

## Note 24 - Pension

### Defined benefit scheme

This pension scheme is administered by a pension fund conferring entitlement to specific future pension benefits from age 67. The schemes include children's pension and disability pension under further rules. The Group's defined benefit pension scheme assures the majority of employees a pension of 68 percent of final salary up to 12G. The defined benefit scheme is closed to new members.

It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme will transfer to the defined contribution scheme as from 1 January 2017, and will receive a paid-up policy showing rights accumulated under the defined benefit scheme. The termination resulted in reduced pension obligations, which has been treated as a settlement gain and reduced the pension expense for 2016.

Paid-up policies are managed by the pension fund, which becomes a paid-up pension fund as from 1 January 2017. A framework agreement has been established between SpareBank 1 SMN and the pension fund which covers funding, asset management etc. In view of the responsibility still held by SpareBank 1 SMN, future liabilities will need to be incorporated in the accounts. At yearend 2018 the scheme is overfunded by NOK 172 million

The board of the pension fund is required to be composed of representatives from the Group and participants in the pension schemes in accordance with the articles of association of the pension fund. In addition to the pension obligations covered by the pension fund, the group has unfunded pension liabilities which can not be funded by the assets in the collective arrangements. The obligations entails employees not registered as member of the pension fund, additional pensions above 12 G, early retirement pension schemes and contractual early retirement schemes in new arrangement (AFP Subsidies Act).

For further details of the Group's pension schemes see Note 2 on accounting principles and Note 22 on personnel expenses and emoluments to senior employees and elected officers.

Actuarial assumptions	2018		2017	
	Costs	Commitment	Costs	Commitment
Discount rate	2.4%	2.4%	2.6%	2.4%
Expected rate of return on plan assets	2.4%	2.4%	2.6%	2.4%
Expected future wage and salary growth	2.25%	2.25%	2.25%	2.25%
Expected adjustment of basic amount (G)	2.25%	2.25%	2.25%	2.25%
Expected increase in current pension	0%/2.25%	0%/2.25%	0%/2.25%	0%/2.25%
Employers contribution	19.1%	19.1%	14.1%	14.1%
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %
Mortality base table	K2013BE			
Disability	IR73			

Parent Bank			Group	
2017	2018	Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.	2018	2017
602	611	Net present value of pension liabilities in funded schemes	651	641
-789	(748)	Estimated value of pension assets	-802	-842
11	-	Opening balance adjustment	-	15
-176	(138)	Net pension liability in funded schemes	-151	-186
4	4	Employer's contribution	4	4
0	-	Settlement	0	0
<b>-172</b>	<b>-134</b>	<b>Net pension liability in the balance sheet</b>	<b>-147</b>	<b>-182</b>

## Distribution of liability between unfunded and funded pension scheme, Group 1.1

Group	2018			2017		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	631	20	651	619	22	641
Fair value of pension assets	-802	-	-802	-842	0	-842
Opening balance adjustment	0	0	0	15	0	15
Net pension liability in the balance sheet before employer's contribution	-171	20	-151	-208	22	-186
Employer's contribution	0	4	4	0	4	4
Settlement	0	0	0	0	0	0
Net pension liability in the balance sheet after employer's contribution	-171	24	-147	-208	26	-182

2017	2018	Pension cost for the year	2018	2017
1	0	Present value of pension accumulated in the year	1	1
-5	0	Interest cost of pension liabilities	-4	-5
-4	0	Net defined-benefit pension cost without employer's contribution	-3	-4
0	0	Employer's contribution - subject to accrual accounting	0	0
0	0	Settlement	-	-
-4	0	Net pension cost related to defined benefit plans *	-2	-4
7	7	Early retirement pension scheme, new arrangement	5	10
37	37	Cost of defined contribution pension	93	74
<b>40</b>	<b>44</b>	<b>Total pension cost</b>	<b>96</b>	<b>79</b>

## Other comprehensive income for the period

	2018			2017		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	-0	-17	-18	0	18	18
Change in other economic assumptions	-	-	-	-	-	-
Change in mortality table	-	-	-	-	-	-
Change in other demographic assumptions	-	-	-	-	-	-
Changing other factors, DBO	-1	7	6	-2	3	1
Change in other factors, pension assets	-	-8	-8	0	-15	-15
<b>Other comprehensive income for the period</b>	<b>-2</b>	<b>-18</b>	<b>-19</b>	<b>-2</b>	<b>6</b>	<b>4</b>

2017	2018	Movement in net pension liability in the balance sheet	2018	2017
-172	-134	Net pension liability in the balance sheet 1.1	-147	-182
24	-18	Actuarial gains and losses for the year	-19	21
-4	-2	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	-2	-4
-1	-3	Paid-in pension premium, defined-benefit schemes	-3	-1
36	-	Transfer to defined contribution scheme	0	36
-17	-	Paid-in pension premium, defined-benefit plans	0	-17
<b>-134</b>	<b>-158</b>	<b>Net pension liability in the balance sheet 31.12</b>	<b>-172</b>	<b>-147</b>

2017	2018	Financial status 31.12	2018	2017
611	588	Pension liability	628	651
-749	-749	Value of pension assets	-803	-803
-138	-161	Net pension liability before employer's contribution	-175	-151
4	3	Employer's contribution	3	4
<b>-134</b>	<b>-158</b>	<b>Net pension liability after employer's contribution</b>	<b>-172</b>	<b>-147</b>

\* Presented gross in the Group accounts

## Distribution of financial status between unfunded and funded pension scheme, Group

Group	2018			2017		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	610	17	628	631	20	651
Value of pension assets	-803	-	-803	-803	0	-803
<b>Net pension liability before employer's contribution</b>	<b>-193</b>	<b>17</b>	<b>-175</b>	<b>-171</b>	<b>20</b>	<b>-151</b>
Employer's contribution	0	3	3	0	4	4
<b>Net pension liability after employer's contribution</b>	<b>-193</b>	<b>21</b>	<b>-172</b>	<b>-171</b>	<b>24</b>	<b>-147</b>

Fair value of pension liability, Group	2018	2017
OB pension liability (PBO)	651	641
Present value of pension accumulated in the year	1	1
Payout/release from scheme	-28	-26
Interest costs of pension liability	15	16
Curtailment/ Settlement		0
Actuarial gain or loss	-11	19
<b>CB pension liability (PBO)</b>	<b>628</b>	<b>651</b>

Fair value of pension assets, Group	2018	2017
OB pension assets	802	842
Paid in	3	1
Payout/release from fund	-28	-62
Expected return	19	22
Curtailment/ Settlement	0	0
Actuarial changes	8	0
<b>CB market value of pension assets</b>	<b>803</b>	<b>803</b>

Sensitivity, Group	Discount rate		Salary adjustment		Pension adjustment
	+ 1 pp	- 1 pp	+1 pp	- 1 pp	+ 1 pp
<b>2018</b>					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-77	96	0	0	89
<b>2017</b>					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-83	104	0	0	105

2017	2018	Members	2018	2017
764	764	Numbers of persons included in pension scheme	784	799
253	253	of which active	274	286
511	511	of which retirees and disabled	510	513

Investment and pension assets in the pension fund	2018	2017
Current bonds	38 %	31 %
Bonds held to maturity	5 %	10 %
Money market	24 %	20 %
Equities	27 %	33 %
Real estate	6 %	7 %
Other	0 %	0 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

The pension scheme arrangement is located in its own pension fund, which has a long-term horizon on the management of its capital. The pension fund seeks to achieve as high a rate of return as possible by composing an investment portfolio that provides the maximum

risk-adjusted return. The pension fund seeks to spread its investments on various issuers and asset classes in order to reduce company-specific and market-specific risk. The portfolio thus comprises equity investments in Norwegian and foreign shares. The bond portfolio is essentially invested in Norwegian bonds. Bank deposits are placed in Norwegian Banks.