

Note 2 - Critical estimates and assessment concerning the use of accounting principles

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 3 Critical estimates and assessments concerning the use of accounting principles.

Pensions

Sparebank1 SMN Group has one pension arrangements; defined contribution plan. For a further description of the pension scheme, see note 24 in the 2016 annual report.

The group's pension liabilities are accounted for under IAS 19R. Estimate variances are therefore directly reflected in equity capital and are presented under other comprehensive income.

It was decided to terminate the defined benefit scheme at a board meeting on 21 October 2016. Employees on this scheme transferred to the defined contribution scheme from 1 January 2017, and received a paid-up policy showing rights accumulated under the defined benefit scheme. Paid-up policies are managed by the pension fund, which has been 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. 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.

A new calculation of the Group's pension liabilities has been carried out as per 31 December 2017:

Actuarial assumptions	31.12.16	1.1.17	31.12.17
Discount rate	2,60 %	2,60 %	2,40 %
Expected rate of return on plan assets	2,60 %	2,60 %	2,40 %
Expected future wage and salary growth	2,25 %	2,25 %	2,25 %
Expected adjustment on basic amount (G)	2,25 %	2,25 %	2,25 %
Expected increase in current pension	0,00 %	0,00 %	0,00 %
Employers contribution	14,10 %	14,10 %	14,10 %

Demographic assumptions:

Mortality base table	K2013 BE
Disability	IR73
Voluntary exit	2% til 50år, 0% etter 50år

Movement in net pension liability in the balance sheet Group (NOKm)	Funded	Unfunded	Total
Net pension liability in the balance sheet 1.1	-207	26	-181
OCI accounting 1 Jan	2	-	2
OCI accounting 31 December	21	-2	19
Net defined-benefit costs in profit and loss account	-6	2	-4
Paid in pension premium, defined-benefit schemes	19		19
Paid in pension premium, defined-benefit plan	-	-1	-1
Net pension liability in the balance sheet 31 December 2017	-171	24	-147

Net pension liability in the balance sheet Group (NOKm)	31.12.17	31.12.16
Net present value of pension liabilities in funded schemes	651	641
Estimated value of pension assets	-802	-826
Net pension liability in the balance sheet before employer's contribution	-151	-185
Employers contribution	4	4
Net pension liability in the balance sheet	-147	-181

Pension Expenses 2017 Group (NOKm)	31.12.17	31.12.16
Present value of pension accumulated in the year	1	23
Net interest income	-5	-2
Settlement gain	-	-90
Net pension cost related to defined plans, incl unfunded pension commitment	-4	-69
Employer's contribution subject to accrual accounting	0	6
Cost of defined contribution pension and early retirement pension scheme, new arrangement	43	46
Total pension cost	39	-17

Investment held for sale

SpareBank 1 SMN's strategy is that ownership due to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts, and is classified as investment held for sale.

Assets and liabilities related to the property in Søndre Gate 4-10 in Trondheim City Centre (SpareBank 1 Kvartalet AS) has been reclassified as held for sale from Q4 2017 based on the approval from management and board of Directors for selling the property, in addition to the progress made in the sale process which makes it highly probable that the sale will be completed in the coming 12 months.

SpareBank 1 SMN accepted a bid at Søndre gate no. 4-10 in Trondheim city centre at November 9, 2017. SpareBank 1 SMN and its subsidiaries will lease back about 70 per cent of the overall area on a 15 year lease with the option of a lease extension. Estimated gross annual rental in 2018 amounts to NOK 36.4 million. The gross property value underlying the bid is NOK 755 million and will provide SpareBank 1 SMN with a net gain after an estimated tax rebate and transaction costs of just over NOK 120 million. The bid is subject to certain conditions, including board approval and conduct of a satisfactory financial, legal and technical due diligence process. The transaction is expected to reach completion in the course of the first quarter of 2018 in the form of a real property company share disposal.

2017 Q4 (NOK million)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS group	49	1	6	7	-1	100 %
SpareBank1 Kvartalet AS	600	-	6	7	-0	100 %
Total Held for sale	649	1	12	14	-1	