

## Note 22 - 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 148 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 21 on personnel expenses and emoluments to senior employees and elected officers.

Actuarial assumptions	2019		2018	
	Costs	Commitment	Costs	Commitment
Discount rate	2.6%	2.3%	2.4%	2.6%
Expected rate of return on plan assets	2.6%	2.3%	2.4%	2.6%
Expected future wage and salary growth	2.50%	2.00 %	2.25%	2.50%
Expected adjustment of basic amount (G)	2.50%	2.00 %	2.25%	2.50%
Expected increase in current pension	0%/2.5%	0%/2.0%	0%/2.25%	0%/2.5%
Employers contribution	19.1%	19.1%	19.1%	19.1%
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	
2018	2019	Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.	2019	2018
611	588	Net present value of pension liabilities in funded schemes	588	611
-748	-749	Estimated value of pension assets	-749	-748
-138	-161	Net pension liability in funded schemes	-161	-138
4	3	Employer's contribution	3	4
<b>-134</b>	<b>-158</b>	<b>Net pension liability in the balance sheet</b>	<b>-158</b>	<b>-134</b>

## Distribution of liability between unfunded and funded pension scheme, Group 1 Jan.

Group	2019			2018		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	570	17	588	590	20	611
Fair value of pension assets	-749	-	-749	-748	-	-748
Net pension liability in the balance sheet before employer's contribution	-179	17	-161	-158	20	-138
Employer's contribution	0	3	3	0	4	4
Net pension liability in the balance sheet after employer's contribution	-179	21	-158	-158	24	-134

2018	2019	Pension cost for the year	2019	2018
1	0	Present value of pension accumulated in the year	0	1
-3	-4	Interest cost of pension liabilities	-4	-4
-2	-4	Net defined-benefit pension cost without employer's contribution	-4	-3
0	0	Employer's contribution - subject to accrual accounting	0	0
-2	-4	Net pension cost related to defined benefit plans	-4	-2
5	7	Early retirement pension scheme, new arrangement	12	5
43	43	Cost of defined contribution pension	96	93
<b>46</b>	<b>46</b>	<b>Total pension cost</b>	<b>105</b>	<b>96</b>

Other comprehensive income for the period	2019			2018		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	0	26	26	0	-17	-18
Change in other economic assumptions	-0	-	-0	-	-	-
Changing other factors, DBO	-3	14	12	-1	7	6
Change in other factors, pension assets	-	-3	-3	-	-8	-8
<b>Other comprehensive income for the period</b>	<b>-3</b>	<b>37</b>	<b>34</b>	<b>-2</b>	<b>-18</b>	<b>-19</b>

2018	2019	Movement in net pension liability in the balance sheet	2019	2018
-134	-158	Net pension liability in the balance sheet 1.1	-158	-134
-18	33	Actuarial gains and losses for the year	33	-18
		Net defined-benefit costs in profit and loss account incl.		
-2	-4	Curtailment/settlement	-4	-2
-3	-3	Paid-in pension premium, defined-benefit schemes	-3	-3
<b>-158</b>	<b>-132</b>	<b>Net pension liability in the balance sheet 31.12</b>	<b>-132</b>	<b>-158</b>

2018	2019	Financial status 31.12	2019	2018
588	608	Pension liability	608	588
-749	-743	Value of pension assets	-743	-749
-161	-135	Net pension liability before employer's contribution	-135	-161
3	3	Employer's contribution	3	3
<b>-158</b>	<b>-132</b>	<b>Net pension liability after employer's contribution</b>	<b>-132</b>	<b>-158</b>

## Distribution of financial status 31 Dec between unfunded and funded pension scheme, Group

Group	2019			2018		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	595	13	608	570	17	588
Value of pension assets	-743	-	-743	-749	-	-749
<b>Net pension liability before employer's contribution</b>	<b>-148</b>	<b>13</b>	<b>-135</b>	<b>-179</b>	<b>17</b>	<b>-161</b>
Employer's contribution	-	3	3	-	3	3
<b>Net pension liability after employer's contribution</b>	<b>-148</b>	<b>16</b>	<b>-132</b>	<b>-179</b>	<b>21</b>	<b>-158</b>

Fair value of pension liability, Group	2019	2018
OB pension liability (PBO)	588	611
Present value of pension accumulated in the year	0	1
Payout/release from scheme	-29	-28
Interes costs of pension liability	15	14
Actuarial gain or loss	34	-10
<b>CB pension liability (PBO)</b>	<b>608</b>	<b>588</b>

Fair value of pension assets, Group	2019	2018
OB pension assets	749	748
Paid in	3	3
Payout/release from fund	-29	-28
Expected retur	19	18
Actuarial changes	1	8
<b>CB market value of pension assets</b>	<b>743</b>	<b>749</b>

Sensitivity, Group	Discount rate		Salary adjustment		Pension adjustment
	+ 1 pp	- 1 pp	+1 pp	- 1 pp	+ 1 pp
<b>2019</b>					
Change in accumulated pension rights in course of year	0	0	0	0	0
Change in pension liability	-81	101	0	0	103
<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

2018	2019	Members	2019	2018
764	749	Numbers of persons included in pension scheme	749	764
253	242	of which active	242	253
511	507	of which retirees and disabled	507	511

Investment and pension assets in the pension fund	2019	2018
Current bonds	38 %	38 %
Bonds held to maturity	5 %	5 %
Money market	23 %	24 %
Equities	27 %	27 %
Real estate	7 %	6 %
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.