

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 per cent 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 Bank pays 100 per cent of the pension paid from age 62 to 64 and 60 per cent of the pension paid from age 65 to age 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 per centage 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.

IAS Employee Benefits

A new IAS 19 on employee benefits was adopted by the EU on 6 June 2012. The implementation date is 1 January 2013, with an opportunity for early implementation. SpareBank 1 SMN will implement the standard as from 1 January 2013. Based on actuarial calculations as of 31 December 2012, implementation is estimated to have a positive effect of about NOK 52m on the Group's equity capital. The change compared with the previous estimate is due mainly to a change in the discount rate since the previous calculation.

Actuarial assumptions	2012		2011	
	Costs	Commitment	Costs	Commitment
Discount rate	2.6 %	3.9 %	4.0 %	2.6 %
Expected rate of return on plan assets	4.1 %	3.9 %	5.7 %	4.1 %
Expected future wage and salary growth	3.3 %	3.3 %	3.5 %	3.3 %
Expected adjustment of basic amount (G)	3.3 %	3.3 %	3.8 %	3.3 %
Expected increase in current pension	0.4 %	0.2 %	2.0 %	0.4 %
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 %

Parent Bank		Net pension liability in the balance sheet (NOK million). Financial position 1 Jan.	Group	
2011	2012		2012	2011
609	679	Net present value of pension liabilities in funded schemes	706	633
-656	-622	Estimated value of pension assets	-639	-675
-47	58	Net pension liability in funded schemes	67	-42
0	-107	Estimated discrepancies not incl in profit and loss account	-111	2
-1	-1	Non-recorded effect of plan change	-1	-1
48	-50	Net pension liability in the balance sheet before employer's contribution	-45	-41
5	8	Employer's contribution	9	5
-43	-42	Net pension liability in the balance sheet	-35	-36

Distribution of liability between unfunded and funded pension scheme, Group

Group	2012			2011		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	668	38	706	599	34	633
Fair value of pension assets	-639	-	-639	-675	-	-675
Net pension liability in funded schemes	30	38	67	-76	34	-42
Unrecognised estimate variance (possible actuarial gain/loss)	-107	-4	-111	-9	11	2
Unrecognised previous periods' accrual	-1	-	-1	-1	-	-1
Net pension liability in the balance sheet before employer's contribution	-79	34	-45	-86	45	-41
Employer's contribution	4	5	9	1	5	5
Net pension liability in the balance sheet after employer's contribution	-75	39	-35	-85	49	-36

2011	2012	Pension cost for the year	2012	2011
26	29	Present value of pension accumulated in the year	31	29
24	17	Interest cost of pension liabilities	18	25
-36	-25	Expected rate of return on plan assets	-26	-37
-2	5	Actuarial gains or losses	5	-2
-	-	Previous periods' accrual recognised in the period	-	-
12	26	Net defined-benefit pension cost without employer's contribution	28	14
-	3	Employer's contribution - subject to accrual accounting	3	1
-	-	Curtailment (transition to defined contribution pension)	-	-
-	-	Settlement (transition to defined contribution pension)	-	-
-	-	Effect (phase-out of the scheme)	-	-
12	29	Net pension cost related to defined benefit plans	31	14
4	5	Early retirement pension scheme, new arrangement	5	4
8	10	Cost of defined contribution pension	19	13
24	43	Total pension cost	55	32
2	4	Of which unfunded pension commitment	4	2

2011	2012	Movement in net pension liability in the balance sheet	2012	2011
-43	-42	Net pension liability in the balance sheet 1.1	-35	-36
-	2	Curtailment/Settlement	31	14
12	29	Net defined-benefit costs in profit and loss account incl. curtailment/settlement	-	-
-12	-9	Paid-in pension premium, defined-benefit schemes	-11	-14
-42	-21	Net pension liability in the balance sheet 31.12	-15	-35

2011	2012	Financial status 31.12	2012	2011
679	554	Pension liability	573	706
-670	-628	Value of pension assets	-645	-690
-56	49	Deferred loss/gain	53	-57
-1	-	Previous periods' accrual recognised in the period	-	-1
-48	-25	Net pension liability before employer's contribution	-20	-41
5	4	Employer's contribution	5	6
-42	-21	Net pension liability after employer's contribution *	-15	-35

* Presented gross in the Group accounts

Breakdown of financial status 31 December between secured and unsecured pension scheme, Group

Group	2012			2011		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	542	31	573	668	38	706
Value of pension assets	-645	-	-645	-690	-	-690
Deferred loss/gain	54	-1	53	-53	-4	-57
Deferred plan change	-	-	-	-1	-	-1
Net pension liability before employer's contribution	-50	30	-20	-75	34	-41
Employer's contribution	0	4	5	1	5	6
Net pension liability after employer's contribution	-49	34	-15	-74	39	-35

Fair value of pension liability, Group	2012	2011
OB pension liability (PBO)	706	633
Liability upon plan change	-	-
Present value of pension accumulated in the year	31	29
Payout/release from scheme	-29	-35
Interest cost of pension liability	18	25
Actuarial gain or loss	-153	55
CB pension liability (PBO)	573	706

Fair value of pension assets, Group	2012	2011
OB pension assets	639	675
Paid in	10	12
Payout/release from fund	-29	-35
Expected return	26	37
Net change in pension assets	-	-
CB market value of pension assets	645	690

Historical information, Group	2012	2011	2010	2009	2008
Present value of pension liability	-573	-706	-633	-628	-1,019
Fair value of pension assets	645	690	657	582	633
Net surplus/deficit (-)	72	-16	25	-46	-386

Sensitivity, Group	+ 1pp discount rate	- 1pp discount rate	+ 1pp salary adjustment	- 1pp salary adjustment
2012				
Change in accumulated pension rights in course of year	-5	7	6	-5
Change in pension liability	-73	91	50	-45
2011				
Change in accumulated pension rights in course of year	-4	6	5	-4
Change in pension liability_	-99	126	-71	-64

2011	2012	Members	2012	2011
915	890	Number of persons included in pension scheme	914	941
533	479	of which active	500	556
382	411	of which retirees and disabled	414	385

Investment og pension assets in the pension fund	2012	2011
Current bonds	104	142
Bonds held to maturity	273	275
Money market	76	32
Equities	203	177
Real estate	15	16
Total	672	641