

Note 25 - 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 Bank pays 100 percent of the pension paid from age 62 to 64 and 60 percent 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 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 23 on personnel expenses.

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 costs. The Group has previously utilised the corridor approach to account for unamortised estimate deviations. The corridor approach is no longer permitted, and all estimate deviations shall according to IAS 19R be entered in the statement on other income and expenses. Previously return on pension assets was calculated by applying long-term expected return on pension assets. As a result of the application of IAS 19R the period's net interest expense is calculated by applying the discount rate for the liability at the start of the period to the net liability. Net interest cost consists therefore of interest on the liability and return on the assets, both calculated using the discount rate. Changes in the net pension liability as a result of premium payments and disbursement of pensions are taken into account. The difference between actual return on pension assets and the booked return is accounted for continuously against other comprehensive income.

The corridor as of 1 January 2012 is calculated anew in accordance with the principles set out in IAS 19R by, in part, setting the return on assets for 2012 equal to the discount rate, see tabel below.

As of 31 December 2013 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.

Implementation has had the following balance sheet effects (Group) (NOK million):

	Original balance sheet value	Change on implementation	New balance sheet value
1 January 2012			
Overfunded defined benefit pension plan (other assets)	35	-35	0
Underfunded defined benefit pension plan (other liabilities)	0	77	77
Deferred tax	10	-31	-21
Other equity capital	1,268	-81	1,187
31 December 2012			
Overfunded defined benefit pension plan (other assets)	15	57	72
Underfunded defined benefit pension plan (other liabilities)	0	0	0
Deferred tax	4	16	20
Other equity capital	1,303	41	1,343
First quarter 2013 (impl. 1.1.13)			
Overfunded defined benefit pension plan (other assets)	15	57	72
Underfunded defined benefit pension plan (other liabilities)	0	0	0
Deferred tax	4	16	20
Other equity capital	1,303	41	1,343

*) Entered in the accounts as a strengthening of the Group's equity capital as of first quarter 2013, NOK 57m minus deferred tax NOK 16m.

The balance sheet has been reworked as shown above.

Under the previous principle, the pension cost in 2012 amounted to NOK 32m. Due to the change in the principle for dealing with unamortised estimate deviations and calculating net interest expense, the booked pension cost increased to NOK 37m. Comparatives for profits/loss have not been reworked since the change is considered to be insignificant. Capital adequacy, EC-holder ratio (EC-holders' share of total equity) and other key figures and ratios have not been reworked for previous periods.

Actuarial assumptions	2013		2012		01.01.2012
	Costs	Commitment	Costs	Commitment	Commitment
Discount rate	3.9 %	4.0 %	2.6 %	3.9 %	2.6 %
Expected rate of return on plan assets	3.9 %	4.0 %	2.6 %	3.9 %	2.6 %
Expected future wage and salary growth	3.3 %	3.5 %	3.3 %	3.3 %	3.3 %
Expected adjustment of basic amount (G)	3.3 %	3.5 %	3.3 %	3.3 %	3.3 %
Expected increase in current pension	0.2 %	0.6 %	0.4 %	0.2 %	0.4 %
Employers contribution	14.1 %	14.1 %	14.1 %	14.1 %	14.1 %
Expected voluntary exit before/after 50 yrs	2/0 %	2/0 %	2/0 %	2/0 %	2/0 %
Estimated early retirement outtake at age 62/64	25/50 %	25/50 %	25/50 %	25/50 %	25/50 %

Mortality base table K2013BE
Disability IR2003

Parent Bank			Group		
2012	2013		2013	2012	
Net pension liability in the balance sheet (NOK million). Financial position					
681	553	Net present value of pension liabilities in funded schemes	573	706	
-623	-630	Estimated value of pension assets	-649	-639	
58	-77	Net pension liability in the balance sheet before employer's contribution	-76	67	
8	4	Employer's contribution	5	9	
66	-73	Net pension liability in the balance sheet	-72	77	

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

Group	2013			2012		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	542	31	573	668	38	706
Fair value of pension assets	-649	-	-649	-639	-	-639
Net pension liability in the balance sheet before employer's contribution	-107	31	-76	30	38	67
Employer's contribution	0	4	5	4	5	9
Net pension liability in the balance sheet after employer's contribution	-107	35	-72	34	43	77

2012	2013	Pension cost for the year	2013	2012
34	20	Present value of pension accumulated in the year	22	36
-8	-3	Net interest income	-4	-8
26	17	Net defined-benefit pension cost without employer's contribution	18	28
3	4	Employer's contribution - subject to accrual accounting	4	3
29	21	Net pension cost related to defined benefit plans *	22	31
5	6	Early retirement pension scheme, new arrangement	7	5
10	12	Cost of defined contribution pension	22	19
43	38	Total pension cost	52	55
4	3	* Of which unfunded pension commitment	3	4

Other comprehensive income for the period	Unfunded		Funded		Total	
	2013	2012	2013	2012	2013	2012
Change in discount rate	0	-1	-8	-124	-8	-125
Change in other economic assumptions	0	0	29	-11	29	-11
Change in mortality table	0	0	47	0	47	0
Change in other demographic assumptions	0	0	-6	0	-6	0
Changing other factors, DBO	-3	-1	-6	-19	-9	-19
Change in other factors, pension assets	0	0	-43	-13	-43	-13
Other comprehensive income for the periode	-2	-2	13	-166	10	-169

2012	2013	Movement in net pension liability in the balance sheet	2013	2012
66	-73	Net pension liability in the balance sheet 1.1	-72	77
-165	9	OCI accounting for the year	10	-174
34	21	Net defined-benefit costs in profit and loss account incl. curtailment/settlement	22	37
-9	-8	Paid-in pension premium, defined-benefit schemes	-8	-9
-	-30	Paid-in pension premium, defined benefit plans	-32	-2
-74	-82	Net pension liability in the balance sheet 31.12	-79	-72

2012	2013	Financial status 31.12	2013	2012
554	613	Pension liability	638	573
-632	-698	Value of pension assets	-721	-649
-78	-85	Net pension liability before employer's contribution	-83	-76
4	3	Employer's contribution	4	5
-74	-82	Net pension liability after employer's contribution *	-79	-72

* Presented gross in the Group accounts

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

Group	2013			2012		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	614	24	638	542	31	573
Value of pension assets	-721	-	-721	-649	-	-649
Net pension liability before employer's contribution	-107	24	-83	-107	30	-76
Employer's contribution	0	3	4	0	4	5
Net pension liability after employer's contribution	-107	27	-79	-49	34	-72

Fair value of pension liability, Group

	2013	2012
OB pension liability (PBO)	573	704
Present value of pension accumulated in the year	22	31
Payout/release from scheme	-32	-29
Interest cost of pension liability	22	18
Actuarial gain or loss	53	-153
CB pension liability (PBO)	638	573

Fair value of pension assets, Group

	2013	2012
OB pension assets	649	639
Paid in	36	10
Payout/release from fund	-32	-29
Expected return	25	16
Actuarial changes	43	13
CB market value of pension assets	721	649

Historical information, Group	2013	2012	1.1.2012
Present value of pension liability	-638	-573	-715
Fair value of pension assets	721	649	639
Net surplus/deficit (-)	83	76	-77

Sensitivity, Group	+ 1pp discount rate	- 1pp discount rate	+ 1pp salary adjustment	- 1pp salary adjustment	+ 1 pp pension adjustment
2013					
Change in accumulated pension rights in course of year	-4	5	4	-3	3
Change in pension liability	-86	108	58	-52	71
2012					
Change in accumulated pension rights in course of year	-6	8	5	-5	4
Change in pension liability	-73	91	50	-45	59
01.01.2012					
Change in accumulated pension rights in course of year	-	-	-	-	-
Change in pension liability	-99	126	71	-64	79

01.01.2012	2012	2013	Members	2013	2012	01.01.2012
915	890	889	Numbers of persons included in pension scheme	913	914	941
533	479	479	of which active	500	500	556
382	411	410	of which retirees and disabled	413	414	385

Investment and pension assets in the pension fund	2013	2012	01.01.2012
Current bonds	20 %	15 %	22 %
Bonds held to maturity	31 %	41 %	43 %
Money market	14 %	11 %	5 %
Equities	31 %	30 %	28 %
Real estate	2 %	2 %	2 %
Other	2 %	0 %	0 %
Total	100 %	100 %	100 %

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.