

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. 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 IFRS accounting principles and Note 23 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 estimate deviations shall according to IAS 19R be entered in the statement on other income and expenses. 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.

Actuarial assumptions	2014		2013	
	Costs	Commitment	Costs	Commitment
Discount rate	4.0 %	2.3 %	3.9 %	4.0 %
Expected rate of return on plan assets	4.0 %	2.3 %	3.9 %	4.0 %
Expected future wage and salary growth	3.5 %	2.5 %	3.3 %	3.5 %
Expected adjustment of basic amount (G)	3.5 %	2.5 %	3.3 %	3.5 %
Expected increase in current pension	0.6 %	0.0 %	0.2 %	0.6 %
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	
2013	2014	Net pension liability in the balance sheet (NOK million). Financial position 1 Jan	2014	2013
553	613	Net present value of pension liabilities in funded schemes	638	573
-630	-703	Estimated value of pension assets	-726	-649
-	4	Opening balance adjustment	5	-
-77	-85	Net pension liability in funded schemes	-83	-76
4	3	Employer's contribution	4	5
-73	-82	Net pension liability in the balance sheet	-79	-72

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

Group	2014			2013		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Present value of pension liability in funded schemes	614	24	638	542	31	573
Fair value of pension assets	-726	-	-726	-649	-	-649
Opening balance adjustment	5	0	5	-	-	-
Net pension liability in the balance sheet before employer's contribution	-107	24	-83	-107	31	-76
Employer's contribution	0	3	4	0	4	5
Net pension liability in the balance sheet after employer's contribution	-107	27	-79	-107	35	-72

2013	2014	Pension cost for the year	2014	2013
20	24	Present value of pension accumulated in the year	26	22
-3	-2	Interest cost of pension liabilities	-2	-4
17	21	Net defined-benefit pension cost without employer's contribution	23	18
4	4	Employer's contribution - subject to accrual accounting	4	4
21	25	Net pension cost related to defined benefit plans *	27	22
6	8	Early retirement pension scheme, new arrangement	9	7
12	13	Cost of defined contribution pension	26	22
38	46	Total pension cost	62	52
3	2	* Of which unfunded pension commitment	2	3

Other comprehensive income for the period	Unfunded		Funded		Total	
	2014	2013	2014	2013	2014	2013
Change in discount rate	1	0	207	-8	208	-8
Change in other economic assumptions	0	0	-68	29	-68	29
Change in mortality table	-	0	-	47	-	47
Change in other demographic assumptions	-	0	-	-6	-	-6
Changing other factors, DBO	-1	-3	-18	-6	-19	-9
Change in other factors, pension assets	-	-	-8	-43	-8	-43
Other comprehensive income for the period	1	-2	112	13	113	10

2013	2014	Movement in net pension liability in the balance sheet	2014	2013
-73	-82	Net pension liability in the balance sheet 1.1	-79	-72
9	109	OCI accounting for the year	113	10
		Net defined-benefit costs in profit and loss account incl.		
21	25	Curtailment/settlement	27	22
-8	-5	Paid-in pension premium, defined-benefit schemes	-5	-8
-30	-28	Paid-in pension premium, defined-benefit plans	-30	-32
-82	19	Net pension liability in the balance sheet 31.12	26	-79

2013	2014	Financial status 31.12	2014	2013
613	737	Pension liability	768	638
-698	-721	Value of pension assets	-746	-721
-85	16	Net pension liability before employer's contribution	22	-83
3	3	Employer's contribution	4	4
-82	19	Net pension liability after employer's contribution	26	-79

* Presented gross in the Group accounts

Distribution of financial status between unfunded and funded pension scheme, Group 31.12

Group	2014			2013		
	Funded	Unfunded	Total	Funded	Unfunded	Total
Pension liability	746	22	768	614	24	638
Value of pension assets	-746	-	-746	-721	-	-721
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

Fair value of pension liability, Group

	2014	2013
OB pension liability (PBO)	638	573
Present value of pension accumulated in the year	26	22
Payout/release from scheme	-45	-32
Interest costs of pension liability	24	22
Actuarial gain or loss	125	53
CB pension liability (PBO)	768	638

Fair value of pension assets, Group

	2014	2013
OB pension assets	726	649
Paid in	31	36
Payout/release from fund	-45	-32
Expected return	26	25
Actuarial changes	8	43
CB market value of pension assets	746	721

Sensitivity, Group	+ 1 pp discount rate	- 1 pp discount rate	+1 pp salary adjustment	- 1 pp salary adjustment	+ 1 pp pension adjustment
2014					
Change in accumulated pension rights in course of year	-4	6	4	-4	3
Change in pension liability	-111	143	77	-67	93
2013					
Change in accumulated pension rights in course of year	-4	5	4	-3	3
Change in pension liability	-86	108	58	-52	71

2013	2014	Members	2014	2013
889	845	Numbers of persons included in pension scheme	869	913
479	416	of which active	437	500
410	429	of which retirees and disabled	432	413

Investment and pension assets in the pension fund	2014	2013
Current bonds	17 %	20 %
Bonds held to maturity	27 %	31 %
Money market	13 %	14 %
Equities	34 %	31 %
Real estate	6 %	2 %
Other	2 %	2 %
Total	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.