates ⁴⁾
Kjell Bjordal	Board chairman	457	35	4	-	130,000
Bård Benum	Deputy chair	242	82	-	8,311	-
Mette Kamsvåg ¹⁾	Board member	158	62	2	-	5,600
Tonje Eskeland Foss ¹⁾	Board member	158	18	-	5,181	5,000
Paul E. Hjelm-Hansen	Board member	209	109	-	-	49,219
Janne Thyø Thomsen	Board member	209	82	-	-	3,000
Morten Loktu	Board member	209	24	-	-	5,000
Arnhild Holstad ²⁾	Board member	51	-	1	-	-
Aud Skrudland ²⁾	Board member	51	6	-	-	7,265
Venche Johnsen ³⁾	Board member, employee representative	238	12	788	405	24,996
Erik Gunnes ³⁾	Board member, employee representative	209	-	802	1,277	815

¹⁾ Was selected in 2018

²⁾ Resigned in 2018

³⁾ Other emoluments include salary in employment relationships

⁴⁾ The number of equity certificates includes equity certificates owned by close associates and companies where you have considerable influence

**Emoluments to the Board of Directors and the Supervisory Board
2017 (thousands of NOK)**

Name	Title	Fee	Fees to audit, risk and remuneration committee	Other benefits	Loans as of 31 December	No. of equity capital certificates ¹⁾
Kjell Bjordal	Board chairman	442	34	5	-	130,000
Bård Benum	Deputy chair	234	79	-	8,578	-
Aud Skrudland	Board member	203	23	1	-	6,765
Arnhild Holstad	Board member	203	-	2	2,229	-
Paul E. Hjelm-Hansen	Board member	203	105	0	-	49,219
Janne Thyø Thomsen	Board member	203	79	-	-	3,000
Morten Loktu	Board member	203	23	-	-	5,000
Venche Johnsen ²⁾	Board member, employee representative	154	-	757	577	24,716
Erik Gunnes ²⁾	Board member, employee representative	203	-	787	966	535
Oddny Lysberg ²⁾	Board member, employee representative	49	-	540	2,515	939

1) The number of equity certificates includes equity certificates owned by close associates and companies where you have considerable influence

2) Other emoluments include salary in employment relationships

**Fees to the Supervisory Board
(thousands of NOK)**

	2018	2017
Knut Solberg, Supervisory Board Chair	67	81
Other members	271	277

Remuneration of employees ¹⁾	Number	Remuneration	Of which variable remuneration
Senior employees	25	44779 129	0
Employees and officers with tasks of material significance for the institution's risk exposure	10	9262 773	0
Employees responsible for the independent control function	12	10262 684	0
Officers	10	2201 987	0

1) Categories of employees covered by the Financial Institutions Regulations