

## 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.

### Defined contribution scheme

Under the defined contribution pension scheme the Group does not provide a future pension of a given size, but pays an annual contribution to the employees' collective pension savings. Future pension will depend on the size of the contribution and the annual return on the pension savings. The Group has no further obligations with regard to the employee's labour contribution after the employer's annual contribution has been paid. Defined contribution schemes are directly expensed. The Group has made a defined contribution pension scheme available to its employees since 1 January 2008.

### Early retirement pension scheme

The banking and financial industry has established an agreement on a contractual early retirement pension scheme ("AFP") for employees from age 62 to 67. The Group responsibility is 100 per cent of pension paid between age 62 and 64 and 60 per cent of pension paid between the age 65 and 67. Admission of new retirees ceased with effect from 31 December 2010.

### Early retirement pension scheme, new arrangement

The Act relating to state subsidies in respect of employees who take out contractual early retirement pension in the private sector (AFP Subsidies Act) entered into force on 19 February 2010. Employees who take out contractual early retirement with effect in 2011 or later will receive benefits under the new scheme. The new AFP scheme represents a lifelong add-on to National Insurance and can be taken out from age 62. The employer's premium is determined as a percentage of salary payments between 1G and 7.1G. In keeping with the recommendation of the Norwegian Accounting Standards Board, no provision was made in the financial year for the group's de facto AFP obligation. This is because the office coordinating the schemes run by the main employer and trade union organisations has so far not performed the necessary calculations.

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.

### IAS 19R Benefits to employees

As from 1 January 2013 the Group has applied IAS 19R Benefits to Employees and changed the basis for calculation of pension liabilities and pension cost. All actuarial gain and losses shall according to IAS 19R be entered in the statement on other comprehensive income. As of 31 December 2015 the Group has utilised the new mortality base table K2013 established by Finanstilsynet on 8 March 2013 (K2013FT) as the basis for its calculations. This is then adjusted for an initial mortality rate and a mortality decline. In its table Finanstilsynet utilised an initial mortality rate of 12 per cent, whereas the Group employs 5 per cent. The decline in mortality is also somewhat adjusted compared with Finanstilsynet's table, but without significantly affecting the liability. Hence the safety margins in the mortality table utilised, K2013BE, are somewhat lower than K2013FT, but in the Group's assessment the table that is used gives the best estimate of the pension liability on the balance sheet date.

Actuarial assumptions	2015		2014	
	Costs	Liability	Costs	Liability
Discount rate	2.3 %	2.7 %	4.0 %	2.3 %
Expected rate of return on plan assets	2.3 %	2.7 %	4.0 %	2.3 %
Expected future wage and salary growth	2.5 %	2.3 %	3.5 %	2.5 %
Expected adjustment of basic amount (G)	2.5 %	2.3 %	3.5 %	2.5 %
Expected increase in current pension	0.0 %	0%/2.25%	0.6 %	0.0 %
Employers contribution	14.1 %	14.1 %	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		
2014	2015	Net pension liability (NOK million). Financial position 1 Jan	2015	2014	
613	737	Net present value of pension liabilities in funded schemes	768	638	
-703	-729	Estimated value of pension assets	-754	-726	
4	9	Opening balance adjustment	8	5	
-85	16	Net pension liability in funded schemes	22	-83	
3	3	Employer's contribution	4	4	
<b>-82</b>	<b>19</b>	<b>Net pension liability</b>	<b>26</b>	<b>-79</b>	

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

Group (NOK million)	2015			2014		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	746	22	768	614	24	638
Fair value of pension assets	-754	-	-754	-726	-	-726
Opening balance adjustment	8	0	8	5	-	5
Net pension liability before employer's contribution	0	22	22	-107	24	-83
Employer's contribution	1	3	4	0	3	4
Net pension liability after employer's contribution	1	25	26	-107	27	-79

2014	2015	Pension cost for the year (NOK million)	2015	2014
24	24	Present value of pension accumulated in the year	28	26
-2	0	Interest cost of pension liabilities	0	-2
21	24	Net defined-benefit pension cost without employer's contribution	28	23
4	5	Employer's contribution - subject to accrual accounting	5	4
25	29	Net pension cost related to defined benefit plans <sup>*)</sup>	33	27
8	7	Early retirement pension scheme, new arrangement	9	9
13	13	Cost of defined contribution pension	34	26
<b>46</b>	<b>49</b>	<b>Total pension cost</b>	<b>77</b>	<b>62</b>
2	2	<sup>*)</sup> Of which unfunded pension commitment, old arrangement	2	2

Actuarial gains/losses recognised in other comprehensive income for the period (NOK million)	2015			2014		
	Unfunded	Funded	Total	Unfunded	Funded	Total
Change in discount rate	-0	-46	-47	1	207	208
Change in other economic assumptions	-0	-10	-10	0	-68	-68
Change in mortality table	-	-	-	-	-	-
Change in other demographic assumptions	-	-	-	-	-	-
Changing other factors, DBO	-1	-13	-14	-1	-18	-19
Change in other factors, pension assets	-	-46	-46	-	-8	-8
<b>Actuarial gains/losses recognised in other comprehensive income for the period</b>	<b>-1</b>	<b>-115</b>	<b>-116</b>	<b>1</b>	<b>112</b>	<b>113</b>

2014	2015	Movement in net pension liability	2015	2014
-82	19	Net pension liability 1 Jan	26	-79
109	-109	Actuarial gains and losses for the year	-116	113
25	21	Net defined-benefit costs in profit and loss account incl. Curtailment/settlement	34	27
-5	-1	Pension payments	-1	-5
-28	-30	Paid-in pension premium, defined-benefit plans	-36	-30
<b>19</b>	<b>-100</b>	<b>Net pension liability 31 Dec</b>	<b>-94</b>	<b>26</b>

2014	2015	Financial status 31 Dec	2015	2014
737	662	Pension liability	711	768
-721	-764	Value of pension assets	-808	-746
16	-103	Net pension liability before employer's contribution	-97	22
3	3	Employer's contribution	4	4
<b>19</b>	<b>-100</b>	<b>Net pension liability after employer's contribution <sup>*)</sup></b>	<b>-94</b>	<b>26</b>

<sup>\*)</sup> Presented gross in the Group accounts

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

Group (NOK million)	31 Dec 2015			31 Dec 2014		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	689	22	711	746	22	768
Value of pension assets	-808	-	-808	-746	-	-746
<b>Net pension liability before employer's contribution</b>	<b>-120</b>	<b>22</b>	<b>-97</b>	<b>0</b>	<b>22</b>	<b>22</b>
Employer's contribution	1	3	4	1	3	4
<b>Net pension liability after employer's contribution</b>	<b>-119</b>	<b>25</b>	<b>-94</b>	<b>1</b>	<b>25</b>	<b>26</b>

Fair value of pension liability, Group (NOK million)	31 Dec 2015	31 Dec 2014
OB pension liability (PBO)	768	638
Present value of pension accumulated in the year	28	26
Payout/release from scheme	-30	-45
Interest costs of pension liability	17	24
Curtailement/ Settlement	-3	-
Actuarial gain or loss	-69	125
<b>CB pension liability (PBO)</b>	<b>711</b>	<b>768</b>

Fair value of pension assets, Group (NOK million)	31 Dec 2015	31 Dec 2014
OB pension assets	754	726
Paid in	33	31
Payout/release from fund	-30	-45
Expected return	17	26
Curtailement/ Settlement	-3	-
Actuarial changes	38	8
<b>CB market value of pension assets</b>	<b>808</b>	<b>746</b>

Sensitivity, Group	Discount rate		Salary adjustment		Pension adjustment
	+ 1 pp	- 1 pp	+1 pp	- 1 pp	+ 1 pp
<b>2015</b>					
Change in accumulated pension rights in course of year	-5	8	6	-4	4
Change in pension liability	-96	124	66	-54	84
<b>2014</b>					
Change in accumulated pension rights in course of year	-4	6	4	-4	3
Change in pension liability	-111	143	77	-67	93

31 Dec 2014	31 Dec 2015	Members	31 Dec 2015	31 Dec 2014
834	809	Numbers of persons included in pension scheme	847	871
361	307	of which active	341	395
473	502	of which retirees and disabled	506	476

<b>Investment and pension assets in the pension fund</b>	<b>2015</b>	<b>2014</b>
Current bonds	21 %	17 %
Bonds held to maturity	23 %	27 %
Money market	13 %	13 %
Equities	37 %	34 %
Real estate	6 %	6 %
Other	0 %	2 %
<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.