annual report 2014
KLP Banken AS

Coverphoto: Ingrid Eriksen **Open**

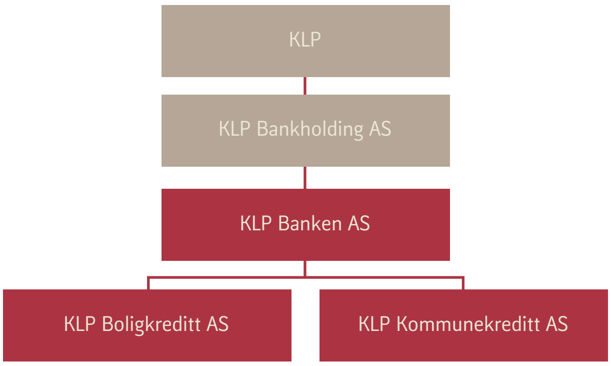
In 2014 KLP hosted an internal photo contest where the staff were to visualize one of KLP's values Open, Clear, Responsible and Committed or "For the days to come". Olav Storm, photographer, was head of the jury.

CONTENT

The Board of Directors' Report for 2014

The KLP Banken Group made a profit before tax of NOK 28.7 million in 2014. Total lending and net interest income were higher than the year before. The board of directors considers the underlying development in the Group's financial performance to be good.

KLP Banken AS is wholly owned by Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) through KLP Bankholding AS. KLP Banken AS has two wholly owned subsidiaries: KLP Kommunekreditt AS and KLP Boligkreditt AS.



The operations of KLP Banken AS and its subsidiaries are divided into the business areas Private Market and Public Lending. Both areas are nationwide in scope. The companies headquarter are situated in Trondheim.

The KLP Bank Group contributes to KLP's focus on members by offering products and services at competitive terms and conditions. This reinforce the perception that enterprises which have chosen KLP as a pension provider are attractive employers. Presence in the market for public sector lending through KLP Kommunekreditt contributes to competition and thereby to the public sector having access to long-term low-cost financing.

Financial performance in 2014

Figures for 2013 are stated in parenthesis.

- Profit before tax: NOK 28.7 million (NOK 87.0 million)
- Net profit: NOK 20.9 million (NOK 74.4 million)
- Net interest income: NOK 133.0 million (NOK 122.0 million)
- Lending disbursements during the year, including managed loans: NOK 11.8 billion (NOK 10.3 billion)
- On-balance sheet lending: NOK 24.9 billion (NOK 21.3) billion
- Lending managed on behalf of KLP: NOK 41.6 billion (NOK 33.7 billion)

PROFIT AND LOSS

The KLP Banken AS Group made a profit before tax of NOK 28.7 million, and a net profit of NOK 20.9 million. This gave a return on equity of 2.2 per cent (7.2 per cent) before tax and 1.6 per cent (6.2 per cent) after tax. The profit figures include management fees from KLP amounting to NOK 58.0 million (NOK 58.0 million).

NOK 50 million of the profit achieved in 2013 was linked to non-recurring revenues deriving from the settlement of a legal dispute. Adjusted for this, the results for 2014 were slightly weaker than the year before. Refinancing of KLP Kommunekreditt AS has caused significant costs, as existing funding has been replaced by new issues with better terms. In addition, substantial IT investments have been made to increase the efficiency of internal processes and improve accessibility and user-friendliness for our customers. Total lending in 2014 rose by NOK 3.6 billion (17 per cent), while net interest income rose by NOK 11.1 million (9 per cent). The board of directors considers the underlying development in profits to be good.

The subsidiary KLP Kommunekreditt AS is the main contributor to the bank group's operating profit in 2014. 54 per cent of the bank group's net interest income derived from KLP Kommunekreditt AS, compared with 76 per cent in 2013. The financial contribution of the bank's activities in the private market has therefore acquired a greater significance for the bank's overall profits during the fiscal year. KLP Kommunekreditt AS's lending volume remained relatively stable, and margins remained positive in a falling interest rate market. Borrowing costs through the year have nevertheless not fallen as much as interest rates on loans.

Adjustment to increased capital requirements for Norwegian banks has been partially accomplished, but strong earnings remain essential. At the same time, there is strong competition for loan customers. Overall, KLP Banken AS has achieved lower borrowing costs and maintained its lending margins in the private market, while at the same time increasing its total lending. These factors have contributed to an increase in net interest income compared with the year before.

Although financial gains on liquid investments also had a positive impact on profits in 2014, the effect was moderate, like the year before. At the close of 2014 the income statement included a net gain on securities of NOK 6.2 million. A net gain of NOK 4.1 million was recognised in 2013.

During the term of its borrowing agreements the bank makes regular adjustments to reduce its liquidity risk and meet regulatory requirements with respect to liquidity indicators and capital adequacy (Basel III and CRD IV). Restructuring of KLP Kommunekreditt AS's borrowings resulted in the need to buy back own issues. This adjustment continued to generate substantial costs in 2014, which have been recognised in profit and loss in the amount of NOK 21.5 million. At the same time, the market terms for new borrowings led to a reduction in average borrowing costs.

Operating costs and depreciation totalled NOK 157.4 million in 2014, compared with NOK 144.7 million the year before. This corresponds to a rise in costs of 9 per cent. The increase in excess of normal inflation in 2014 is largely related to investments in IT technology and external assistance in connection with the establishment of KLP Boligkreditt AS.

Lending – total

On behalf of KLP and through its own balance sheet, the KLP Banken AS Group manages a lending portfolio worth NOK 66.1 billion, divided between NOK 53.5 billion in loans to public sector borrowers and enterprises, and NOK 12.6 billion in home loans to private individuals.

Outstanding loans (principal) per company in the KLP Banken AS Group as at 31 December 2014:

Company / NOK bn	Mortgage loans	Public sector /enterprises	Total lending
KLP Banken AS (parent)	5,6	-	5,6
KLP Boligkreditt AS	3,0	-	3,0
KLP Kommunekreditt AS	-	15,9	15,9
KLP (Management agreement)	4,1	37,6	41,6
Sum	12,6	53,5	66,1

Of the managed loans to the public sector enterprises, NOK 5.2 billion derives from a pure management agreement for the bank, under which the agreement of loans, documentation and follow-up there of is undertaken by KLP. With regard to the remaining management activities on behalf of KLP, the bank is also responsible for making offers, entering into the agreement and producing the loan documentation in accordance with a mandate issued by KLP.

In consideration for the management agreement, KLP Banken AS received NOK 58 million in 2014, the same as the year before.

Private Market

The Private Market business area is still in a build-up phase, but shows strong growth in lending volumes and stable margins. Operating costs and extensive investments in technology mean that this business area continues to post an operating loss. In the second half of 2014 part of the bank's mortgage portfolio was transferred to the newly established subsidiary KLP Boligkreditt AS. The company's financing is largely accomplished through the issue of covered bonds. This helps to reduce the bank group's financing costs. The financial results achieved by the bank's Private Market business area are more or less as planned and budgeted. There was a strong increase in the volume of mortgage loans, particularly in the second half of the year. The increase is attributable to both new sales and the purchase of mortgage loans from KLP.

LENDING

KLP Banken AS is an online bank without a network of physical branches. The online bank is a day-to-day bank with simple, competitive savings and loan products. At the close of 2014, on-balance sheet lending to the private market totalled NOK 8.6 billion, an increase of NOK 4.1 billion compared with 2013. The increase in outstanding volume is a combination of new sales and the purchase of loans from KLP for the sum of NOK 1.9 billion.

During 2014 managed mortgages on KLP's balance sheet decreased from NOK 7.0 billion to NOK 4.1 billion. The reduction is a result of the bank's purchase of home loans from KLP, as well as the fact that new mortgages through the year were financed by the bank. The managed portfolio has subsequently been reduced by ordinary instalments and loan redemptions.

At the close of the year KLP's combined mortgage portfolios comprised NOK 12.6 billion in loans to private customers, a large and important group of whom is made up of municipal and health service employees who are members of KLP's pension schemes. Net growth in 2014 was NOK 1.2 billion. New payouts totalled NOK 4.4 billion gross. The mortgage lending portfolio has a conservative valuation, with careful assessments also being made of the potential borrowers' willingness and ability to pay before any loan is granted.

There are more than 11,000 mortgage customers, with members accounting for around 80 per cent. The average mortgage loan per customer came to NOK 1.1 million. Fixed-interest mortgages accounted for 9 per cent of the lending volume at the close of the year, compared with 13 per cent in 2013. The remaining loans were at floating interest rates. NOK 0.6 million in mortgage write-downs were recognised in 2014. Defaults in excess of 90 days totalled NOK 26.1 million gross at the close of 2014, corresponding to 0.4 per cent of the outstanding amount. The corresponding figure for 2013 was NOK 9.7 million. Defaults and losses are considered to be extremely small.

The loan products that KLP Banken AS offers in the private market include ordinary mortgages, flexible loans (Fleksilån), mortgages for young people (Boliglån Ung), bridge financing in connection with house purchases, mortgages for the purchase of holiday homes and senior loans (Litt Extra).

Other banking products in the private market include current accounts, savings accounts, young home-buyer savings accounts (BSU), online and mobile banking services, debit and credit cards.

BORROWING THAT FINANCES THE PRIVATE MARKET

Since its establishment, the bank has placed particular emphasis on attracting deposit customers by offering favourable terms to members. Individuals employed by KLP's owners or clients who receive a pension from an occupational pension scheme with the company are defined as members. The bank has marketed itself largely with a view to increasing the volume of deposits. Through 2014 the number of active deposit customers in the Private Market area increased from 22,700 to 33,100. Members make up 67 per cent of the deposit customers.

KLP Banken AS also offers savings account for business customers. At the close of 2014 deposits from businesses came to NOK 1.2 billion, which is 19 per cent of total deposits. The overall volume of funds held on deposit rose by 42 per cent, from NOK 4.4 billion in 2013 to NOK 6.2 billion at the close of the year.

The subsidiaries' activities are partially funded through KLP Banken AS' certificate and bond debt. At the close of 2014 the bank's outstanding certificate and bond debt totalled NOK 3.2 billion, compared with NOK 2.8 billion in 2013.

In the spring of 2014 KLP Banken AS established the subsidiary KLP Boligkreditt AS. Lending activities in the private market are partially funded by covered bonds. The establishment of the company was intended to finance continued growth in the private market and help strengthen the bank's financial position through favourable funding. In 2014 covered bonds in the amount of NOK 1.8 billion were issued. KLP Boligkreditt AS has received the best rating for its borrowing programme. The first borrowing issue was undertaken in the third quarter.

During the second half of the year KLP Boligkreditt AS purchased mortgage loans from KLP for the sum of NOK 1.2 billion and from the parent company for the sum of NOK 2.0 billion. At year end mortgages totalling NOK 3.0 billion were financed through KLP Boligkreditt AS' balance sheet, while mortgages totalling NOK 5.6 billion were financed through KLP Banken AS' balance sheet.

Public Lending

LENDING

KLP's lending to the public sector is undertaken by the KLP Banken Group, through the company KLP Kommunekreditt AS. KLP Kommunekreditt AS is an important player in its area of operation.

The activity is largely financed through the issue of bonds covered by a pool of loans to municipal and county authorities or companies with public guarantees.

In addition, the bank has a management agreement on behalf of KLP, which means that a significant proportion of the bank's activities in the public sector comprise loans which are financed by KLP. KLP Banken AS' management agreement also involves the management of loans to companies and operations that lie outside KLP Kommunekreditt's area of responsibility. At the close of 2014 this lending volume totalled NOK 5.2 billion, compared with NOK 0.8 billion a year before. Such loans are not referred to below.

New loans amounting to NOK 9.1 billion (NOK 8.5 billion) were paid out in 2014 to, or with guarantees from, the public sector by companies within the KLP Group. At the same time, instalment payments and loan redemptions were lower than the year before, totalling NOK 3.2 billion (NOK 6.1 billion) through the year.

Total lending by KLP Kommunekreditt stood at NOK 48.3 billion at the close of 2014, an increase of NOK 5.9 billion (14 per cent) from 2013. The increase is largely associated with lending financed by KLP, while lending through the company's own balance sheet decreased by NOK 0.7 billion.

Fixed-interest loans accounted for 43.1 per cent of total lending at the close of 2014, up from 42.5 per cent the year before. A large proportion of public sector borrowers choose loans with floating interest terms.

Requests for loans amounting to NOK 35 billion (NOK 47 billion) were received during 2014. The decrease from 2013 is due to a general lack of demand for loans for new road projects. The acceptance rate was 23 per cent in 2014, compared with 19 per cent in 2013.

The credit risk associated with lending to municipal and county authorities in Norway is limited to the deferment of payment and not to the cessation of payment obligations. This is pursuant to Norwegian legislation, which indemnifies the lender against losses if a local authority is unable to meet its payment obligations. In the event that payment is deferred, the lender is also, pursuant to Norwegian legislation, secured compensation for accrued interest, late-payment interest and debt collection costs. Neither the KLP Banken AS Group nor other specialised lenders have previously incurred credit losses on loans to municipal or county authorities.

BORROWING TO FINANCE PUBLIC LENDING

KLP Kommunekreditt AS issues bonds covered by sureties largely made up of loans to the public sector. Cost-effective financing is intended to ensure that the KLP Banken AS Group can offer long-term loans at favourable terms. The company has received the highest rating for its borrowing programme.

At the close of 2014 NOK 16.6 billion in bonds covered by public sector loans had been issued in the Norwegian market. No bonds have been issued in foreign currencies.

BALANCE SHEET AND CAPITAL ADEQUACY

The KLP Banken AS Group had total bank assets of NOK 29.8 billion (NOK 26.0 billion) at the close of 2014. The following table shows a breakdown of this amount:

Total bank assets / NOK bn	KLP Banken Group
Public lending/municipal guarantee	16.3
Lending to private individuals	8.6
Securities and liquidity	4.6
Other assets	0.2
Total	29.8

The Group's equity and subordinated loan capital, based on the board of director's proposal for the allocation of the group companies' profit, was NOK 1.3 billion at the close of 2014. Core capital is identical with equity and subordinated loan capital. This gives a capital adequacy and core capital adequacy of 16.9 per cent. The corresponding figures for 2013 were, respectively, NOK 1.3 billion and 19.6 per cent. The current capital requirement, including capital buffers, is 10 per cent core capital adequacy and 13.5 per cent capital adequacy. The risk-weighted balance came to NOK 7.1 billion. Capital adequacy is considered good.

LIQUIDITY

The year-end statement of cash flow shows that the bank's liquidity situation is satisfactory, since the company has obtained more funding than required to meet its operational needs.

Surplus liquidity is invested in other banks and in interest-bearing securities. Investments in credit institutions totalled NOK 1.1 billion, and the book value of the interest-bearing securities portfolio was NOK 3.5 billion at the close of the year. The investments in interest-bearing securities are largely recognised in KLP Kommunekreditt AS. The liquidity portfolio is composed in its entirety of Norwegian high-rated covered bank bonds and bonds issued by Norwegian municipalities.

APPLICATION OF THE YEAR'S PROFIT

KLP Banken AS's financial statements for 2014 show a total net profit of NOK 18.6 million. The board of directors proposes that the profit, in the amount of NOK 18.6 million, be transferred to retained earnings.

ABOUT THE FINANCIAL STATEMENTS

The board of directors believes that the financial statements provide a true and fair picture of the company's assets and liabilities, financial position and results. The preconditions exist for continuation as a going concern, and it is on this assumption that the financial statements have been prepared.

KLP Banken AS prepares its financial statements in accordance with the international accounting standards IFRS, as approved by the EU with associated interpretations. See Note 2 to the year-end financial statements for further details.

Rating

The rating agencies' assessment of the companies in the KLP Banken Group is important for the borrowing terms available to the companies. The companies use Fitch Ratings and Moody's for credit rating of their bonds. All issues of covered bonds (OMF) have received an AAA rating, which is the best achievable rating. The companies KLP Banken AS and KLP Kommunekreditt AS are rated A- by Fitch Ratings.

Risk management

KLP Banken AS is exposed to various types of risk. The bank has a well established risk management framework whose purpose is to ensure that risks are identified, analysed and managed by means of policies, limits, routines and instructions.

Risk policies have been drawn up to cover the most important individual risks (liquidity, credit, market and operational risks), as well as an overarching risk policy that covers principles, organisation, limits, etc, for the bank's overall risk. The risk policies are adopted by the board of directors and are reviewed at least once a year. The policies are of an overarching nature and are complemented by routines, guidelines and instructions determined at the administrative level.

The overarching risk policy covers, among other things, roles in the company's risk management, including requirements and guidelines for the risk auditing function. The risk auditing function shall verify that the risk policies and other risk management guidelines are complient.

Stress testing is used as a method for risk assessment, and as a tool for communication and risk discussions. In this context of stress testing we include both sensitivity analyses and scenario analyses.

The risk policies include tolerance for the individual risks and for the overall risk. Risk tolerances are defined on the basis of various stress scenarios, and various forms of stress testing are regularly carried out to measure whether actual exposure is within the predefined tolerance limits.

The bank have a prudent risk profile, and earnings shall largely be the result of borrowing and lending activities as well as liquidity management. This means that the bank have a low market risk, and that interest and foreign exchange risks which occur in the course of borrowing and lending activities shall be reduced through hedging using simple derivatives. The bank shall have an adequate, long-term financing structure, and limits have been set to ensure that this objective is achieved. The bank's credit risk is low, and the company's lending is limited to loans with municipal risk and loans secured through mortgages on residential and holiday property. Management of the bank's liquidity is undertaken in the form of investments which meet requirements for credit quality and securities in line with credit lines approved by the board of directors.

The bank aims to maintain a low operational risk, and wishes to be characterised by a high level of professional competence, solid routines and efficient operations.

The bank has established an annual process to assess and quantify material risks and calculate its capital requirement (ICAAP). The capital requirement assessment is forward-looking, and in addition to calculating needs based on current exposure (and, if appropriate, limits). An assessment is made in light of planned growth, determined strategic changes, etc. The bank's board of directors takes an active part in these assessments and, in addition to the capital requirement assessment, determines a desired level for total capital. This level is termed the 'target capital'.

The board of directors of KLP Banken AS has established a Risk Committee.

The work of the board of directors

The board of directors held seven board meetings in 2014. For an overview of the remuneration paid to members of the company's board and management, see Note 30 to the year-end financial statements.

Corporate governance

The company's articles of association and applicable legislation provide guidelines for corporate governance, and define a clear division of roles between governing bodies and day-to-day management.

The board of directors is not authorised to issue or buy back treasury shares.

It falls to the board of directors to issue guidelines for the company's operations. Contracts may be signed by the CEO or the Board Chair alone.

The CEO is in charge of the company's day-to-day management in accordance with instructions issued by the board of directors.

Working environment and organisation

The bank's most important resource is its employees, most of whom are highly experienced in both the private market and the public sector, and have acquired considerable credit and market expertise. New products, services and regulatory requirements with respect to the bank lead to operational changes and demand reorganisation and new competences. Further development of the organisation, with a view to stronger market orientation and competence enhancement, is an important element in the company's plans and activities.

At the close of 2014 KLP Banken AS and its subsidiaries had the equivalent of 55 full-time employees, compared with 52 at the same point in 2013. All employment contracts are with KLP Banken AS. Three employees have additional functions with the subsidiaries; KLP Kommunekreditt AS and KLP Boligkreditt AS.

Surveys are regularly performed among all employees to measure their commitment and level of job satisfaction, the extent to which KLP's values are complied with and the overall working environment. These surveys show that the vast majority of employees are highly committed and enjoy working for KLP. The companies have works councils (SAMU), made up of representatives from management, KLP's HR department and elected employee representatives. The cooperation between the bank's management and employees is good, as is the bank group's working environment.

The KLP Group aims to achieve a sickness absence rate of under 4 per cent. In 2014 the bank had a sickness absence rate of 4.3 per cent, compared with 3.7 per cent in 2013. Long-term absence totalled 2.7 per cent (2.4 per cent), while short-term absence totalled 1.0 per cent (1.2 per cent). The change in long-term absence is being followed up by managers and the HR department. Once again, there were no material injuries or accidents in 2014.

As part of the KLP Group, KLP Banken AS complies with the Group's guidelines on equality and diversity, whose objectives, initiatives and activities take account of the basis for discrimination described in the legislation. A central working group has drawn up internal targets for equality and diversity. In connection with recruitment, the company routinely states its desire to be contacted by all qualified job applicants irrespective of age, gender, disability, political opinions, sexual orientation or ethnic background.

KLP Banken AS also complies with the KLP Group's code of conduct and guidelines for the reporting of suspected wrongdoing in the workplace.

Women make up 55 per cent of the bank group's workforce. Efforts are made to achieve a balance between women and men at all levels. Women hold 55 per cent of management positions. At the close of 2014 the board of directors of KLP Banken AS comprised three women and three men, with one woman director having been elected from among the employees.

External environment

Through its social responsibility strategy KLP has pledged to maintain good routines for the measurement and reduction of its companies' environmental impact. In the same way as the rest of the KLP Group, KLP Banken AS takes its environmental impact seriously. As an office-based company, it has greatest control over energy consumption, transport, waste management and procurement. KLP Banken AS is environmentally certified.

Social responsibility

The KLP Group, including KLP Banken AS, shall contribute to sustainable investments and responsible business operations. Social responsibility is of strategic importance for KLP. This is manifested in actions associated with the Group's business. KLP has signed the UN Global Compact, and is thereby obligated to work for human and labour rights, environmental protection and against corruption. KLP's social responsibility efforts focus on four areas: responsible investments and products, responsible environmental solutions, sharing of knowledge and local involvement. Social responsibility is also included in governing documents through, among other things, codes of conduct and guidelines for environmental protection and responsible investment. More extensive descriptions of objectives, initiatives and results in this area are available from KLP's website.

Outlook

The bank shall contribute to KLP's focus on members by offering products and services at competitive terms and conditions. This shall reinforce the perception that enterprises which have chosen KLP as a pensions provider are attractive employers.

The pension schemes have more than 500,000 individual members, such that the potential for further growth within this target group is deemed to be considerable. Around 69 per cent of those making use of the bank's overall portfolio of products are members.

In the coming year the Norwegian economy is expected to continue experiencing low interest and low inflation rates, and limited growth in unemployment. This will help ensure that mortgage-holders' overall ability to service their debt remains satisfactory, and that the level of default will remain low. Norwegian households' average level of indebtedness is historically high, and some groups will therefore be vulnerable in the event of higher interest and unemployment rates. Residential property prices continued to rise in 2014, and it is uncertain if this trend may continue. The board of directors believes it will be important to continue pursuing a conservative credit policy in order to maintain the low risk profile of the bank's mortgage portfolios. In the board's view it is therefore reason to expect low credit losses in the future as well.

Technological solutions and digitalisation in general is intended to make the organisation more customer friendly, efficient and accessible. New technology will be exploited commercially to offer customers attractive products and to improve internal processes. Although this involves considerable up-front investment costs, long term effects will contribute to the realisation of the bank's growth and profitability targets.

KLP Boligkreditt AS is an important part of the bank group's financing structure through its ability to issue mortgage covered bonds at favourable terms. An even larger proportion of the bank's mortgage lending could potentially be financed through this company. This will help cut the bank's borrowing costs and will reduce dependence on customer deposits as a means to fund further growth in mortgage lending.

Deposits from individuals and companies will nevertheless account for an important part of the bank's financing. Bank deposits are the foundation for its operating licence, and are important as part of the total offering to members and customers. Not all customers are in a position or wish to borrow money, and it is important that the bank has competitive savings products available for them. Growth in the bank's deposits has been very high in recent years. At the same time, the costs of alternative financing have fallen relative to deposits. Low rates of interest on lending also means lower interest on deposits. The growth in deposits is therefore expected to be slightly lower than in the past two years.

For several years the Norwegian economy has been characterised by a national budget surplus and high employment rates. Combined with increasing longevity and population growth, this results in a continued need for high public sector investment. Demand for loans in the municipal sector and for projects with municipal guarantees and ownership is therefore expected to remain high in the years ahead.

KLP Kommunekreditt has a strong position in the market for public sector lending. Its presence in the market contributes to competition and thereby to the public sector having access to long-term, low-cost financing. Customer surveys show that borrowers want competition with regard to municipal lending. This is also underscored by the relatively strong growth that KLP has had in 2014.

It is highly likely that demand for loans in the municipal sector and for projects with municipal guarantees and ownership will continue to grow in the years ahead, despite any changes in local government structure or responsibilities.

The bank has a sound capital base that meets regulatory requirements. Combined with low credit risk in its lending business, this is a good starting point for accessing the best possible financing in the capital markets. The board of directors believes the bank to be well positioned for further development and growth.

Trondheim, 4 March 2015

Sverre Thornes Chair	Aage E. Schaanning DeputyChair	Eva M. Salvesen
Mette-Jorunn Meisland	Jan Otto Langmoen	Christin Kleppe Elected among the employees

Leif Magne Andersen
CEO

THE BOARD OF DIRECTORS OF KLP BANKEN AS

SVERRE THORNES
(Chair)

AAGE E. SCHAANNING
(Deputy Chair)

ANITA I. ENGENES
(Employee deputy representative)

JAN OTTO LANGMOEN

CHRISTIN KLEPPE
(Elected by and from the employees)

EVA M. SALVESEN

METTE-JORUNN MEISLAND

Income Statement

KLP Banken AS 2013	KLP Banken AS 2014	Note	NOK thousands	Note	KLP Banken AS Group 2014	KLP Banken AS Group 2013
234 750	290 560		Interest income and similar income		841 945	839 397
-204 420	-243 653		Cost of interest and similar costs		-708 899	-717 420
30 330	46 907	11	Net interest income	11	133 046	121 977
8 538	11 174		Commission income and income from banking services		11 174	8 538
-727	-1 176		Commission costs and costs of banking services		-1 176	-727
7 811	9 998	12	Net charges and commission income	12	9 998	7 811
735	30 600		Income from ownership interests in Group companies		0	0
58 063	58 025		Others fee income		58 025	58 063
625	1 051	6	Net gain/ (loss) on fin. instruments	6	-14 399	43 806
59 423	89 676		Total other operating income		43 626	101 869
-51 316	-48 976	32	Salary and administrative costs	32	-48 976	-51 316
-2 356	-2 677	25,26	Depreciation	25,26	-2 677	-2 356
-68 378	-74 352	36	Other operating expenses	36	-105 738	-91 026
-122 050	-126 005		Total operating expenses		-157 391	-144 698
0	-607	20	Loss on loans issued, guarantees etc.	20	-607	0
48 830	0		Gains/losses on securities that are fixed assets		0	0
24 344	19 968		Operating profit/loss before tax		28 672	86 959
-3 873	2 763	28	Tax on ordinary income	28	-7 849	-12 564
20 471	22 732		Income for the year		20 823	74 395
			Items that will not be reclassified to income			
-2 085	-5 722		Estimate deviation pensions obligations and assets		-5 722	-2 085
584	1 545		Tax estimate deviation pensions obligations and assets		1 545	584
-1 501	-4 177		Other comprehensive income for the year after tax		-4 177	-1 501
18 970	18 554		COMPREHENSIVE INCOME FOR THE YEAR		16 646	72 894
-18 970	-13 747		Allocated to/from retained earnings			
0	-4 807		Allocated to/from share premium fund			
-18 970	-18 554		TOTAL ALLOCATION OF INCOME			

Balance sheet

KLP Banken AS					KLP Banken AS Group	
31.12.2013	31.12.2014	Note	NOK thousands	Note	31.12.2014	31.12.2013
			ASSETS			
3 128 209	3 785 790	19,38	Loans to and receivables from credit institutions	19,38	1 113 949	1 534 079
4 483 602	5 636 190	19	Loans to and receivables from customers	19	24 945 746	21 317 032
128 739	410 720	17	Fixed-income securities	17	3 486 756	2 922 819
0	265		Shares, holdings and primary capital certificate		265	0
676 000	925 470	24	Holdings in Group companies		0	0
14 266	29 125	8	Financial derivatives	8	187 413	210 223
5 140	9 449	28	Deferred tax asset	28	0	0
581	499	25	Tangible fixed assets	25	499	581
21 098	18 503	26	Intangible assets	26	18 503	21 098
4 066	10 585	34	Other assets	34	1 852	1 562
8 461 701	10 826 596		TOTAL ASSETS		29 754 984	26 007 394
			LIABILITIES AND OWNERS' EQUITY			
			LIABILITIES			
2 771 163	3 240 841	22	Liabilities created on issuance of securities	22	21 687 168	19 981 805
4 406 943	6 250 873	23	Deposits	23	6 250 873	4 406 943
17 282	27 176	8	Financial derivatives	8	448 146	265 754
0	0	28	Deferred tax	28	8 021	13 422
27 155	43 129	33	Other liabilities	33	38 821	19 835
28 180	35 043	33	Provision for accrued costs and liabilities	33	36 737	29 465
7 250 720	9 597 061		TOTAL LIABILITIES		28 469 766	24 717 223
			OWNERS' EQUITY			
750 000	750 000		Share capital		750 000	750 000
435 193	440 000		Share premium		440 000	440 000
25 788	39 535		Retained earnings		95 218	100 171
1 210 981	1 229 535		TOTAL OWNERS' EQUITY		1 285 218	1 290 171
8 461 701	10 826 596		TOTAL LIABILITIES AND OWNERS' EQUITY		29 754 984	26 007 394

Trondheim, 4 March 2015

Sverre Thornes
Chair

Aage E. Schaanning
DeputyChair

Mette-Jorunn Meisland

Eva M. Salvesen

Jan Otto Langmoen

Christin Kleppe
Elected among the employees

Leif Magne Andersen
CEO

Statement of owners' equity KLP Banken AS

2014 NOK thousands	Share capital	Share premium	Retained earnings	Total owners' equity
Owners' equity 1 January 2014	750 000	435 193	25 788	1 210 981
Group contribution received 2014	0	4 807	25 792	30 600
Income for the year	0	0	-7 868	-7 868
Other comprehensive income	0	0	-4 177	-4 177
Comprehensive income for the year	0	4 807	13 747	18 554
Total transactions with the owners	0	0	0	0
Total other changes	0	0	0	0
Owners' equity 31 December 2014	750 000	440 000	39 535	1 229 535

2013 NOK thousands	Share capital	Share premium	Retained earnings	Total owners' equity
Owners' equity 1 January 2013	750 000	416 222	25 788	1 192 010
Income for the year	0	20 471	0	20 471
Other comprehensive income	0	-1 501	0	-1 501
Comprehensive income for the year	0	18 970	0	18 970
Total transactions with the owners	0	0	0	0
Total other changes	0	0	0	0
Owners' equity 31 December 2013	750 000	435 193	25 788	1 210 981

	Number of shares	Nominal value in whole NOK	Share premium	Total
As at 1 January 2014	7 500 000	100	440 000	1 190 000
Changes during the period 1 January - 31 December	-	-		
As at 31 December 2014	7 500 000	100	440 000	1 190 000
Accumulated income				39 535
Owners' equity as at 31 December 2014				1 229 535

There is one class of shares. All shares are owned by KLP Bankholding AS.

Statement of owners' equity KLP Banken AS Group

2014 NOK thousands	Share capital	Share premium	Retained earnings	Total owners' equity
Owners' equity 1 January 2014	750 000	440 000	100 172	1 290 172
Income for the year	0	0	20 823	20 823
Other comprehensive income	0	0	-4 177	-4 177
Comprehensive income for the year	0	0	16 646	16 646
Group contribution received during the period	0	0	8 500	8 500
Group contribution paid during the period	0	0	-30 100	-30 100
Total transactions with the owners	0	0	-21 600	-21 600
Owners' equity 31 December 2014	750 000	440 000	95 218	1 285 218

2013 NOK thousands	Share capital	Share premium	Retained earnings	Total owners' equity
Owners' equity 1 January 2013	750 000	406 371	60 907	1 217 278
Income for the year	0	33 629	40 765	74 394
Other comprehensive income	0	0	-1 501	-1 501
Comprehensive income for the year	0	33 629	39 264	72 893
Total transactions with the owners	0	0	0	0
Owners' equity 31 December 2013	750 000	440 000	100 171	1 290 171

Statement of cash flows

KLP Banken AS			KLP Banken AS Group	
2013	2014	NOK thousands	2014	2013
		Operating activities		
232 076	283 813	Payments received from customers – interest, commission & charges	764 555	764 031
-122 955	-154 170	Payments to customers – interest, commission & charges	-154 170	-122 955
-725 241	-1 939 220	Net receipts/disbursements on loans customers & credit institutions	-3 573 398	379 047
1 460 748	1 843 929	Net receipts on customer deposits banking	1 843 929	1 460 748
-70 138	-78 992	Net receipts/disbursements on operations	-103 940	-94 239
-45 024	-39 411	Payments to employees, pension schemes, employer's social security contribution etc.	-39 411	-45 024
8 308	55 261	Net interest investment accounts	26 105	29 584
-14 044	12 523	Net receipts/disbursements from operating activities	70 594	85 432
0	0	Income tax paid	0	0
723 730	-16 267	Net cash flow from operating activities	-1 165 735	2 456 623
		Investment activities		
-127 725	-407 607	Payments on the purchase of securities	-1 939 590	-1 478 732
149 884	127 725	Receipts on sale of securities	1 382 690	2 619 973
1 195	2 097	Receipts of interest from securities	66 298	77 487
-2 671	0	Payments on the purchase of tangible fixed assets	0	-2 018
205 082	30 600	Receipts on shares in subsidiaries	0	0
0	-249 470	Disbursement of capital to subsidiaries	0	0
225 765	-496 655	Net cash flow from investment activities	-490 602	1 216 710
		Financing activities		
-565 457	471 404	Net receipts/disbursements on loans from credit institutions	1 828 609	-3 729 547
-82 010	-84 935	Net payment of interest on loans	-555 043	-549 071
0	0	Group contributions made	-33 305	0
-647 468	386 469	Net cash flows from financing activities	1 240 261	-4 278 619
302 027	-126 453	Net cash flow during the period	-416 076	-605 287
363 335	665 362	Cash and cash equivalents at the start of the period	1 486 425	2 091 712
665 362	538 909	Cash and cash equivalents at the end of the period	1 070 349	1 486 425
302 027	-126 453	Net receipts/disbursements (-) of cash	-416 076	-605 287

DECLARATION I. A. W. THE NORWEGIAN SECURITIES TRADING ACT SECTION 5-5

We hereby declare that, to the best of our knowledge, the annual financial statements for the period from 1 January to 31 December 2014 have been prepared in accordance with applicable accounting standards, and that the information in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and overall profit or loss.

We also declare that the Directors' report provides a true and fair overview of the development, profit or loss and the financial position of the Company and the Group, together with a description of the most significant risk and uncertainty factors the Company and the Group face.

Trondheim, 4 March 2015

Sverre Thornes
Chair

Aage E. Schaanning
DeputyChair

Mette-Jorunn Meisland

Eva M. Salvesen

Jan Otto Langmoen

Christin Kleppe
Elected among the employees

Leif Magne Andersen
CEO

Note 1 General information

KLP Banken AS was formed on 25 February 2009. KLP Banken AS and its subsidiaries provide or acquire loans to Norwegian municipalities and county authorities, as well as to companies with a public sector guarantee. The lending activities are principally financed by the issuance of covered bonds. The Group also offers standard banking products to private customers. The Company, KLP Banken AS, is registered as domiciled in Norway. The bank is an online bank without branches. KLP Banken AS is registered and domiciled in Norway. Its head office is at Beddingen 8 in Trondheim. The Company has a branch office in Oslo.

KLP Banken AS owns all the shares in KLP Kommunekreditt AS and KLP Boligkreditt AS. These companies together form the KLP Banken AS Group. The Company, KLP Banken AS, is a subsidiary of KLP Bankholding AS, which is in turn wholly owned by Kommunal Landspensjonskasse (KLP). KLP is a mutual insurance company.

The annual financial statements are available at www.klp.no.

Note 2 Summary of the most important accounting principles

Below is a description of the most important accounting principles used in preparation of the KLP Banken AS Company and Group financial statements. These principles are used in the same way in all periods presented unless otherwise indicated.

2.1 FUNDAMENTAL PRINCIPLES

The financial statements and the consolidated financial statements for KLP Banken AS have been prepared in accordance with the international accounting standards (IFRS) and interpretations from the IFRS interpretations committee, as adopted by the EU. The Norwegian Accounting Act contains certain supplementary information requirements not required in accordance with IFRS. These supplementary information requirements have been incorporated into the notes to the financial statements.

The annual accounts have been prepared based on the principle of historic cost, with the following exceptions:

- Financial assets and liabilities (including financial derivatives) are valued at fair value through profit or loss.

2014 is the first accounting year in which KLP Banken AS is using IFRS in full in the company financial statements. Previous annual financial statements have been prepared in accordance with the Norwegian Regulation 1240 "Regulations on financial statements etc for banks, financial enterprises and their parent companies", and Norwegian Act No. 56 "Act regarding annual accounts etc. (the Accounting Act)" of 17 July 1998. In accordance with the above, IFRS has been used in preparation of the financial statements, but the Bank has made use of the provision in Norwegian Regulation No. 57: "Regulations on simplified presentation of international accounting standards" of 21 January 2008 allowing recognition of a provision for dividend and group contribution at the end of the reporting period even though the resolution is passed at a later date. The effect of the transition to using the IFRS standards in full is shown in Note 4.

To prepare the accounts in accordance with IFRS, management has to make accounting estimates and approximate valuations. This will affect the value of the Group's assets and liabilities, income and expenses recognized in the financial statements. Actual figures may deviate from estimates used. Areas in which discretionary valuations and estimates have been used that are of material significance for the Group are described in Note 5.

All amounts are presented in NOK thousands without decimals unless otherwise stated.

The financial statements have been prepared in accordance with the going concern assumption.

2.2.1 Changes in accounting principles and declarations

a) New and changed standards adopted by the Company in 2014

No standards, changes or interpretations that came into effect during 2014 have been adopted that have had significant effect on the Company's/Group's accounts.

b) Standards, changes and interpretations of existing standards that have not come into effect and where the Company/Group has not elected advanced application.

A range of new standards, changes to standards and interpretations on for future annual financial statements. Amongst those the Group has chosen not to apply in advance, the most significant are declared below.

IFRS 9 *Financial Instruments* addresses classification, measurement and recognition of financial assets and financial liabilities as well as hedge accounting. The complete version of IFRS 9 was published in July 2014. It replaces those parts of IAS 39 that relates to the classification and measurement of financial instrument. In accordance with IFRS 9 financial assets are to be classified in three categories: fair value through other comprehensive income; fair value through profit or loss; and amortized cost. The measurement category is decided when the assets are recognized for the first time. Classification depends on the entity's business model for managing its financial instruments and the characteristics of the the individual instrument's cash flows. Investments in equity instruments are required to be measured at fair value through profit or loss. The enterprise may choose to present the value changes over other comprehensive income, but the choice is binding and, on later sale, gain/loss cannot be reclassified through profit or loss. Impairment resulting from credit risk is now to be recognized based on expected loss instead of the current model where losses must have been incurred. For financial liabilities the standard generally continues the requirements in IAS 39. The greatest change is that in instances in which the fair value option is adopted for a financial liability, changes in fair value resulting from change in the entity's own credit risk are recognized in other comprehensive income. IFRS 9 simplifies the requirements for hedge accounting through the hedging effect's closer linkage to the management's risk management providing greater scope for discretion. At the same time hedging documentation continues to be required. The standard is effective for accouting periods beginning on or after 1. january 2018. Early adoption is permitted. The Group still has yet to fully assess the effect of IFRS 9.

IFRS 15 *Revenue from Contracts with Customers* deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognises whe a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 «Revenue» and IAS 11 «Construction Contracts» and related interpretations. The standard is effective for annual periods beginning on or after 1. january 2017 and earlier application is permitted. The Group still has yet to fully assess the effect of IFRS 15.

There are no other IFRS standards or IFRIC interpretations not yet in force that are expected to have a significant impact on the Group's financial statements.

2.2 CONSOLIDATION PRINCIPLES

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has controlled. Control over an entity arises when the Group is exposed to variability in the profitability from the entity and has the ability to influence this profitability through its power over the entity. Subsidiaries are consolidated from the date control arises and are omitted from the consolidated financial statements when control ceases.

Internal Group transactions and accounts between Group companies are eliminated. Where Group companies present accounts in accordance with principles other than those of the Group, these are converted to correspond to the Group's accounting principles before they are consolidated. The Group's accounts are presented in NOK.

2.3 TRANSLATION OF TRANSACTIONS IN FOREIGN CURRENCY

2.3.1 Functional currency and presentational currency

The accounts are presented in NOK, which is the functional currency of the parent company and the presentation currency of the Group.

2.3.2 Transactions and financial position statement items

Transactions in foreign currency are converted to the functional currency at the transaction rate of exchange. Foreign exchange gains or losses realized on settlement and conversion of money items in foreign currency at the exchange-rate at the end of the reporting period are taken to profit/loss. Foreign exchange gains and losses are presented net on the line "Net gain/loss on financial instruments".

Translation differences on non-monetary items (assets and liabilities) is included as a part of the assessment of fair value. Translation differences associated with non-money items, such as shares at fair value through profit or loss, are included as an element of value change taken to profit/loss.

2.4 TANGIBLE FIXED ASSETS

Tangible fixed assets comprise in the main office machinery, inventory and vehicles used by the Company/Group in its business.

Tangible fixed assets are recognized at cost of acquisition including costs that can be attributed directly to acquisition of the fixed asset, with deduction for depreciation. Subsequent costs relating to fixed assets are capitalized as part of the fixed asset if it is likely that the expenditure will contribute to future financial benefit for the Company/Group and the cost can be measured reliably. Repair and maintenance are recognized through profit or loss during the period in which the expenses are incurred.

Depreciation is calculated by the straight-line method so the acquisition cost of tangible fixed assets, including subsequent costs, is depreciated to residual value over expected usable life, which is:

Office machinery:	4 years
Inventory:	4 years

Gains or losses from changes in fair value of assets classified as financial assets at fair value through profit or loss are included in the income statement in the period they arise. This is included in the line "Net unrealized gain/loss financial instruments".

Coupon interest is taken to income as it accrues and is included in the line "Interest income and similar income".

2.5 INTANGIBLE ASSETS

The Company/Group's intangible assets generally comprise capitalized IT systems and software. On the purchase of a new IT system, directly attributable costs for the system/software and costs of having the system installed and readied for use are capitalized.

On further development of IT systems and software both external and internal costs are capitalized in accordance with the above. System changes regarded as maintenance are taken to expenses as they occur.

When an IT system is operational the capitalized costs are depreciated by straight line over the expected life (7 years). In the event of subsequent capitalization because of further development this is depreciated over the originally set life unless the expenditure increases the total expected life of the system.

If there are indications that the book value of a capitalized IT system is higher than the recoverable sum an impairment test is carried out. If the book value is higher than the recoverable sum (present value on continued use/ownership), the asset is depreciated to the recoverable sum.

2.6 FINANCIAL ASSETS

The Company/Group's financial assets are divided into the following categories: Financial assets measured at fair value through profit or loss and financial assets measured at amortized cost. In addition hedge accounting is used in accordance with the rules on fair value hedging. The purpose of the asset determines the classification and management undertakes classification on acquisition of the financial asset.

2.6.1 Financial assets at fair value through profit or loss

This category is divided into two subcategories: held for trading and voluntarily categorized at fair value through profit or loss on acquisition according to the fair value option.

a) Financial assets held for trading are assets acquired primarily with a view to providing a profit from short-term price fluctuations. The Company/Group's derivatives are included in this category unless they form part of hedging. Fair value is determined on the basis of observable prices in an active market, or where such prices are not available, through internal modelling with regular collection of external pricing to quality-assure the internal pricing model.

b) Financial assets voluntarily categorized at fair value through profit or loss on acquisition comprise financial assets managed as a group and where their earnings are valued and reported to management on the basis of fair value. The size of the portfolio is decided on the basis of the Group's desired risk exposure to the interest market.

Gains or losses from changes in fair value of assets classified as financial assets at fair value through profit or loss are included in the income statement in the period they arise. This is included in the line "Net unrealized gain/loss financial instruments".

Coupon interest is taken to income as it accrues and is included in the line "Interest income and similar income".

2.6.2 Loans and receivables at amortized cost

Loans and receivables are financial assets that are not derivatives, and that have set or determinable payments, and that are not traded in an active market or that the Company/Group does not intend to sell in the short term or has earmarked at fair value through profit or loss.

Loans and receivables are initially recognized in the financial position statement at fair value. Subsequent measurement is at amortized cost using the effective interest rate method with write-down for credit losses if appropriate.

Effective interest on loans and receivables in the investment business is taken to income and included in the line "Interest income and similar income".

2.6.3 Derivatives and hedging

Derivatives are capitalized at fair value at the time the derivative contract is struck. On subsequent measurement the derivatives are recognized at fair value. If the hedging no longer fulfils the criteria for hedge accounting, the recognized effect of the hedging for hedging objects recognized at amortized cost is amortized over the period up to the due date of the hedging instrument. The derivatives are used as hedging instruments for hedging of interest rate risk. Changes in the credit spread are not taken into account in the hedging effectiveness. The Company/Group uses the rules on fair value hedging, so that the hedged item's (asset or liability) recognized value is corrected with the value development in the hedged risk. The value change is recognized in the income statement. On entry into a hedging contract, the connection between the hedging instrument and the hedging object is documented, in addition to the purpose of the risk management and the strategy behind the different hedging transactions. The hedging effectiveness is measured regularly to ensure the hedge is effective.

2.6.4 Accounting treatment of financial assets

Purchases and sales of financial assets are taken to account on the trading date, i.e. when the Company/Group has committed itself to buy or sell that financial asset. Financial assets are recognized at fair value. Direct costs of purchase are included in acquisition cost except for purchase costs associated with assets at fair value through income. For these assets purchase costs are taken to expenses directly. Financial assets cease to be recognized when the Company/Group is no longer entitled to receive the cash flow from the asset or the Group has transferred all risk and entitlements associated with its ownership.

2.6.5 Calculation of fair value of financial assets

Fair value of market-listed investments is based on the applicable purchase price. If the market for the security is not active, or the security is not listed on a stock market or similar, valuation techniques are used to set fair value. The business's stock of lending and borrowing does not have sufficient trading to obtain prices from an active market. Therefore model-based valuation based on observable market data from external sources is used in the valuation. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected yield curves and spread curves.

2.6.6 Write-down

If there is objective proof of value impairment write-down is carried out. In assessing whether there is value impairment, weight is attached to whether the debtor has significant financial difficulties and whether there is breach of contract, including default. The write-down is calculated by comparing the new, anticipated cash flows with the original cash flows discounted by the original effective interest rate (assets with fixed interest) or by the effective interest rate at the time of measurement (assets with variable interest).

Loss assessment and loss write-down is carried out quarterly on individual loans where there is objective evidence of impairment. Lending is also assessed by group. If there is objective evidence of impairment in a group of loans, write-down is carried out. The write-down is reversed if after the date of write-down events occur that reduce the loss.

2.6.7 Netting

Financial assets and liabilities are presented net in the statement of financial position when there is an unconditional offsetting entitlement that can be legally enforced and the intention is to settle net, or realize the asset and liability simultaneously.

2.7 CASH AND CASH EQUIVALENTS

Bank deposits associated with daily operation that are included as a part of the financial statement line "Lending to and receivables from credit institutions" are counted as cash and cash equivalents. Bank deposits linked to the securities business are defined as financial assets. The statement of cash flows has been prepared in accordance with the direct method.

2.8 FINANCIAL LIABILITIES

The Company's/Group's financial liabilities comprise debt to credit institutions, covered bonds issued and deposits from customers.

2.8.1 Liabilities to credit institutions

Liabilities to credit institutions are capitalized at market value on take-up. As a rule, on subsequent measurement the liability is recognized at amortized cost in accordance with the effective interest rate method. The interest costs are included in the amortization and are shown in the line "Interest costs and similar costs" in the income statement.

2.8.2 Covered bonds issued

Covered bonds have been issued in accordance with Chapter 2 IV of Act No. 40 "Act on financing activity and financial institutions (Financial Institutions Act)" of 10 June 1988.

The bondholders have security in a security pool comprising lending with government guarantee (local government loans) and additional collateral in the form of a liquidity reserve. The additional collateral may at any time represent up to 20 per cent of the security pool.

The value of the security pool shall at all times exceed the value of the covered bonds in the security pool. A register is kept of the covered bonds in the security pool, as well as of the assets included in the latter. The Financial Supervisory Authority of Norway (the FSA of N) nominates an independent supervisor who monitors that registration is carried out correctly.

If the issuer of the covered bonds ceases operations, becomes bankrupt, enters into debt negotiations or is placed under public administration, the bond owners are entitled to receive timely payment from the security pool during the debt negotiations. The bond owners have an exclusive, equal and proportionate entitlement to the assets in the security pool that have been provided for them.

Covered bonds issued are brought to account in the first instance at fair value, i.e. nominal value adjusted for any premium/discount on issue. On subsequent valuation the bonds are valued at amortized cost by the effective interest method. The interest costs are included in the amortization and are shown in the line "Interest costs and similar costs" in the income statement. The rules on fair value hedging are used for bonds with fixed interest rates.

Fair value in this category is determined on the basis of internal valuation models based on external observable data.

2.8.3 Deposits from customers

Deposits from customers are recognized at fair value in the financial position statement when the deposit is recorded as transferred to the customer's account.

2.9 OWNERS' EQUITY

The owners' equity in the Group comprises owners' equity contributed and retained earnings.

2.9.1 Owners' equity contributed

Owners' equity contributed comprises share capital, the share premium fund and other owners' equity contributed.

2.9.2 Retained earnings

Retained earnings comprise other owners' equity. Ordinary company law rules apply for any allocation or use of the equity capital fund.

2.10 PRESENTATION OF INCOME

Income on sale of goods and services is valued at fair value of the consideration, net after deductions for VAT and any discounts. Sales internal to the Group are eliminated.

2.10.1 Income from services

Fees for lending management are taken to income in proportion to the management carried out for the period up to the end of the reporting period. Other services are taken to income by straight line over the contract period.

2.10.2 Interest income/expenses

Interest income and interest expenses associated with all interest-bearing financial instruments valued at amortized cost are taken to income using the effective interest rate method. Setting-up fees for lending are included in the amortization and taken to income over the loan's duration.

For interest-bearing financial investments measured at fair value, interest income is classified as "Interest income and similar income", whereas other value changes are classified as "Net gain or loss on financial investments".

2.11 TAX

Tax comprises tax payable and deferred tax. Tax is charged to the income statement, apart from when it relates to items that are recognized through other comprehensive income or directly against owners' equity. If that is the case, the tax is also recognized in other comprehensive income or directly against owners' equity.

Tax payable for the period is calculated in accordance with the tax legislation and regulations enacted, or generally adopted, at the end of the reporting period in the country in which the Company and subsidiaries operate and generate taxable income.Management continuously assesses the assertions made in the tax returns where the applicable taxation legislation is subject to interpretation. Based on the management's assessment, provisions are made for expected tax payments where this is considered necessary.

Deferred tax is calculated on temporary differences between taxable values and consolidated financial statement values of assets and liabilities. Should a temporary difference arise on first recognition in the financial position statement of a liability or asset in a transaction, not being a business merger, and that at the time of the transaction affects neither the book income nor the taxable income, deferred tax is not recognized in the financial position statement. Deferred tax is determined using tax rates and tax legislation enacted or to all intents and purposes enacted at the end of the reporting period, and expected to be applicable when the deferred tax asset is realized or when the deferred tax is settled.

Deferred tax assets and deferred tax are to be set off if there is a legally enforceable entitlement to set off taxable assets against taxable liabilities, and deferred tax assets and deferred tax involve income tax imposed by the same tax authority for either the same taxable enterprise or different taxable enterprises that intend to settle taxable liabilities and assets net.
Net deferred tax assets are capitalized in the financial position statement to the extent it is likely future taxable income will be available upon which the tax reducing temporary differences may be utilized.

2.12 PENSION OBLIGATIONS - OWN EMPLOYEES

The Group's pension obligations are partially insurance-covered through KLP's public sector occupational pensions through membership of the joint pension scheme for municipalities and enterprises ("Fellesordningen"). Pension liability beyond these schemes is covered through operation. Pension costs are treated in accordance with IAS 19. The Company has a defined benefits based pension scheme for its employeesThe accounting liability for defined benefit schemes is the present value of the obligation on the reporting date, with deduction for fair value of the pension assets. The gross obligation is calculated using the straight-line method. The gross obligation is discounted to present value using the interest rates on Norwegian high-quality bonds. Gains and losses arising on recalculation of the obligation as a result of known deviation and changes in actuarial assumptions are charged to owners' equity via other comprehensive income during the period in which they arise. The effect of changes in the scheme's benefits is taken to profit/loss immediately.

Presentation of the pension costs in the income statement is in accordance with IAS 1. This standard allows the option of classifying the net interest element either as an operating cost or as a financial cost. The option the company adopts must be followed consistently for later periods. The Company has presentert the pension costs under the accounting line " Salary and administrative costs ", whilst the net interest element is presented in the accounting line "Net gain/(loss) on financial instruments ". The estimate deviation has been classified under "Items that will not be reclassified to income" in the accounting line "Estimate deviation pension obligations and pension assets".

Note 3 Important accounting estimates and valuations

The Company/Group prepares estimates and assumptions on future circumstances. These are continuously evaluated and are based on historic data and expectations concerning probable future events considered on the basis of data available at the time of presentation of the financial statements.

It must be expected that the estimates will deviate from the final outcome and the areas where there is significant risk of substantial change in capitalized values in future periods are discussed below.

3.1 PENSION OBLIGATIONS - OWN EMPLOYEES

The present value of the Company's net pensions liability in regard to its employees depends on a range of economic and demographic assumptions. The Company complies with the "Guidance for determining pension assumptions" published by the Norwegian Accounting Standards Board (NASB). Updated guidance published on 6 January 2015 has been used as the basis for updated measurement of best-estimate accrued obligations and assets as at 31 December 2013.

In accounting for pension schemes in accordance with IAS 19, a range of actuarial assumptions must be specified. This specification involves significant elements of judgement and practical approaches. Weight has been placed on the assumptions being mutually consistent. Those parameters that are of the greatest significance for net pension liabilities are the discount rate, assumptions on future salary growth, assumptions on future adjustment of the National Insurance basic amount (G adjustment), pension adjustments, assumptions on future longevity and future likely take-up of the contractual early retirement scheme (AFP).

The Company uses the option given by the "Guidance for determining pension assumptions" to use the interest rate for covered bonds (OMF) as the discount rate based on the belief that a liquid market exists for covered bonds of long duration. In this evaluation, account is taken of market volume; bid/ask spread; price reliability; trading volume and frequency; and issuance volume. As at 31 December 2014 a discount rate of 2.3 per cent has been used.

New mortality assumptions have been used in measuring accrued pension obligations (best estimate) as at 31 December 2014. The Company has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations.

Future take-up of contractual early retirement scheme (AFP) has been assumed at 45 per cent, i.e. 45 per cent will take AFP on reaching the age of 62.

3.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets/liabilities classified as assets for which changes in fair value are taken to profit or loss do not have adequate trading in a market for fair value to be read directly from the market price. Fair value must therefore be estimated. The estimate is based on the market circumstances prevailing at the end of the reporting period. Unlisted fixed-income securities are priced on the basis of a yield curve with a risk supplement that represents the market's pricing of the issuer's industry-specific risk.

During the year the Company/Group has invested surplus liquidity in fixed-income securities. These were registered for the first time in the statement of financial position at fair value. The securities in the portfolio are earmarked for the category "financial assets at fair value through profit or loss" since they are managed, and their pay-back is valued on the basis of fair value.

Fair value is determined on the basis of observable prices in an active market. Where such prices are not available, fair value is determined using a recognized valuation model based on observable market data.

3.3 LOSSES ON FINANCIAL ASSETS

Financial assets not measured at market value are assessed for impairment at the end of the reporting period. The Company/Group's lending portfolio is valued individually for loans on which default has been observed. If there is an objective event at the end of the reporting period that has influence on future cash flows, the loan is written down. In addition, lending with uniform risk profile is valued quarterly by group.

The lending portfolio has historically shown insignificant losses and has generally very good security in public sector guarantee or mortgage. The Company/Group has insignificant loss provisions, so any future losses will have a direct effect on the income statement.

3.4 CAPITALIZED SOFTWARE

If impairment is suspected a write-down test is carried out to check whether the book value of capitalized software is present. In this context the recoverable sum is estimated. There are uncertainties associated with estimating cash flows and discounting factors in connection with calculating a recoverable sum.

Note 4 Segment information

KLP Banken AS has no division of its income by products or services. The Company has only the retail market segment and has only Norwegian customers. The Company has no external customers who represent more than 10 per cent of the Company's total income.

Note 5 Transition to IFRS

NOK thousands	Share capital	Share premium	Retained earnings	Total owners' equity
Owners' equity 1 January 2013 simplified IFRS	750 000	416 957	25 788	1 192 745
Group contribution received	0	-735	0	-735
Owners' equity 1 January 2013 IFRS	750 000	416 222	25 788	1 192 010
Owners' equity 31 December 2013 simplified IFRS	750 000	440 000	51 580	1 241 580
Group contribution received	0	-4 808	-25 792	-30 600
Owners' equity 31 December 2013 IFRS	750 000	435 192	25 788	1 210 980

Reconciliation of income statement in connection with transition from simplified IFRS to IFRS	2013
Income simplified IFRS 31 December 2013	48 834
Group contribution received 2012	735
Group contribution received 2013	-30 600
Income IFRS 31 December 2013	18 969

Note 6 Net gain/loss on financial instruments

KLP Banken AS			KLP Banken AS Group	
2013	2014	NOK thousands	2014	2013
1 635	2 187	Net gain/loss on interest-bearing securities	8 423	5 766
5 222	4 636	Net gain/loss financial derivatives	-156 166	12 578
-5 400	-4 676	Net value change lending and borrowing, hedge accounting	134 673	-24 471
-832	-1 097	Other financial income and expenses	-1 329	48 702
0	0	Net value change lending and receivables	0	1 231
625	1 051	Total	-14 399	43 806

Note 7 Fair value of financial assets and liabilities

KLP Banken AS 31.12.2014		NOK thousands	KLP Banken AS Group 31.12.2014	
Capitalized value	Fair value		Capitalized value	Fair value
		Financial assets at fair value		
410 720	410 720	Fixed-income securities	3 486 756	3 486 756
29 125	29 125	Financial derivatives	187 413	187 413
439 845	439 845	Total financial assets at fair value	3 674 170	3 674 170
		Financial assets at fair value hedging		
0	0	Loans to Norwegian local administrations	6 066 133	6 111 821
365 713	347 239	Loans to retail customers	365 713	347 239
365 713	347 239	Total financial assets at fair value hedging	6 431 846	6 459 060
		Financial assets at amortized cost		
566 893	566 893	Loans to and receivables from credit institutions	1 113 949	1 113 949
3 218 897	3 218 897	Loans to Group companies	0	0
0	0	Loans to Norwegian local administrations	10 272 128	10 262 529
5 270 477	5 270 477	Loans to retail customers	8 241 773	8 241 773
9 056 266	9 056 266	Total financial assets at amortized cost	19 627 850	19 618 251
9 861 824	9 843 350	Total financial assets	29 733 866	29 751 481
		Liabilities to credit institutions at fair value		
27 176	27 176	Financial derivatives	448 146	448 146
27 176	27 176	Total financial liabilities at fair value	448 146	448 146
		Liabilities to credit institutions at fair value hedging		
531 024	545 516	Liabilities created on issuance of securities	2 985 895	3 023 096
531 024	545 516	Total financial liabilities at fair value hedging	2 985 895	3 023 096
		Liabilities to credit institutions and deposits at amortized cost		
2 709 817	2 722 272	Liabilities created on issuance of securities	18 701 273	18 776 903
6 250 873	6 250 873	Deposits from customers	6 250 873	6 250 873
8 960 690	8 973 145	Total financial liabilities at amortized cost	24 952 146	25 027 776
9 518 890	9 545 837	Total financial liabilities	28 386 187	28 499 018

Note 7 Fair value of financial assets and liabilities (continued)

KLP Banken AS 31.12.2013		NOK thousands	KLP Banken AS Group 31.12.2013	
Capitalized value	Fair value		Capitalized value	Fair value
		Financial assets at fair value		
128 739	128 739	Fixed-income securities	2 922 819	2 922 819
0	0	Loans to Norwegian local administrations	0	0
14 266	14 266	Financial derivatives	210 223	210 223
143 005	143 005	Total financial assets at fair value	3 133 042	3 133 042
		Financial assets at fair value hedging		
0	0	Loans to Norwegian local administrations	6 160 311	6 181 146
454 408	442 592	Loans to retail customers	454 408	442 592
454 408	442 592	Total financial assets at fair value hedging	6 614 719	6 623 738
		Financial assets at amortized cost		
685 368	685 368	Loans to and receivables from credit institutions	1 534 079	1 534 079
2 442 841	2 442 841	Loans to Group companies	0	0
0	0	Loans to Norwegian local administrations	10 673 119	10 671 959
4 029 195	4 029 195	Loans to retail customers	4 029 195	4 029 195
7 157 404	7 157 404	Total financial assets at amortized cost	16 236 394	16 235 233
7 754 816	7 743 001	Total financial assets	25 984 154	25 992 013
		Liabilities to credit institutions at fair value		
17 282	17 282	Financial derivatives	265 754	265 754
17 282	17 282	Total financial liabilities at fair value	265 754	265 754
		Liabilities to credit institutions at fair value hedging		
524 056	529 437	Liabilities created on issuance of securities	4 748 614	4 969 199
524 056	529 437	Total financial liabilities at fair value hedging	4 748 614	4 969 199
		Liabilities to credit institutions and deposits at amortized cost		
2 247 106	2 269 360	Liabilities created on issuance of securities	15 233 191	15 121 032
4 406 943	4 406 943	Deposits from customers	4 406 943	4 406 943
6 654 050	6 676 303	Total financial liabilities at amortized cost	19 640 134	19 527 976
7 195 388	7 223 021	Total financial liabilities	24 654 502	24 762 928

Fair value of investments listed in an active market is based on the current sales price. A financial instrument is considered to be listed in an active market if the listed price is simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length. If the market for the security is not active, or the security is not listed on a stock market or similar, valuation techniques are used to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected yield curves and yield spread curves. As far as possible the estimates are based on externally observable market data and rarely on company-specific information.

The different financial instruments are thus priced in the following way:
Fixed-income securities - government
Reuters is used as a source for pricing Norwegian government bonds. It is Oslo Børs (Stock Exchange) that provides the price (via Reuters). The prices are compared with the prices from Bloomberg to reveal any errors.

Fixed-income securities - other than government
All Norwegian fixed-income securities except government are priced theoretically. A zero-coupon curve is used as well as yield spread curves for the pricing. Reuters and Bllomberg are the sources for the curves.

Financial derivatives
These transactions are valued based on the applicable swap curve at the time of valuation. Derivative contracts are to be used only to hedge balance amounts and to enable payments obligations to be met. Derivative contracts may be struck only with counterparties with high credit quality.

Fair value of loans to Norwegian local administrations, loans to retail customers and deposits.
Fair value of lending and deposits without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates. Lending with fixed interest is valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Fair value of loans to and receivables from credit institutions
All receivables from credit institutions (bank deposits) are at variable interest rates. Fair value of these is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates.

Fair value of liabilities to credit institutions
These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Liabilities created on issuance of securities
Fair value in this category is determined on the basis of internal valuation models based on external observable data.

Note 8 Financial derivatives

KLP Banken AS					KLP Banken AS Group			
31.12.2013		31.12.2014		NOK thousands	31.12.2014		31.12.2013	
Nominal sum	Fair value	Nominal sum	Fair value		Nominal sum	Fair value	Nominal sum	Fair value
500 000	14 266	500 000	29 125	Borrowing in NOK	2 792 000	187 413	4 750 000	169 903
0	0	0	0	Borrowing in foreign currency	0	0	433 500	40 090
0	0	0	0	Lending	0	0	108 039	230
500 000	14 266	500 000	29 125	Total assets	2 792 000	187 413	5 291 539	210 223
0	0	0	0	Borrowing in NOK	1 300 000	4 592	4 300 000	9 731
0	0	0	0	Borrowing in foreign currency	0	0	0	0
510 000	16 540	365 000	26 419	Lending	5 997 614	432 555	6 308 716	248 778
130 000	742	150 000	757	Investments	250 000	10 999	230 000	7 245
640 000	17 282	515 000	27 176	Total liabilities	7 547 614	448 146	10 838 716	265 754

Interest rate agreements are used to correct for imbalances between the Company's lending and borrowing in regard to interest rate exposure. All the agreements struck are hedging deals. The interest rate differences in the agreements are accrued in the same way as the items the hedging contracts are intended to cover.

Interest rate swaps are agreements on exchange of interest rate terms in a future period. They do not cover exchange of principal.

Note 9 Fair value hierarchy

KLP Banken AS			KLP Banken AS Group	
31.12.2013	31.12.2014	NOK thousands	31.12.2014	31.12.2013
		Assets		
		Fixed-income securities		
128 739	149 005	Level 1: Value based on prices in an active market	149 005	128 739
0	261 715	Level 2: Value based on observable market data	3 337 751	2 794 080
0	265	Level 3: Value based on other than observable market data	265	0
128 739	410 985	Total fixed-income securities	3 487 021	2 922 819
		Financial derivatives		
0	0	Level 1: Value based on prices in an active market	0	0
14 266	29 125	Level 2: Value based on observable market data	187 413	210 223
0	0	Level 3: Value based on other than observable market data	0	0
14 266	29 125	Total financial derivatives	187 413	210 223
143 005	440 110	Total financial assets valued at fair value	3 674 434	3 133 042
		Liabilities		
		Financial derivatives (liabilities)		
0	0	Level 1: Value based on prices in an active market	0	0
17 282	27 176	Level 2: Value based on observable market data	448 146	265 754
0	0	Level 3: Value based on other than observable market data	0	0
17 282	27 176	Total financial derivatives (liabilities)	448 146	265 754
17 282	27 176	Total financial liabilities at fair value	448 146	265 754

Book value	Book value	Changes in Level 3 unlisted shares	Book value	Book value
0	0	Opening balance 1 Jan	0	0
0	0	Sold	0	0
0	265	Bought	265	0
0	0	Unrealized changes	0	0
0	265	Closing balance	265	0
0	0	Realized gains/losses	0	0

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for at normal market terms and conditions. Highest quality in regard to fair value is based on listed prices in an active market. A financial instrument is considered as listed in an active market if listed prices are simply and regularly available from a stock market, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

Level 1: Instruments at this level obtain fair value from listed prices in an active market for identical assets or liabilities to which the entity has access at the reporting date. Examples of instruments in Level 1 are stock market listed securities.

Level 2: Instruments at this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is not therefore considered to be traded in an active market, as well as prices based on corresponding assets and price-leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed-income securities priced on the basis of interest rate paths.

Level 3: Instruments at Level 3 contain non-observable market data or are traded in markets considered to be inactive. The price is based generally on discrete calculations where the actual fair value may deviate if the instrument were to be traded.

Note 10 Hedge accounting - ineffectiveness recognized through profit or loss

KLP Banken AS 31.12.2014 Nominal value	Changed value in hedged risk	Effectiveness	NOK thousands	KLP Banken AS Group 31.12.2014 Nominal value	Changed value in hedged risk	Effectiveness
			Hedged object			
340 140	24 912	100,73 %	Loans to retail customers fixed interest in NOK	340 140	24 912	100,73 %
			Hedging instrument			
365 000	-24 732	99.28 %	Interest rate swap lending fixed interest in NOK	365 000	-24 732	99.28 %

The ineffective proportion of the Group reports hedging recognized through profit or loss amounts to NOK 180,000 in 2014. This amount has been taken to income in KLP Banken AS under "Net gain/(loss) on financial instruments".

KLP Banken AS 31.12.2013 Nominal value	Changed value in hedged risk	Effectiveness	NOK thousands	KLP Banken AS Group 31.12.2013 Nominal value	Changed value in hedged risk	Effectiveness
			Hedged object			
438 325	18 129	123.29 %	Loans to retail customers fixed interest in NOK	438 325	18 129	123.29 %
			Hedging instrument			
510 000	-14 704	81.11 %	Interest rate swap lending fixed interest in NOK	510 000	-14 704	81.11 %

No ineffective proportion of hedging was taken to profit or loss in 2013.

Note 11 Net interest income

KLP Banken AS			KLP Banken AS Group	
2013	2014	NOK thousands	2014	2013
8 252	12 572	Interest on loans to and receivables from credit institutions	26 157	29 650
224 656	275 182	Interest on loans to customers	750 040	734 645
1 842	2 805	Interest on securities	65 748	75 103
234 750	290 560	Total interest income	841 945	839 397
0	0	Interest on liabilities to credit institutions	-463 141	-508 636
-204 420	-243 638	Interest on liabilities to customers	-243 638	-204 420
0	0	Premium/discount on covered bonds	-2 105	-3 893
0	-15	Other interest costs	-15	-471
-204 420	-243 653	Total interest costs	-708 899	-717 420
30 330	46 907	Net interest income	133 046	121 977

Note 12 Net commission items

KLP Banken AS			KLP Banken AS Group	
2013	2014	NOK thousands	2014	2013
22	38	Interbank commission	38	22
1 617	2 325	Short commission	2 325	1 617
279	398	Payments handling	398	279
6 620	8 412	Other commission income	8 412	6 620
8 538	11 174	Total commission income	11 174	8 538
-334	-364	Interbank commission	-364	-334
-393	-812	Payments handling	-812	-393
-727	-1 176	Total commission costs	-1 176	-727
7 811	9 998	Net commission	9 998	7 811

Note 13 Financial risk management

Organisation of risk management

KLP Banken AS' Board of Directors has established a risk management framework aimed at ensuring risks are identified, analysed and subjected to management using policies, limits, procedures and instructions. The Board has adopted risk policies covering the key individual risks as well as an overarching risk policy that covers principles, organisation, limits etc for the bank's total risk. The risk policies are of an overarching nature and are complemented by procedures, guidelines and instructions laid down at the senior management level. The policies state which departments are responsible for handling the various risks and also cover the establishment of a separate risk control function. The purpose of the risk control function is inter alia to check that the risk policies and other guidelines for risk management are being followed. This function is carried out by the Risk Analysis and Control Department, which is responsible for preparing periodic risk reports to senior management and the Board as well is reporting in the event of breaches of policies or guidelines. The Department, which has an independent role in relation to other departments, also has other tasks associated with the Bank's risk management. The responsibility for the operational direction of the the Bank's liquidity risk, exchange rate risk and interest rate risk lies with the Finance Department.

Note 14 Credit risk

Credit risk is understood here to mean the risk of loss associated with loan customers, counterparties in derivatives, issuers of securities and other counterparties being unable or unwilling to settle at the agreed time and in accordance with written contracts, and the securities established not covering the outstanding demand. The Group provides loans to retail customers, Norwegian municipalities and county administrations, local government enterprises, intermunicipal companies and loans to companies where the loan is guaranteed by a Norwegian municipality, county administration, the state or a bank.

Loans according to type of security/exposure (principal)

	KLP Banken AS		KLP Banken AS Group	
NOK thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Loans to the private market with mortgage lien	5 599 159	4 462 164	8 563 933	4 462 164
Loans to municipalities and county administrations	0	0	14 919 871	15 794 673
Lending with municipal/county administration guarantee	0	0	974 045	769 654
Lending with Government guarantee	0	0	0	0
Total	5 599 159	4 462 164	24 457 849	21 026 492
Sums falling due more than 12 months after the end of the reporting period	5 488 299	4 346 401	23 115 273	20 544 763

The KLP Banken AS Group also invests in securities issued by the Norwegian state, Norwegian municipalities and county authorities, in deposits in banks that satisfy the minimum rating requirements as well is in covered bonds issued by Norwegian credit enterprises.

Credit quality securities, bank deposits and derivatives

Securities with external credit assessment (Moody's)	KLP Banken AS		KLP Banken AS Group	
NOK thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013
AAA	408 000	130 000	3 330 000	2 890 000

Securities without external credit assessment	KLP Banken AS		KLP Banken AS Group	
NOK thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Securities issued by the Norwegian municipalities/county administrations	0	0	105 336	0

Deposits in banks grouped by external credit assessment (Moody's)	KLP Banken AS		KLP Banken AS Group	
NOK thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Aa1-Aa3	903	352 475	4 238	560 210
A1-A3	565 990	331 015	1 109 710	973 867
Baa1	0	0	0	0
Total	566 893	683 491	1 113 948	1 534 080

The banking Group may also be exposed to credit risk as a result of derivatives agreements struck. The purpose of such agreements is to reduce risks arising as a result of the Group's borrowing and lending activities. The Group's internal guidelines specify creditworthiness requirements for derivative counterparties. All derivative agreements are entered into with counterparties with a minimum A1 rating (Moody's).

14.1 MEASUREMENT OF CREDIT RISK

The Board has determined a credit policy that contains overarching guidelines, requirements and limits associated with credit risk. The policy stipulates that the bank is to have a low credit risk profile and includes limits on types of lending and principles for organisation and operation of the bank's lending activity. The policy also includes an overall mandate structure for lending and other counterparty exposure.

The mandates within the public sector are linked to Board-determined limits for a large number of the Company's individual borrowers and these limits derive from a risk classification in which the individual borrowers are assigned a risk class based on a set of fixed criteria. Furthermore requirements are set for reporting to the Board on usage of the limits.

Credit risk associated with issuers of securities, derivative counterparties and other counterparties in the financial area is also limited by Board-determined limits on individual counterparties. These limits are based on the counterparty's solvency and other assessments of the counterparties' creditworthiness.

14.2 CONTROL AND LIMITATION OF CREDIT RISK

In processing all new loan applications in the public sector, checks are made on whether the customer's credit limits are larger than the total of the loan amounts applied for and current loans. In the credit policy described above, requirements are set for reporting to the Board on usage of the limits. Any exceeding of the limits is to be reported to the Company's Board regardless. In the retail market, loans are only provided with mortgage on housing or leisure real estate. In processing loan applications the borrower's servicing ability and the value of the mortgage object is assessed and loans are provided only within set limits and authorizations.

14.3 MAXIMUM EXPOSURE TO CREDIT RISK

Maximum exposure is measured as a total of principal and accrued interest. Security in cash or securities is not exchanged, nor are other credit improvements carried out. The table below shows the maximum exposure for the parent bank and the Group.

Maximum exposure to credit risk

	KLP Banken AS		KLP Banken AS Group	
NOK thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Lending to and receivables from credit institutions	3 785 790	3 128 209	1 113 948	1 533 088
Loans to and receivables from customers	5 611 278	4 468 898	24 566 770	21 135 910
- of which housing mortgage loans	5 611 278	4 468 898	8 582 574	4 468 898
- of which loans to the public sector	0	0	15 984 196	16 667 012
Fixed-income securities	409 794	130 000	3 457 019	2 895 500
Financial derivatives	29 125	14 266	187 413	210 223
TOTAL	9 835 986	7 741 373	29 325 150	25 774 721

14.4 LENDING FALLEN DUE OR WRITTEN DOWN

The bank has very low losses and considers all receivables to be satisfactorily secured.

Lending fallen due or written down

	KLP Banken AS		KLP Banken AS Group	
NOK thousands	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Principal on loans with payments with 1-30 days' default	125 037	121 439	521 046	681 109
Principal on loans with payments with 31-90 days' default	23 272	25 005	23 272	25 005
Principal on loans with payments with more than 90 days' default	26 151	9 661	26 151	9 661
Total loans fallen due	174 460	156 105	570 468	715 775
Relevant security or guarantees	174 460	156 105	570 468	715 775
Total principal on loans fallen due	4 323	0	4 323	0
- of which written down	573		573	

14.5 CONCENTRATION OF CREDIT RISK

A large proportion of the Group's lending at the end of the year was linked to public sector financing and the portfolio thus has high concentration against one single sector. The underlying credit risk against this sector is however so low that it is hardly possible to reduce this concentration without increasing total risk in the portfolio. The concentration against the Norwegian public sector is thus considered not to be a risk challenge. The concentration against individual borrowers is limited by individual Board-set limits.

Lending to the Group's largest borrower as at 31 December 2014 was about 3.1 per cent of the Group's total lending.

Note 15 Market risk

Market risk is understood here as the risk of reduced fair value of the bank's equity capital as a result of fluctuations in market prices for the bank's assets and liabilities. Changes in credit margins are however excluded since this comes under the term credit risk.

The Group is exposed to market risk as a result of the Group's borrowing and lending activity and management of the Group's liquidity. The exposure is however limited to interest rate risk and exchange rate risk. Interest rate risk arises as a result of differences in timing of interest rate adjustment for the Company's assets and liabilities. The risk associated with such imbalances is reduced by using derivative contracts. The Company has one loan in SEK, whereas all other borrowing is in NOK. The whole of the lending portfolio comprises loans in NOK. The risk associated with changes in exchange rates is reduced virtually entirely, using derivative contracts.

15.1 MEASUREMENT OF MARKET RISK

Interest rate risk is measured as change in value on a one percentage point change in all interest rates. Exchange rate risk is measured as change in value on a 10% unfavourable exchange rate change in all currencies.

15.2 INTEREST RATE RISK

The market risk policy is the Group's overarching guidelines, and requirements and limits associated with market risk. The policy dictates that the market risk should be minimized so that the total market risk is low. It further states that the Group should not actively take positions that expose the Group to market risk.

The policy also sets limits for interest rate risk both for the total interest rate risk for the infinite future and for rolling 12-month periods. The limits are set in relation to own funds (Tier 1 and Tier 2 capital) and the level of the limits should ensure compliance with the low market risk profile policy adopted. The operational responsibility for managing the Company's market risk lies with the Finance Department. The Risk Analysis and Control Department reports the Company's actual exposure in relation to limits in accordance with guidelines set by the Board.

The table below shows repricing dates for the parent bank's and the Group's interest-bearing assets and liabilities.

Interest risk KLP Banken AS

Repricing dates for interest-bearing assets and liabilities as at 31 December 2014

NOK thousands	Total Principal	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	From 1 year to 5 years	Over 5 years
Lending	5 599 159	5 263 712	2 354	8 491	247 134	77 468
Securities	408 000	0	258 000	150 000	0	0
Cash and receivables from credit institutions	3 781 893	3 781 893	0	0	0	0
Total	9 789 052	9 045 605	260 354	158 491	247 134	77 468
Liability to depositors	6 250 873	6 250 873	0	0	0	0
Liabilities to financial institutions	0	0	0	0	0	0
Liabilities created on issuance of securities	3 200 000	300 000	2 400 000	0	500 000	0
Total	9 450 873	6 550 873	2 400 000	0	500 000	0
Gap	338 179	2 494 732	-2 139 646	158 491	-252 866	77 468
Financial derivatives	0	-175 000	170 000	-150 000	265 000	-110 000
Net gap	338 179	2 319 732	-1 969 646	8 491	12 134	-32 532

Interest rate risk KLP Banken AS Group

Repricing dates for interest-bearing assets and liabilities as at 31 December 2014

NOK thousands	Total Principal	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	From 1 year to 5 years	Over 5 years
Lending	24 457 849	18 520 497	40 853	883 927	3 375 834	1 636 738
Securities	3 435 336	320 000	2 865 336	150 000	100 000	0
Cash and receivables from credit institutions	1 113 949	1 113 949	0	0	0	0
Total	29 007 134	19 954 446	2 906 189	1 033 927	3 475 834	1 636 738
Liability to depositors	6 250 873	6 250 873	0	0	0	0
Liabilities to financial institutions	0	0	0	0	0	0
Liabilities created on issuance of securities	21 452 000	1 760 000	16 900 000	542 000	1 500 000	750 000
Total	27 702 873	8 010 873	16 900 000	542 000	1 500 000	750 000
Gap	1 304 261	11 943 573	-13 993 811	491 927	1 975 834	886 738
Financial derivatives	4 311	-768 253	4 132 281	-481 139	-1 963 619	-914 959
Net gap	1 308 572	11 175 321	-9 861 530	10 788	12 215	-28 221

Interest risk KLP Banken AS

Repricing dates for interest-bearing assets and liabilities as at 31 December 2013

NOK thousands	Total Principal	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	From 1 year to 5 years	Over 5 years
Lending	4 462 164	4 982	4 025 783	120 493	212 383	98 523
Securities	130 000	0	0	130 000	0	0
Cash and receivables from credit institutions	3 123 491	3 123 491	0	0	0	0
Total	7 715 655	3 128 473	4 025 783	250 493	212 383	98 523
Liability to depositors	4 406 422	4 406 422	0	0	0	0
Liabilities to financial institutions	0	0	0	0	0	0
Liabilities created on issuance of securities	2 750 000	300 000	1 950 000	0	500 000	0
Total	7 156 422	4 706 422	1 950 000	0	500 000	0
Gap	559 233	-1 577 949	2 075 783	250 493	-287 617	98 523
Financial derivatives	0	-155 000	295 000	-275 000	245 000	-110 000
Net gap	559 233	-1 732 949	2 370 783	-24 507	-42 617	-11 477

Interest rate risk KLP Banken AS Group

Repricing dates for interest-bearing assets and liabilities as at 31 December 2013

NOK thousands	Total Principal	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	From 1 year to 5 years	Over 5 years
Lending	21 026 492	8 122 493	6 019 790	1 542 579	3 479 779	1 861 850
Securities	2 890 000	866 000	1 794 000	130 000	100 000	0
Cash and receivables from credit institutions	1 534 079	1 534 079	0	0	0	0
Total	25 450 571	10 522 572	7 813 790	1 672 579	3 579 779	1 861 850
Liability to depositors	4 406 422	4 406 422	0	0	0	0
Liabilities to financial institutions	0	0	0	0	0	0
Liabilities created on issuance of securities	19 732 500	1 300 000	13 682 500	0	4 000 000	750 000
Total	24 138 922	5 706 422	13 682 500	0	4 000 000	750 000
Gap	1 311 649	4 816 150	-5 868 710	1 672 579	-420 221	1 111 850
Financial derivatives	0	-5 638 190	7 466 498	-1 069 534	372 854	-1 131 628
Net gap	1 311 649	-822 040	1 597 788	603 045	-47 367	-19 778

The Group's interest rate sensitivity as at 31 December 2014, measured as value change in the event of one percentage point change in all interest rates was NOK 10.5 million.

15.3 EXCHANGE-RATE RISK

As at 31 December 2014 the Group had no borrowings in foreign currency.

Note 16 Liquidity risk

Liquidity risk means the risk that the bank does not manage to meet its liabilities and/or finance increases in its assets without substantial additional costs arising in the form of price falls in assets that must be realized, or in the form of more costly financing.

16.1 MANAGEMENT OF LIQUIDITY RISK

A liquidity policy is established for the Group containing principles, guidelines, requirements and limits that apply to the management of the liquidity risk. The policy contains various requirements and limits in order to comply with the desired liquidity risk profile, including targets for deposit cover, limits for refinancing needs for various timeframes and liquidity buffer requirements. The Board has further adopted an emergency plan for liquidity crises as part of the liquidity policy. In addition to the requirements at Group level, separate specific requirements have been established for subsidiaries, including requirements for continuously positive cash flows, limits for refinancing requirements and requirements for liquidity reserves and drawing rights. The Risk Analysis and Control Department reports the Company's actual exposure in relation to limits in accordance with guidelines set by the Board.

16.2 MATURITY ANALYSIS

The tables below show the maturity analysis of the Group's assets and liabilities including stipulated interest rates.

Liquidity risk KLP Banken AS

Maturity analysis for assets and liabilities as at 31 December 2014:

NOK thousands	Total	Undefined	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	From 1 year to 5 years	Over 5 years
Lending	6 483 446	0	24 095	44 509	204 235	1 099 572	5 111 034
Securities	429 011	0	0	1 374	154 122	273 515	0
Receivables from credit institutions	3 803 203	566 893	7 379	3 228 931	0	0	0
Total	10 715 661	566 893	31 475	3 274 814	358 357	1 373 087	5 111 034
Liability to depositors	6 250 873	6 250 873	0	0	0	0	0
Liabilities created on issuance of securities	3 410 021	0	4 928	11 612	664 419	2 729 062	0
Financial derivatives	542	0	2 507	835	-1 934	-5 673	4 808
Debt to credit institutions	0	0	0	0	0	0	0
Total	9 661 436	6 250 873	7 435	12 446	662 485	2 723 389	4 808
Net cash flows	1 054 225	-5 683 980	24 040	3 262 368	-304 127	-1 350 302	5 106 227

Liquidity risk KLP Banken AS Group

Maturity analysis for assets and liabilities as at 31 December 2014:

NOK thousands	Total	Undefined	Inntil 1 mnd	Fra 1 mnd til 3 mnd	Fra 3 mnd til 12 mnd	From 1 year to 5 years	Over 5 years
Lending	31 810 382	0	127 685	268 589	1 645 024	6 713 726	23 055 358
Securities	3 664 154	0	246	121 358	253 505	3 030 798	258 248
Receivables from credit institutions	1 113 949	1 113 949	0	0	0	0	0
Total	36 588 485	1 113 949	127 931	389 947	1 898 529	9 744 523	23 313 607
Liability to depositors	6 250 873	6 250 873	0	0	0	0	0
Liabilities created on issuance of securities	22 688 891	0	12 126	79 319	2 592 935	18 597 228	1 407 283
Financial derivatives	247 177	0	8 535	10 911	52 892	126 273	48 566
Debt to credit institutions	0	0	0	0	0	0	0
Total	29 186 941	6 250 873	20 661	90 230	2 645 827	18 723 501	1 455 849
Net cash flows	7 401 544	-5 136 924	107 270	299 716	-747 298	-8 978 978	21 857 758

Liquidity risk KLP Banken AS

Maturity analysis for assets and liabilities as at 31 December 2013:

NOK thousands	Total	Undefined	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	From 1 year to 5 years	Over 5 years
Lending	6 892 329	0	25 398	51 073	234 883	1 255 185	5 325 789
Securities	130 000	0	0	0	130 000	0	0
Receivables from credit institutions	3 141 883	685 368	5505	2 451 010	0	0	0
Total	10 164 212	685 368	30 903	2 502 083	364 883	1 255 185	5 325 789
Liability to depositors	4 406 422	4 406 422	0	0	0	0	0
Liabilities created on issuance of securities	3 238 640	0	2 198	311 224	1 114 841	1 810 378	0
Financial derivatives	5 696	0	2 500	306	876	-4 777	6 791
Debt to credit institutions	0	0	0	0	0	0	0
Total	7 650 758	4 406 422	4 698	311 530	1 115 717	1 805 601	6 791
Net cash flows	2 513 454	-3 721 054	26 206	2 190 554	-750 834	-550 415	5 318 998

Liquidity risk KLP Banken AS Group

Maturity analysis for assets and liabilities as at 31 December 2013:

NOK thousands	Total	Undefined	Up to 1 month	From 1 month to 3 months	From 3 months to 12 months	From 1 year to 5 years	Over 5 years
Lending	29 629 415	0	140 128	262 844	1 586 244	6 597 486	21 042 712
Securities	3 102 210	0	4 833	10 030	228 315	2 757 341	101 691
Receivables from credit institutions	1 534 079	1 534 079	0	0	0	0	0
Total	34 265 704	1 534 079	144 961	272 874	1 814 559	9 354 827	21 144 403
Liability to depositors	4 406 422	4 406 422	0	0	0	0	0
Liabilities created on issuance of securities	21 486 751	0	7 506	370 649	2 444 701	17 844 896	819 000
Financial derivatives	207 115	0	38 565	-521	8 465	101 693	58 913
Debt to credit institutions	0	0	0	0	0	0	0
Total	26 100 288	4 406 422	46 071	370 128	2 453 166	17 946 589	877 913
Net cash flows	8 165 416	-2 872 343	98 891	-97 253	-638 607	-8 591 761	20 266 490

Note 17 Fixed-income securities

KLP Banken AS 31.12.2014				NOK thousands	KLP Banken AS Group 31.12.2014			
Acquisition cost	Unreal. gain/loss	Accrued interest not due	Market value	Debtor categories	Acquisition cost	Unreal. gain/loss	Accrued interest not due	Market value
148 197	808	0	149 005	Government/social security administration	148 197	808	0	149 005
261 117	118	480	261 715	Credit enterprises	3 098 815	15 735	5 646	3 120 196
0	0	0	0	Local government administration	203 391	13 194	970	217 555
409 314	926	480	410 720	Total fixed-income securities	3 450 403	29 737	6 616	3 486 756

Effective interest rate: 1.74 %

Effective interest rate: 1.74 %

KLP Banken AS 31.12.2013				NOK thousands	KLP Banken AS Group 31.12.2013			
Acquisition cost	Unreal. gain/loss	Accrued interest not due	Market value	Debtor categories	Acquisition cost	Unreal. gain/loss	Accrued interest not due	Market value
127 725	1 014	0	128 739	Government/social security administration	127 725	1 014	0	128 739
0	0	0	0	Credit enterprises	2 659 619	20 128	6 965	2 686 712
0	0	0	0	Local government administration	98 050	8 889	429	107 368
127 725	1 014	0	128 739	Total fixed-income securities	2 885 394	30 031	7 394	2 922 819

Effective interest rate: 1.39 %

Effective interest rate: 2.05 %

Effective interest is calculated as a yield-to-maturity, i.e. it is the constant interest rate level at which one may discount all the future cash flows from the securities to obtain the securities' total market value.

Note 18 Categories of financial assets and liabilities

KLP Banken AS 31.12.2014					NOK thousands	KLP Banken AS Group 31.12.2014				
AFS	HFT	FVL	LAR	Total	Financial assets	AFS	HFT	FVL	LAR	Total
0	0	0	3 785 790	3 785 790	Lending to and receivables from credit institutions	0	0	0	1 113 949	1 113 949
0	0	365 713	5 270 477	5 636 190	Lending to and receivables from customers	0	0	6 431 846	18 513 900	24 945 746
0	0	29 125	0	29 125	Financial derivatives used in hedging	0	0	187 413	0	187 413
265	410 720	0	0	410 985	Fixed-income securities and shares	265	3 486 756	0	0	3 487 021
265	410 720	394 838	9 056 266	9 861 824	Total	265	3 486 756	6 619 259	19 627 849	29 734 128
AFS	HFT	FVH	OLI	Total	Financial liabilities	AFS	HFT	FVH	OLI	Total
0	0	531 024	2 709 817	3 240 841	Liabilities created on issuance of securities	0	0	2 985 895	18 701 274	21 687 168
0	0	0	6 250 873	6 250 873	Deposits	0	0	0	6 250 873	6 250 873
0	0	27 176	0	27 176	Financial derivatives used in hedging	0	0	446 560	0	446 560
0	0	0	0	0	Financial derivatives at fair value	0	1 586	0	0	1 586
0	0	558 200	8 960 690	9 512 089	Total	0	1 586	3 432 455	24 952 147	28 386 187

KLP Banken AS 31.12.2013					NOK thousands	KLP Banken AS Group 31.12.2013				
AFS	HFT	FVL	LAR	Total	Financial assets	AFS	HFT	FVL	LAR	Total
0	0	0	3 128 209	3 128 209	Lending to and receivables from credit institutions	0	0	0	1 534 079	1 534 079
0	0	453 611	4 029 991	4 483 602	Lending to and receivables from customers	0	0	6 613 922	14 703 109	21 317 032
0	0	14 266	0	14 266	Financial derivatives used in hedging	0	0	210 223	0	210 223
0	128 739	0	0	128 739	Fixed-income securities	0	2 922 819	0	0	2 922 819
0	128 739	467 877	7 158 200	7 754 817	Total	0	2 922 819	6 824 145	16 237 188	25 984 154
AFS	HFT	FVH	OLI	Total	Financial liabilities	AFS	HFT	FVH	OLI	Total
0	0	524 056	2 247 107	2 771 163	Liabilities created on issuance of securities	0	0	4 748 614	15 233 191	19 981 805
0	0	0	4 406 943	4 406 943	Deposits	0	0	0	4 406 943	4 406 943
0	0	17 282	0	17 282	Financial derivatives used in hedging	0	0	265 155	0	265 155
0	0	0	0	0	Financial derivatives at fair value	0	599	0	0	599
0	0	541 338	6 654 050	7 195 388	Total	0	599	5 013 769	19 640 134	24 654 502

FVO: Financial instruments at fair value through profit or loss – fair value option
HFT: Financial instruments at fair value through profit or loss – held for trading
LAR: Financial instruments at amortized cost – loans and receivables
OLI: Financial instruments at amortized cost – other liabilities

FVL: Lending fair value hedging
LFV: Liabilities fair value hedging
AFS Assets available for sale

Note 19 Lending and receivables

KLP Banken AS			KLP Banken AS Group	
31.12.2013	31.12.2014	NOK thousands	31.12.2014	31.12.2013
		Loans to and receivables from credit institutions		
685 368	566 893	Bank deposits	1 113 949	1 534 079
2 440 000	3 215 000	Principal on loans to Group companies	0	0
2 841	3 897	Accrued interest on loans to Group companies	0	0
3 128 209	3 785 790	Loans to and receivables from credit institutions	1 113 949	1 534 079
		Loans to and receivables from customers		
4 462 164	5 603 722	Principal on loans to customers	24 462 411	21 026 492
522	468	Overdraft current account	468	522
-9	-573	Individual write-downs	-573	-9
6 222	7 661	Accrued interest	104 463	108 906
0	0	Premium/discount	32 870	-37 979
14 704	24 912	Fair value hedging	346 107	219 101
4 483 602	5 636 190	Loans to and receivables from customers	24 945 746	21 317 032

Note 20 Losses on lending in the retail market

KLP Banken AS			KLP Banken AS Group	
2013	2014	NOK thousands	2014	2013
0	23	Known losses	23	0
0	-9	Reversal of previous write-downs	-9	0
0	593	Change in individual write-downs	593	0
0	0	Change in write-downs by group	0	0
0	607	Total loss on lending	607	0

31.12.2013	31.12.2014	NOK thousands	31.12.2014	31.12.2013
0	9	Balance of write-down losses on lending 1 January 2014	9	0
0	-42	Reversal of write-down on individual loans for the period	-42	0
9	607	Write-down on individual loans for the period	607	9
9	573	Total write-down on individual loans 31 December 2014	573	9
9 661	26 151	Gross default exceeding 90 days	26 151	9 661
0	0	Gross other doubtful loans	0	0

This applies to housing loans. Losses or write-downs are not expected on loans in default in the public sector.

Note 21 Financial assets and liabilities subject to net settlement

KLP Banken AS 31.12.2014				Related sums that are not presented net		
NOK thousands	Gross financial assets/liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	29 125	0	29 125	-24 645	-3 101	1 379
Total	29 125	0	29 125	-24 645	-3 101	1 379
LIABILITIES						
Financial derivatives	27 176	0	27 176	-24 645	-2 239	291
Total	27 176	0	27 176	-24 645	-2 239	291

KLP Banken AS Group 31.12.2014				Related sums that are not presented net		
NOK thousands	Gross financial assets/liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	187 413	0	187 413	-187 413	-3 101	0
Total	187 413	0	187 413	-187 413	-3 101	0
LIABILITIES						
Financial derivatives	448 146	0	448 146	-187 413	-2 239	258 494
Total	448 146	0	448 146	-187 413	-2 239	258 494

KLP Banken AS 31.12.2013				Related sums that are not presented net		
NOK thousands	Gross financial assets/liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	14 266	0	14 266	-14 266	0	0
Total	14 266	0	14 266	-14 266	0	0
LIABILITIES						
Financial derivatives	17 282	0	17 282	-14 266	-1 858	1 158
Total	17 282	0	17 282	-14 266	-1 858	1 158

KLP Banken AS Group 31.12.2013				Related sums that are not presented net		
NOK thousands	Gross financial assets/liabilities	Gross assets /liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	210 223	0	210 223	-137 147	0	73 076
Total	210 223	0	210 223	-137 147	0	73 076
LIABILITIES						
Financial derivatives	265 754	0	265 754	-137 147	-1 858	126 749
Total	265 754	0	265 754	-137 147	-1 858	126 749

Note 22 Securities liabilities - stock exchange listed covered bonds and certificates

KLP Banken AS							31.12.2014
NOK thousands	Nominal	Currency	Interest	Issued	Due date	Accr. interest	Book value
Secured bonds	300 000	NOK	Variable	27.04.2012	27.04.2015	1 595	301 595
Secured bonds	300 000	NOK	Fixed	15.06.2012	15.06.2017	7 726	307 726
Secured bonds	300 000	NOK	Variable	24.08.2012	24.08.2015	925	300 925
Secured bonds	400 000	NOK	Variable	15.11.2012	16.11.2016	1 530	401 530
Secured bonds	400 000	NOK	Variable	14.05.2013	13.05.2016	1 279	401 279
Secured bonds	200 000	NOK	Fixed	03.10.2013	03.10.2018	1 761	201 761
Secured bonds	500 000	NOK	Variable	10.03.2014	10.03.2017	596	500 596
Secured bonds	500 000	NOK	Variable	04.04.2014	04.04.2018	2 586	502 586
Secured bonds	300 000	NOK	Variable	29.09.2014	27.09.2019	50	300 050
Amortization/value adjustments							22 793
Total liabilities issuance of certificate loans and secured bonds							3 240 841

KLP Banken AS							31.12.2013
NOK thousands	Nominal	Currency	Interest	Issued	Due date	Accr. interest	Book value
Certificate loan	300 000	NOK	Variable	21.03.2013	21.03.2014	142	300 142
Certificate loan	300 000	NOK	Variable	11.06.2013	11.06.2014	340	300 340
Certificate loan	150 000	NOK	Variable	30.08.2013	29.08.2014	265	150 265
Secured bonds	300 000	NOK	Variable	27.04.2012	27.04.2015	1 587	301 587
Secured bonds	300 000	NOK	Fixed	15.06.2012	15.06.2017	7 726	307 726
Secured bonds	300 000	NOK	Variable	24.08.2012	24.08.2015	891	300 891
Secured bonds	300 000	NOK	Variable	15.11.2012	16.11.2016	1 111	301 111
Secured bonds	300 000	NOK	Variable	14.05.2013	13.05.2016	947	300 947
Secured bonds	300 000	NOK	Variable	31.05.2013	28.11.2014	547	300 547
Secured bonds	200 000	NOK	Fixed	03.10.2013	03.10.2018	1 761	201 761
Amortization/value adjustments							5 846
Total liabilities issuance of certificate loans and secured bonds							2 771 163

KLP Banken AS Group							31.12.2014
NOK thousands	Nominal	Currency	Interest	Issued	Due date	Accr. interest	Book value
Secured bonds	300 000	NOK	Variable	27.04.2012	27.04.2015	1 595	301 595
Secured bonds	300 000	NOK	Fixed	15.06.2012	15.06.2017	7 726	307 726
Secured bonds	300 000	NOK	Variable	24.08.2012	24.08.2015	925	300 925
Secured bonds	400 000	NOK	Variable	15.11.2012	16.11.2016	1 530	401 530
Secured bonds	400 000	NOK	Variable	14.05.2013	13.05.2016	1 279	401 279
Secured bonds	200 000	NOK	Fixed	03.10.2013	03.10.2018	1 761	201 761
Secured bonds	500 000	NOK	Variable	10.03.2014	10.03.2017	596	500 596
Secured bonds	500 000	NOK	Variable	04.04.2014	04.04.2018	2 586	502 586
Secured bonds	300 000	NOK	Variable	29.09.2014	27.09.2019	50	300 050
Amortization/value adjustments							22 793
Total liabilities issuance of certificate loans and secured bonds							3 240 841

NOK thousands	Nominal	Currency	Interest	Issued	Due date	Accr. interest	Book value
ISIN code							
NO0010719875	600 000	NOK	Variable	12.09.2014	12.09.2019	613	600 613
NO0010721244	600 000	NOK	Variable	06.10.2014	06.10.2017	2 567	602 567
NO0010723018	600 000	NOK	Variable	05.11.2014	05.11.2021	1 777	601 777
Amortization / value adjustments							-1 562
Total covered bonds issued with preferential rights in housing mortgages							1 803 395

NOK thousands	Nominal	Currency	Interest	Issued	Due date	Accr. interest	Book value
ISIN code							
NO0010585185	1 300 000	NOK	Variable	15.09.2010	15.09.2015	1 148	1 301 148
NO0010592900	750 000	NOK	Fixed	15.12.2010	15.12.2020	1 607	751 607
NO0010624778	542 000	NOK	Fixed	15.09.2011	15.05.2015	12 006	554 006
NO0010642192	860 000	NOK	Variable	13.04.2012	13.04.2016	3 899	863 899
NO0010662307	3 000 000	NOK	Variable	26.10.2012	10.11.2017	8 797	3 008 797
NO0010663180	2 500 000	NOK	Variable	15.11.2012	16.11.2016	6 281	2 506 281
NO0010675952	1 000 000	NOK	Fixed	02.05.2013	19.05.2017	13 993	1 013 993
NO0010675978	1 500 000	NOK	Variable	15.05.2013	15.05.2018	3 825	1 503 825
NO0010711419	1 000 000	NOK	Variable	15.05.2014	15.05.2017	2 338	1 002 338
NO0010716780	2 000 000	NOK	Variable	26.08.2014	10.12.2018	2 114	2 002 114
NO0010719974	2 000 000	NOK	Variable	17.09.2014	20.12.2019	933	2 000 933
Amortization/value adjustments							133 991
Total covered bonds issued in housing mortgages							16 642 932

Total liabilities created on issuance of securities	21 687 168

Note 22 Securities liabilities - stock exchange listed covered bonds and certificates (contd.)

Repurchase of debt

ISIN code	Nominal before repurchase	Repurchase	Rate	Purchase price	Gain/loss	Date
NO0010624778	2 500 000	1 441 000	101.66	1 464 916	-23 916	15.05.2014
NO0010585185	4 300 000	500 000	100.56	502 800	-2 800	25.06.2014
NO0010585185	3 800 000	1 331 500	100.50	1 338 184	-6 684	26.08.2014
NO0010585185	3 799 899	165 000	100.50	165 820	-820	28.08.2014
NO0010585185	3 799 799	570 500	100.46	573 124	-2 624	17.09.2014
NO0010585185	3 799 699	56 000	100.47	56 262	-262	26.09.2014
NO0010624778	1 059 000	45 000	101.20	45 540	-540	15.09.2014
NO0010624778	1 058 899	340 000	101.22	344 138	-4 138	17.09.2014
NO0010624778	1 058 798	62 000	101.15	62 713	-713	30.09.2014
NO0010585185	1 677 000	220 000	100.46	221 001	-1 001	03.10.2014
NO0010585185	1 457 000	116 000	100.45	116 524	-524	06.10.2014
NO0010585185	1 341 000	41 000	100.39	41 158	-158	20.11.2014
NO0010624778	612 000	70 000	100.90	70 629	-629	20.11.2014
NO0010642192	1 000 000	50 000	100.62	50 310	-310	10.10.2014
NO0010642192	950 000	45 000	100.57	45 257	-257	06.11.2014
NO0010642192	905 000	45 000	100.62	45 279	-279	07.11.2014
Total repurchased	33 118 093	5 098 000		5 143 657	-45 657	

Interest rate swaps with a gain of NOK 24.2 million were realized in connection with repurchase of debt. The total effect on the financial position statement of repurchased debt was therefore NOK - 21.5 million.

KLP Banken AS Group NOK thousands	Nominal	Currency	Interest	Issued	Due date	Accr. interest	31.12.2013 Book value
Certificate loan	300 000	NOK	Variable	21.03.2013	21.03.2014	142	300 142
Certificate loan	300 000	NOK	Variable	11.06.2013	11.06.2014	340	300 340
Certificate loan	150 000	NOK	Variable	30.08.2013	29.08.2014	265	150 265
Secured bonds	300 000	NOK	Variable	27.04.2012	27.04.2015	1 587	301 587
Secured bonds	300 000	NOK	Fixed	15.06.2012	15.06.2017	7 726	307 726
Secured bonds	300 000	NOK	Variable	24.08.2012	24.08.2015	891	300 891
Secured bonds	300 000	NOK	Variable	15.11.2012	16.11.2016	1 111	301 111
Secured bonds	300 000	NOK	Variable	14.05.2013	13.05.2016	947	300 947
Secured bonds	300 000	NOK	Variable	31.05.2013	28.11.2014	547	300 547
Secured bonds	200 000	NOK	Fixed	03.10.2013	03.10.2018	1 761	201 761
Amortization / value adjustments							5 846
Total liabilities issuance of certificate loans and secured bonds							2 771 163

NOK thousands	Nominal	Currency	Interest	Issued	Due date	Accr. interest	Book value
ISIN kode							
NO0010585185	4 300 000	NOK	Variable	15.09.2010	15.09.2015	3 918	4 303 918
NO0010592900	750 000	NOK	Fixed	15.12.2010	15.12.2020	1 607	751 607
NO0010609795	999 000	NOK	Variable	20.05.2011	20.05.2014	2 238	1 001 238
NO0010624778	2 500 000	NOK	Fixed	15.09.2011	15.05.2015	55 377	2 555 377
XS0747335494	500 000	SEK	Variable	17.02.2012	17.02.2015	925	434 425
NO0010642192	1 000 000	NOK	Variable	13.04.2012	13.04.2016	4 608	1 004 608
NO0010662307	3 000 000	NOK	Variable	26.10.2012	10.11.2017	8 798	3 008 798
NO0010663180	2 000 000	NOK	Variable	15.11.2012	16.11.2016	4 840	2 004 840
NO0010675952	1 000 000	NOK	Fixed	02.05.2013	19.05.2017	15 041	1 015 041
NO0010675978	1 000 000	NOK	Variable	15.05.2013	15.05.2018	2 611	1 002 611
Amortization / value adjustments							128 180
Total covered bonds issued in housing mortgages							17 210 642

Total liabilities created on issuance of securities	19 981 805

Note 23 Deposits from customers

KLP Banken AS 31.12.2013	KLP Banken AS 31.12.2014	NOK thousands	KLP Banken AS Group 31.12.2014	KLP Banken AS Group 31.12.2013
4 406 943	6 250 873	Deposits from customers without agreed duration	6 250 873	4 406 943
4 406 943	6 250 873	Total deposits from customers without agreed duration	6 250 873	4 406 943
		Customer deposits divided by customer groups		
3 711 533	5 072 277	Deposits from customers, retail market	5 072 277	3 711 533
695 410	1 178 596	Deposits from customers, public sector market	1 178 596	695 410
4 406 943	6 250 873	Total deposits from customers	6 250 873	4 406 943

Note 24 Shares in Group companies

NOK millions	Office and business address	Book value 31.12.2013	Book value 31.12.2014	Ownership interest %	OE on first acquisition	Acquisition cost	Owners' equity transaction	Write-down
Enterprises in the same group:								
KLP Boligkreditt AS	Beddingen 9, 7014 Trondheim	1.0	250.5	100	1.0	1.0	249.5	0.0
KLP Kommunekreditt AS	Beddingen 9, 7014 Trondheim	675.0	675.0	100	50.0	50.0	625.0	0.0
Total		676.0	925.5		51.0	51.0	874.5	0.0

Note 25 Fixed assets

KLP Banken AS 31.12.2013	KLP Banken AS 31.12.2014	NOK thousands	KLP Banken AS Group 31.12.2014	KLP Banken AS Group 31.12.2013
272	777	Acquisition cost 01.01	777	1 270
505	0	Acquired during the period	0	183
0	0	Disposals during the period (winding up KLP K)	0	-676
777	777	Acquisition cost 31.12	777	777
-122	-196	Acc. depreciation previous years	-196	-798
-74	-82	Annual depreciation	-82	-74
0	0	Acc. depreciation (winding up KLP K)	0	676
581	499	Book value	499	581

Note 26 Intangible assets

KLP Banken AS 31.12.2013	KLP Banken AS 31.12.2014	NOK thousands	KLP Banken AS Group 31.12.2014	KLP Banken AS Group 31.12.2013
26 976	29 142	Acquisition cost 01.01	29 142	26 976
2 166	0	Additions	0	2 166
0	0	Disposals	0	0
29 142	29 142	Acquisition cost 31.12	29 142	29 142
-5 762	-8 044	Accumulated depreciation previous years	-8 044	-5 762
-2 282	-2 595	Ordinary depreciation for the year	-2 595	-2 282
0	0	Write-down	0	0
21 098	18 503	Book value	18 503	21 098
	7 years	Depreciation period	7 years	

Note 27 Capital adequacy

KLP Banken AS			KLP Banken AS Group	
31.12.2013	31.12.2014	NOK thousands	31.12.2014	31.12.2013
1 190 000	1 190 000	Share capital and share premium fund	1 190 000	1 190 000
51 580	39 535	Other owners' equity	95 218	100 171
1 241 580	1 229 535	Total owners' equity	1 285 218	1 290 171
-21 098	-18 503	Deduction goodwill and other intangible assets	-18 503	-21 098
-5 140	-9 449	Deferred tax asset	0	0
1 215 342	1 201 583	Core capital/Tier 1 capital	1 266 715	1 269 073
0	0	Supplementary capital/Tier 2 capital	0	0
0	0	Supplementary capital/Tier 2 capital	0	0
1 215 342	1 201 583	Total eligible own funds (Tier 1 and Tier 2 capital)	1 266 715	1 269 073
576 493	622 455	Capital requirement	598 438	518 042
638 849	579 128	Surplus of own funds (Tier 1 and Tier 2 capital)	668 277	751 031
		Estimate basis credit risk:		
4 037 722	4 420 525	Institutions	265 665	394 712
0	0	Local and regional authorities	3 311 173	3 388 172
0	0	Publicly owned enterprises	0	0
0	0	States	0	0
2 088 362	2 140 746	Investments with mortgage security in real estate	3 180 713	2 088 362
46 608	78 758	Investments fallen due	78 758	46 608
0	0	Holdings mutual funds	0	0
0	26 124	Covered bonds	311 967	279 408
676 581	926 534	Other holdings	1 064	581
6 849 273	7 592 687	Calculation basis credit risk	7 149 340	6 197 842
547 942	607 415	Credit risk	571 947	495 827
28 551	15 040	Operating risk	26 491	22 215
576 493	622 455	Total capital requirement assets	598 438	518 042
16.9 %	15.4 %	Core capital adequacy ratio	16.9 %	19.6 %
0.0 %	0.0 %	Supplementary capital ratio	0.0 %	0.0 %
16.9 %	15.4 %	Capital adequacy ratio	16.9 %	19.6 %

Capital requirement as at 31.12.2014	Core capital	Supplementary capital /Tier 2 capital	Own funds (eligible Tier 1 and 2 capital)
Minimum requirement w/o buffers	4.5 %	3,5 %	8.0 %
Protective buffers	2.5 %	0,0 %	2.5 %
System risk buffers	3.0 %	0,0 %	3.0 %
Applic. Cap. Req'ment incl. buffers	10.0 %	3,5 %	13.5 %

Note 28 Tax

KLP Banken AS 2013	KLP Banken AS 2014	NOK thousands	KLP Banken AS Group 2014	KLP Banken AS Group 2013
24 344	19 968	Accounting income before taxes	28 671	86 959
		Other income components:		
-2 085	-5 722	Estimate deviation pensions obligations and assets	-5 722	-2 085
0	0	Zeroing of corridor, OB effect 010112	0	0
		Differences between accounting and tax income:		
-735	-30 600	Other deductions (Group contribution received during the year)	0	0
-50 465	88	Reversal of value increase financial assets	294	-33 312
116	386	Other permanent differences	386	-2 224
8 286	0	Other additions (legal expenses)	0	8 286
5 570	5 598	Change in differences between book and taxable income	10 229	4 164
-14 970	-10 282	Taxable income	33 858	61 788
30 600	10 282	Group contribution received with tax effect	0	0
0	0	Group contribution paid with tax effect	-33 849	0
15 630	0	Base for tax payable	9	61 788
-15 661	-21	Deficit carryforward allowable from previous years	30	-21 556
15 639	0	Change for the year in carryforward deficit	-9	21 517
-22	-21	Total allowable carryforward deficit as at 31 December	21	-39
0	0	Tax surplus	0	40 232
		Reconciliation of basis for deferred tax		
		Tax-increasing temporary differences:		
3 970	6 726	Loans to customers and credit enterprises	104 967	51 510
274	250	Financial instruments	8 029	8 108
4 244	6 976	Total tax-increasing temporary differences	112 996	59 619
		Tax-reducing temporary differences:		
-13	-25	Fixed assets	-25	-13
-2 196	-950	Financial instruments	-61 805	-10 079
-1 797	-5 815	Hedging of borrowing	-45 426	-42 428
-5 370	-6 853	Pension liability	-6 853	-5 370
-9 375	-13 643	Total tax-reducing temporary differences	-114 109	-57 890
-5 132	-6 667	Net temporary differences	-1 113	1 728
-30	-21	Carryforward deficit	21	-39
-8	-6	Deferred tax on carryforward deficit	6	-11
-5 140	-6 673	27%/28% deferred tax/tax asset	-1 120	1 718
0	-2 776	27%/28% Tax effect of group contribution	9 141	11 705
-5 140	-9 449	Capitalized deferred tax asset	8 021	13 422
3 099	0	Change in deferred tax taken to income - old rate		12 612
190	-2 763	Change in deferred tax taken to income - new rate	7 849	-64
584	-1 545	Corr. for tax on direct capitalized diff's incl. in calcul. deferred tax	-1 545	584
0	-4 308	Capitalized tax	6 304	-568
		Summary of tax expense for the year		
3 873	-4 308	Change in deferred tax taken to income	-2 837	12 564
0	0	Tax payable taken to income	9 141	0
3 873	-4 308	Total taxes	6 304	12 564
15.9 %	-21.6 %	Effective tax percentage	22.0 %	14.4 %
		Reconciliation of tax percentage:		
-42 798	-30 126	Permanent differences	386	-42 767
30 600	0	Group contribution	0	0
-12 198	-30 126	Total permanent differences	386	-42 767
-3 415	-8 134	Tax permanent differences	108	-11 975
7 289	3 826	Corrected tax	6 196	24 539
-190	0	Change in deferred tax benefit as a result of changed tax rate	0	-464
-281	0	Corrected for temporary differences on securities other than shares i.a.w. the exemption method	0	0
28.0 %	27.0 %	Tax percentage	27.0 %	27.7 %

Note 29 Pensions obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"). The Company also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a defined benefits-based pension scheme that satisfies the requirements for mandatory occupational pensions ("obligatorisk tjenestepension", or OTP). The Company has a contract pension (AFP) scheme.

The accounting treatment of pension obligations is described in more detail in Notes 2 and 3.

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Pension costs						
Present value of accumulation for the year	5 500	523	6 023	5 221	524	5 745
Administration cost	170	0	170	125	0	125
Social security contributions - Pension costs	799	74	873	754	74	828
Plan change taken to income	-2 537	-297	-2 834	0	0	0
Pension costs incl. social security and administration costs taken to income	3 933	300	4 232	6 100	598	6 698
Net financial costs						
Interest cost	1 210	339	1 549	929	294	1 223
Expected return	-800	0	-800	-572	0	-572
Management costs	212	0	212	78	0	78
Net interest cost	622	339	961	435	294	729
Social security contributions - Net interest cost	88	48	136	61	41	103
Net interest cost including social security contributions	710	387	1 097	497	335	832
Estimate deviation pensions						
Actuarial gains (losses)	4 119	895	5 015	1 107	720	1 827
Social security contributions	581	126	707	156	102	258
Actuarial gains (losses) including social security contributions	4 700	1 022	5 722	1 263	822	2 085
Total pension costs including interest costs and estimate deviation	9 343	1 709	11 052	7 860	1 755	9 615

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Pension obligations						
Gross accrued pension obligations	35 709	9 578	45 288	27 525	8 365	35 889
Pension assets	23 043	0	23 043	18 458	0	18 458
Net liability before SSC	12 666	9 578	22 244	9 066	8 365	17 431
Social security contributions	1 786	1 351	3 136	1 278	1 179	2 458
Gross accrued obligations incl. social security costs	37 495	10 929	48 424	28 803	9 544	38 347
Net liability incl. social security costs	14 452	10 929	25 381	10 345	9 544	19 889

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Reconciliation pension obligation						
Capitalized net liability/(asset) 01.01.2012	10 345	9 544	19 889	6 282	8 219	14 501
Pension costs taken to profit/loss	3 933	300	4 232	6 100	598	6 698
Financial costs taken to profit/loss	710	387	1 097	497	335	832
Actuarial gains and losses incl. social security contributions	4 700	1 022	5 722	1 263	822	2 085
Social security contributions paid in premiums/supplement	-647	-40	-687	-469	-53	-522
Premium/supplement paid-in including admin	-4 588	-284	-4 873	-3 328	-377	-3 705
Capitalized net liability/(asset) 31.12 this year	14 452	10 929	25 381	10 345	9 544	19 889

Plan change

In 2009 it was decided to introduce longevity adjustment in public sector occupational pension and the contractual early retirement (AFP) scheme in the public sector. At the same time the rules on accumulation of National Insurance pension were changed. The consequence for harmonization of public sector occupational pensions with pensions accumulated through National Insurance was not determined. In autumn 2013 an industry standard was adopted for calculation of the longevity adjustment, which has meant that in 2014 it became possible to estimate the consequences of this even though the harmonization rules are yet to be determined. Based on this, the longevity adjustments have been taken into account in the obligation as at 31 December 2014. The longevity adjustment has been incorporated as a plan change.

New disability pension rules were adopted during 2014 and these are now incorporated into the tariff agreement. This change has been incorporated as a plan change in the obligation as at 31 December 2014. This produces a reduced pension obligation, since National Insurance will comprehensively cover a greater part of the disability pension benefits.

Note 29 Pensions obligations, own employees (contd.)

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Plan changes during the period						
Plan changes during the period	-2 223	-260	-2 484	0	0	0
SSC on plan changes	-313	-37	-350	0	0	0
Plan changes during the period taken to profit/loss	2 537	297	2 834	0	0	0
Plan change not taken to profit/loss 31.12	0	0	0	0	0	0

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Change in pension obligations						
Gross pension assets 1 January before plan change	28 803	9 544	38 347	19 932	8 219	28 151
Plan change	-2 537	-297	-2 834	0	0	0
Gross pension obligations after plan change	26 266	9 247	35 514	19 932	8 219	28 151
Present value of accumulation for the year	5 500	523	6 023	5 221	524	5 745
Interest cost	1 210	339	1 549	929	294	1 223
Actuarial losses (gains) gross pension obligation	5 406	1 022	6 427	3 463	822	4 285
Social security contributions - pension costs	799	74	873	754	74	828
Social security contributions - net interest cost	88	48	136	61	41	103
Social security contributions paid in premiums/supplement	-647	-40	-687	-469	-53	-522
Payments	-1 127	-284	-1 411	-1 089	-377	-1 466
Gross pension obligation 31.12.	37 495	10 929	48 424	28 803	9 544	38 347

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Change in pension assets						
Pension assets 01.01	18 458	0	18 458	13 650	0	13 650
Expected return	800	0	800	572	0	572
Actuarial (loss) gain on pension assets	705	0	705	2 200	0	2 200
Administration cost	-170	0	-170	-125	0	-125
Financing cost	-212	0	-212	-78	0	-78
Premium/supplement paid-in including admin	4 588	284	4 873	3 328	377	3 705
Payments	-1 127	-284	-1 411	-1 089	-377	-1 466
Pension assets 31.12	23 043	0	23 043	18 458	0	18 458

NOK thousands	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Pension scheme's over-/under-financing						
Present value of the defined benefits pension obligation	37 495	10 929	48 424	28 803	9 544	38 347
Fair value of the pension assets	23 043	0	23 043	18 458	0	18 458
Net pension liability	14 452	10 929	25 381	10 345	9 544	19 889

	31.12.2014	31.12.2013
Financial assumptions (common to all pension schemes)		
Discount rate	2.30 %	4.00 %
Salary growth	2.75 %	3.75 %
The National Insurance basic amount (G)	2.50 %	3.50 %
Pension increases	1.73 %	2.72 %
Expected return	2.30 %	4.00 %

The assumptions as at 31 December 2013 have been applied to measurement of the cost of pension for 2014, whilst for calculation of the pension obligation on 31 December 2014, the assumptions and membership numbers as at 31 December 2014 have been applied. The assumptions are based on the market situation as at 31 December 2014 and are in accordance with the recommendations of the Norwegian Accounting Standards Board (NASB).

Note 29 Pensions obligations, own employees (contd.)

Actuarial assumptions
KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"):
An important part of the basis of pension costs and pension obligations is how mortality and disability develop amongst the members of the pension scheme.

KLP has used the K2013BE mortality table based on Finance Norway's analyses of mortality in life insurance populations in Norway and Statistics Norway's extrapolations.

Take-up of contractual early retirement (AFP) for 2014 (per cent in relation to remaining employees):
The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 45 per cent who retire with an AFP pension. It is only those who are employed and working right up until they retire who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

Voluntary termination for Fellesordning during 2013 (in %)

Age (i years)	<20	20-23	24-29	30-39	40-50	51-55	>55
Turnover	20 %	15 %	10 %	7.5 %	5 %	2 %	0 %

Pensions via operations:
Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same variant of K2013BE has been used as for Fellesordningen.

Number	Joint scheme	Via operation	2014	Joint scheme	Via operation	2013
Membership status						
Number active	56	3	59	54	4	58
Number deferred (previous employees with deferred entitlements)	9	4	13	9	3	12
Number of pensioners	8	2	10	8	2	10

	2014	2013
Composition of the pension assets:		
Property	11.1 %	12.3 %
Lending	10.9 %	10.9 %
Shares	20.4 %	16.9 %
Long-term/HTM bonds	27.6 %	28.8 %
Short-term bonds	21.4 %	20.9 %
Liquidity/money market	8.7 %	10.1 %
Total	100.0 %	100.0 %

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds administered by KLP at the end of the year. Value-adjusted return on the assets was 6.9 per cent in 2014 and 6.7 per cent in 2013.

Expected payment into benefits plans after cessation of employment for the period 1 January 2014 – 31 December 2014 is NOK 5.6 million.

Sensitivity analysis as at 31 December 2014	
The discount rate is reduced by 0.5%	Increase
Gross pension obligation	10.5 %
Accumulation for the year	14.3 %
Salary growth increases by 0.25%	Increase
Gross pension obligation	1.4 %
Accumulation for the year	3.3 %
Mortality is strengthened by 10%	Increase
Gross pension obligation	2.5 %
Accumulation for the year	1.9 %

The sensitivity analysis above is based on all other assumptions being unchanged. In practice that is an unlikely scenario and changes in some assumptions are correlated. The calculation of gross pension obligation and accumulation for the year in the sensitivity analysis has been done using the same method as in calculating gross pension obligation in the financial statement position.

The duration in the Joint scheme is estimated at 16.8

Note 30 Salary and obligations towards senior management etc.

2014	Paid from KLP Banken AS							Paid from another company in the same group						
NOK thousands	Salaries, fees etc.	Other benefits	Annual pension accumulation	Plan change pension benefits[3)]	Loan	Interest rate as at 31.12.2014	Repay-ment plan [1)]	Salaries, fees etc.	Other benefits	Annual pension accumulation	Plan change pension benefits[3)]	Loan	Interest rate as at 31.12.2014	Repay-ment plan [1)]
Senior employees														
Leif Magne Andersen, Managing Director	1 927	149	667	-64	801	3.15	A44	-	-	-	-	4 086	2.90-3.15	A42
Arnulf Arnøy, Director Public Sector Market	1 474	110	582	-276	-	-	-	-	-	-	-	1 242	2.90	A31
Christopher A. Steen, Head of Finance Department	1 067	17	196	-116	290	3.15	A38	-	-	-	-	2 700	2.90	A42
Board of Directors														
Sverre Thornes, Chair	-	-	-	-	-	-	-	3 569	164	1 257	-1 133	7 211	2.70-3.15	A41
Aage E. Schaanning	-	-	-	-	942	3.15	A22	3 190	149	1 085	-1 048	2 483	2.70-3.15	A31
Mette-Jorunn Meisland	-	-	-	-	-	-	-	1 348	149	452	-433	5 987	2.90-3.15	A38
Jan Otto Langmoen	102	-	-	-	-	-	-	6	-	-	-	-	-	-
Eva M. Salvesen	102	-	-	-	-	-	-	36	-	-	-	-	-	-
Christin Kleppe, elected by and from the employees	49	-	-	-	-	-	-	23						
Mette Rinde, elected by and from the employees[2)]	48	-	-	-	-	-	-	3	-	-	-	-	-	-
Control Committee														
Ole Hetland	22	-	-	-	-	-	-	75	-	-	-	-	-	-
Bengt P. Johansen	18	-	-	-	-	-	-	63	-	-	-	-	-	-
Dordi E. Flormælen	18	-	-	-	-	-	-	63	-	-	-	-	-	-
Irene Mathilde Skiri[2)]	9	-	-	-	-	-	-	31	-	-	-	-	-	-
Berit Bore	9	-	-	-	-	-	-	31	-	-	-	-	-	-
Thorvald Hillestad	18	-	-	-	-	-	-	63	-	-	-	-	-	-
Supervisory Board														
Total Supervisory Board	75	-	-	-	5 191	-	-	-	-	-	-	9 092	-	-
Employees														
Total loans to employees of KLP Banken AS	-	-	-	-	25 032	-	-	-	-	-	-	37 978	-	-

Note 30 Salary and obligations towards senior management etc. (continued)

2013	Paid from KLP Banken AS							Paid from another company in the same group						
NOK thousands	Salaries, fees etc.	Other benefits	Annual pension accumulation	Plan change pension benefits[3]	Loan	Interest rate as at 31.12.2014	Repay-ment plan [1]	Salaries, fees etc.	Other benefits	Annual pension accumulation	Plan change pension benefits[3]	Loan	Interest rate as at 31.12.2014	Repay-ment plan [1]
Senior employees														
Leif Magne Andersen, Managing Director	1 874	146	590	-	490	3.80	A24	-	-	-	-	4 177	3.15-3.80	A42
Arnulf Arnøy, Director Public Sector Market	1 473	129	496	-	371	3.15	Bolig-kreditt	-	-	-	-	1 315	2.95	S31
Board of Directors														
Sverre Thornes, Chair	-	-	-	-	-	-	-	3 433	162	1 055	-	7 410	2.70-3.80	A41
Aage E. Schaanning	-	-	-	-	1 072	3.80	S22	3 072	149	915	-	2 650	2.70-2.95	A31
Mette-Jorunn Meisland	-	-	-	-	-	-	-	1 275	146	381	-	6 041	2.95-3.65	A38
Mai-Lill Ibsen	57	-	-	-	-	-	-	24	-	-	-	-	-	-
Jan Otto Langmoen	93	-	-	-	-	-	-	6	-	-	-	-	-	-
Eva M. Salvesen	48	-	-	-	-	-	-	23	-	-	-	-	-	-
Mette Rinde, elected by and from the employees[2]	93	-	-	-	-	-	-	6	-	-	-	-	-	-
Control Committee														
Hetland Ole	20	-	-	-	-	-	-	73	-	-	-	-	-	-
Jan Rune Fagermoen[2]	8	-	-	-	-	-	-	30	-	-	-	-	-	-
Bengt P. Johansen	17	-	-	-	-	-	-	60	-	-	-	-	-	-
Dordi E. Flormælen	17	-	-	-	-	-	-	60	-	-	-	-	-	-
Irene Mathilde Skiri	9	-	-	-	-	-	-	31	-	-	-	-	-	-
Thorvald Hillestad	14	-	-	-	-	-	-	53	-	-	-	-	-	-
Supervisory Board														
Total Supervisory Board	66	-	-	-	-	-	-	-	-	-	-	5 507	-	-
Employees														
Total loans to employees of KLP Banken AS	-	-	-	-	31 182	-	-	-	-	-	-	51 630	-	-

[1] S= Serial loan, A=Annuity loan, last payment.
[2] Resigned during the year.
[3] Plan change pension benefits shows the effect of longevity adjustment for the year groups from 1954 adopted in 2008, as well as changes in the disability pension regulations adopted in 2014. Both these plan changes were incorporated in the calculation of the pension obligation in 2014

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines.

The Managing Director of KLP Banken AS has no agreement on performance pay (bonus) or salary guarantee. He is pensionable aged 65.

The Director Public Sector Market also holds the position of Managing Director of the wholly-owned subsidiary KLP Kommunekreditt AS. He has received no remuneration from this subsidiary for these appointments. The Director Public Sector Market has no agreement on performance pay (bonus), but has a salary guarantee of 21 months on termination. The Director Public Sector Market is entitled to full retirement pension on reaching the age of 62.

The Head of the Finance Department holds the appointment of Managing Director of the subsidiary KLP Boligkreditt AS. He receives no remuneration for this appointment and has no agreement on performance pay (bonus) or salary guarantee.

There are no obligations to provide the Chair of the Board of Directors special consideration or other benefits on termination or change in employment contract or appointment.

Directors fees are set by the Supervisory Board. The company shares a Supervisory Board with the other companies in the KLP Bankholding Group. Board members employed in the KLP Group, not having been elected by and from the employees, do not receive a fee for the Board appointment. Benefits in addition to Director's fees for Board members employed in the KLP Group are stated only if they are included in the senior management group employed in the KLP Group. Of the Directors' fees declared totalling NOK 349,000, NOK 291,000 are associated with KLP Banken AS: NOK 58,000 relates to other companies in the same group.

KLP Banken AS has a joint Control Committee with the rest of the KLP Group and a joint Supervisory Board with the rest of the banking group.

All benefits are shown without the addition of social security costs.

Attention is drawn otherwise to the description of the main principles on determination of remuneration in the KLP Group that may be found at www.klp.no.

Note 31 Number of employees

KLP Banken AS			KLP Banken AS Group	
2013	2014		2014	2013
52	55	Number of FTEs	55	52
55	58	Number of employees as at 31 December	58	55
53.5	56.5	Average number of employees	56.5	53.5

Note 32 Pay and general management costs

KLP Banken AS			KLP Banken AS Group	
2013	2014	NOK thousands	2014	2013
-37 887	-38 582	Salary	-38 582	-37 887
-5 497	-5 609	Employer's National Insurance contributions	-5 609	-5 497
-6 698	-4 232	Pensions including social security contributions	-4 232	-6 698
-1 234	-553	Other benefits	-553	-1 234
-51 316	-48 976	Total	-48 976	-51 316

Note 33 Other liabilities and provision for accrued costs

KLP Banken AS			KLP Banken AS Group	
31.12.2013	31.12.2014	NOK thousands	31.12.2014	31.12.2013
25 136	32 161	Receivables between companies in the same Group	27 573	17 210
1 231	7 020	Creditors	7 296	1 833
788	3 948	Miscellaneous liabilities	3 952	792
27 155	43 129	Total other liabilities	38 821	19 835
2 421	2 647	Withholding tax	2 647	2 421
1 620	1 869	Social security costs	1 869	1 620
3 685	4 173	Holiday pay	4 173	3 685
19 889	25 381	Pension obligations	25 381	19 889
20	60	VAT	301	158
545	913	Provisioned costs	2 366	1 692
28 180	35 043	Total accrued costs and liabilities	36 737	29 465

Note 34 Other assets

KLP Banken AS			KLP Banken AS Group	
31.12.2013	31.12.2014	NOK thousands	31.12.2014	31.12.2013
3 723	10 282	Receivables from companies in the same Group	492	176
38	0	Miscellaneous receivables	0	38
306	303	Prepaid expenses	1 360	1 348
4 066	10 585	Total	1 852	1 562

Note 35 Transactions with related parties

KLP Banken AS			KLP Banken AS Group	
2013	2014	NOK thousands	2014	2013
		Income statement items		
58 000	58 000	KLP, fees lending management	58 000	58 000
16 018	12 715	KLP Kommunekreditt AS, administrative services (at cost)	0	0
0	7 941	KLP Boligkreditt AS, administrative services (at cost)	0	0
482	0	KLP Kreditt AS, administrative services (at cost)	0	0
78 638	59 388	KLP Kommunekreditt AS, interest lending	0	0
0	11 549	KLP Boligkreditt AS , interest lending	0	0
20 415	0	KLP Kreditt AS, interest lending	0	0
-147	-120	KLP Kapitalforvaltning AS, fees for services provided	-434	-527
-3 435	-3 557	KLP, rent	-3 557	-3 435
-6 223	-3 603	KLP, pension premium	-3 603	-6 223
-41 637	-42 214	KLP, staff services (at cost)	-42 214	-41 637
1 086	1 584	KLP Group companies, subsidised interest employee loans	1 856	1 086
123 197	101 683	Total	10 048	7 264

KLP Banken AS			KLP Banken AS Group	
31.12.2013	31.12.2014	NOK thousands	31.12.2014	31.12.2013
		Financial position statement items		
2 442 841	2 207 657	KLP Kommunekreditt AS, lending Group short-term	0	0
0	1 011 240	KLP Boligkreditt AS , lending Group short-term	0	0
-8 023	-4 441	KLP Kommunekreditt AS, loan settlement	0	0
0	-239	KLP Boligkreditt AS, loan settlement	0	0
-8 950	-17 051	KLP, loan settlement	-17 051	-8 950
		Net internal accounts to:		
-8 163	-10 430	KLP	-10 430	-8 163
3 547	3 647	KLP Kommunekreditt AS, net internal accounts	0	0
0	6 305	KLP Boligkreditt AS, net internal accounts	0	0
176	330	KLP Group companies, net other internal accounts	400	176
2 421 428	3 197 018	Total	-27 081	-16 937

Transactions with related parties are carried out at general market terms and conditions, with the exception of the Company's share of common functions (staff services), which are allocated at cost. The receivable is based on actual use. All internal receivables are settled as they arise.

Note 36 Auditor's fee

KLP Banken AS			KLP Banken AS Group	
2013	2014	NOK thousands	2014	2013
334	308	Ordinary audit	762	769
60	42	Certification services	605	382
33	196	Tax advisory services	255	62
56	5	Non-audit services	14	48
483	551	Total auditor's fee	1 636	1 260

The sums above include VAT.

Note 37 Contingent liabilities

KLP Banken AS			KLP Banken AS Group	
31.12.2013	31.12.2014	NOK thousands	31.12.2014	31.12.2013
193 600	240 585	Credit facilities for lending not utilized	374 701	292 379
129 511	298 118	Loan promise	348 718	161 511
16 982 500	16 452 000	Credit facility KLP Kommunekreditt AS	0	0
0	1 800 000	Credit facility KLP Boligkreditt AS	0	0
17 305 611	18 790 703	Total contingent liabilities	723 419	453 890

Note 38 Cash and cash equivalents

KLP Banken AS			KLP Banken AS Group	
31.12.2013	31.12.2014	NOK thousands	31.12.2014	31.12.2013
685 368	566 893	Cash and bank deposits	1 113 949	1 534 079
685 368	566 893	Total cash and bank deposits	1 113 949	1 534 079

In the statement of cash flows, cash and cash equivalents comprise the following:

685 368	566 893	Cash and bank deposits	1 113 949	1 534 079
-20 006	-27 984	Bank accounts for use for acquisition and sale of securities	-43 599	-47 654
665 362	538 909	Cash and cash equivalents held at the end of the period	1 070 349	1 486 425

To the Supervisory Board and the Annual Shareholders' Meeting of KLP Banken AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of KLP Banken AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2014, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for the parent company and the group KLP Banken AS as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

PricewaterhouseCoopers AS, Brattørkaia 17 B, NO-7492 Trondheim
T: 02316, org. no.: 987 009 713 MVA, www.pwc.no
Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company’s accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 4 March 2015
PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

This is KLP

KLP provides secure and competitive financial and insurance services to the public sector, enterprises associated with the public sector and their employees.

KLP's vision is to be the best partner for the days to come. This vision points the way for KLP's employees, and helps ensure that KLP is perceived by its clients to be a reliable partner, who strengthens their finances, make their lives easier day to day, help make them a more attractive employer and contribute towards a more sustainable public sector. KLP's main objective is to be Norway's leading provider of pensions to the public sector. KLP's most important task is therefore to provide pensions with a competitive rate of return over the long term, the lowest costs and a high level of service.

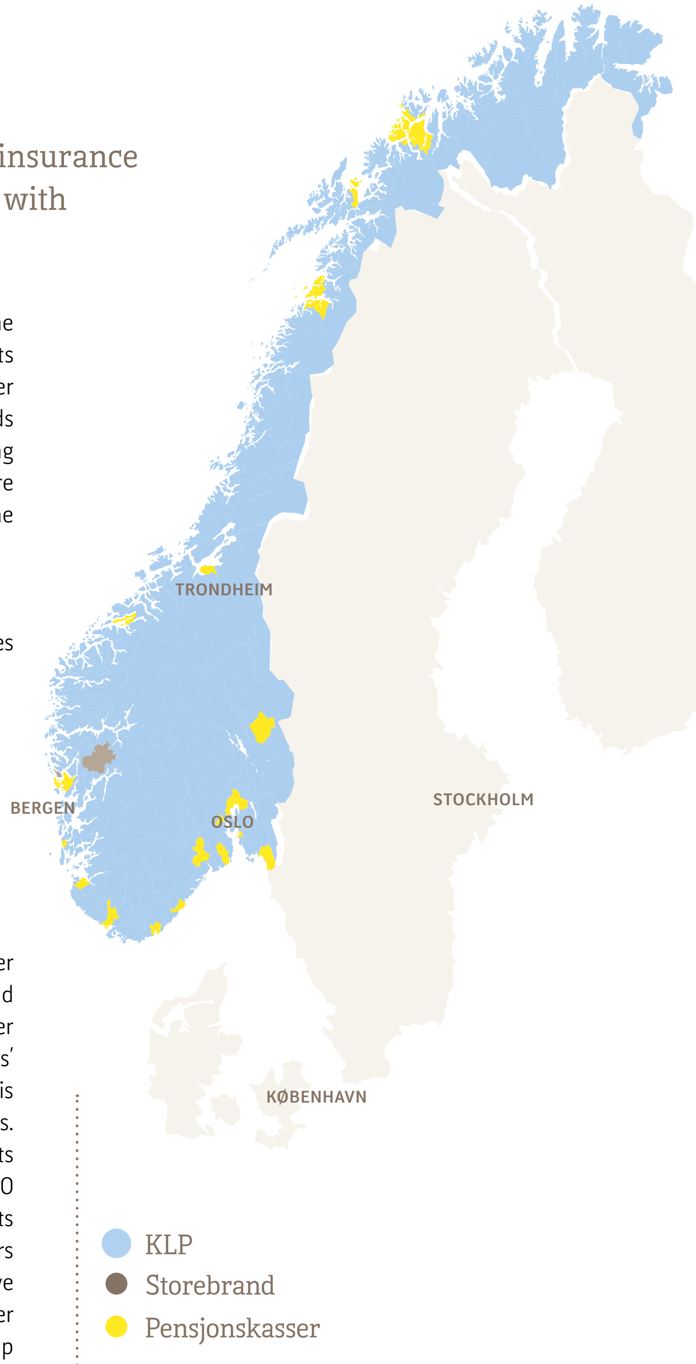
Market leader – public service pensions

At the start of 2015, 403 municipal and county authorities had pension schemes with the company. In addition, 25 of the country's 26 health trusts and the four regional health authorities all have one or more pension agreements with KLP. Around 2,500 companies also have pension schemes with KLP. The company's pension schemes cover more than 418,000 people in work and 230,000 pensioners. More than 167,000 people also have a pension entitlement with KLP deriving from previous jobs. A further 15 municipal authorities will transfer to KLP in 2015.

Successful focus on members

KLP offers finance and insurance-related products and services to the consumer market. The products are aimed at employees and pensioners of clients and owners whose pension schemes are managed by KLP. The objective is to offer these members attractive products and services in order to enhance our owners' ability to recruit and retain the desired labour resources. At the same time, this focus contributes to the growth and profitability of KLP's various business units. In recent years, KLP has actively emphasised the provision of insurance products and financial services which meet the needs of our members. More than 76,000 client relationships have been established in recent years. The number of clients who are also members now stands at 39,000. The products offered to members in the areas of banking, non-life insurance and investment funds are competitive both in terms of price and content. Their ranking on *Finansportalen* and other market comparison sites shows that these membership products are well up among the best. The increase in new customers also shows that the benefits available to members are starting to become known, which can largely be attributed to a series of marketing campaigns.

Excellent personal treatment and service is characteristic for KLP's customer relations. This was confirmed through a customer satisfaction survey undertaken among private customers in November 2014. The results were extremely positive, with all business areas achieving a score of 74 or more. This is high also in comparison with other financial institutions in Norway. Customers are particularly happy with our level of service, responsiveness and personal treatment.



The vast majority of municipal and county authorities are KLP clients. KLP is headquartered in Oslo. KLP also has an office in Bergen, which looks after life insurance and pension services. The property company has offices in Oslo, Trondheim, Copenhagen and Stockholm. The bank has offices in Trondheim and Oslo.

Group structure

Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP) is a client-owned enterprise, and the parent company of a financial group of wholly owned subsidiaries incorporated as private limited companies.

Public sector pensions are the main product offered by the mutual company KLP, and it is this product's customers who own the company. The mutual ownership model has been chosen both because it is financial efficient, and because it gives customers and owners influence over delivery of an important service.

The subsidiaries were created to support KLP's core business, and to offer secure and competitive services to KLP's owners and their employees.

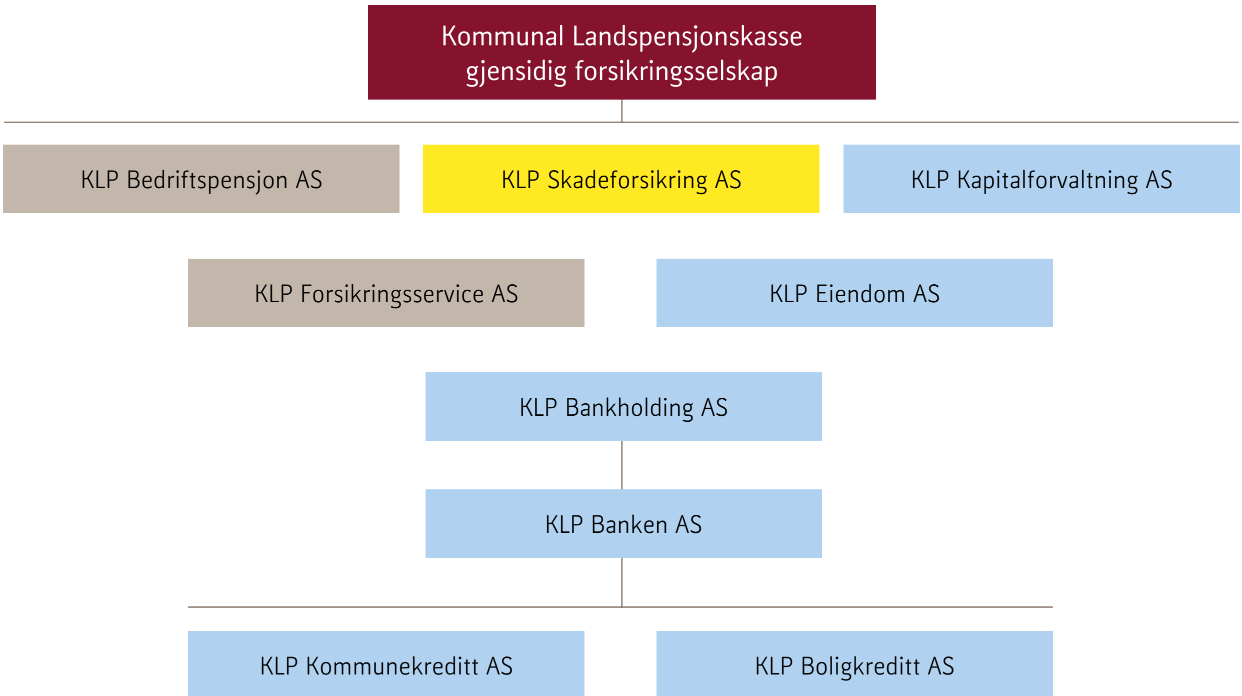
Employees in the KLP-Group

899

At the close of 2014 the Group employed a total of 899 people, and managed total assets of NOK 490.9 billion.

KLP provides products and services within the following areas:

- Pensions and pension fund services
- Banking
- Insurance
- Investment funds and capital management



KLP BANKEN AS The overall business activities of KLP Banken AS, including the subsidiaries KLP Boligkreditt AS and KLP Kommunekreditt AS, are divided into the business areas Consumer Market (CM) and Public Sector (PS). The Group operates nationwide and its offices are located in Trondheim.

KLP Banken is an online bank, focusing on home mortgage lending and deposits. This provides the basis for efficient operations and low costs. At the start of the year the bank had over 33,000 active consumer customers.

KLP Boligkreditt AS is a subsidiary of KLP Banken, and was licensed as a mortgage lender in 2014. A proportion of the bank's lending in the consumer market has been transferred to this company. The business is funded largely through the issue of mortgage-backed covered bonds.

KLP Kommunekreditt AS is also a subsidiary of KLP Banken. The company aims to be a key financing partner for the public sector. KLP Kommunekreditt meets a wide range of local authority borrowing needs, eg for schools, nurseries, care homes and projects relating to municipal climate and energy plans. In addition, KLP finances some council-run infrastructure.

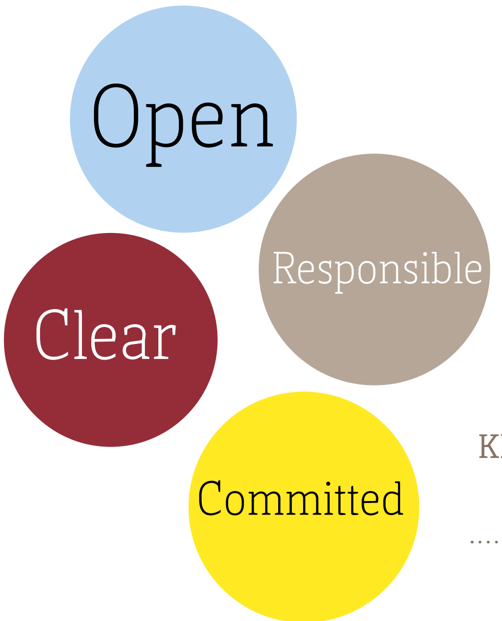
KLP SKADEFORSIKRING AS offers non-life insurance to the public sector and enterprises with a public sector connection. At the close of 2014 the company had 315 municipal and 14 county authorities on its client list, as well as 2,864 enterprises and 31 customers linked to health trusts. The company also offers insurance solutions in the consumer market, with particular benefits for KLP members. At the close of last year, it had 28,000 individual customers.

KLP FORSIKRINGSSERVICE AS has specialist expertise with regard to public sector pension schemes, and offers a full range of pension fund services.

KLP BEDRIFTSPENSJON AS offers defined-contribution occupational pensions, including the management of pension capital certificates, for public and private sector enterprises. The company manages total capital assets of NOK 2,270.3 million.

KLP KAPITALFORVALTNING AS manages investment funds on behalf of the KLP Group's insurance business and other clients through the KLP Funds. KLP Kapitalforvaltning AS holds a licence from the Financial Supervisory Authority of Norway to manage securities funds and alternative investment funds, as well as perform active asset management and associated services. At the close of last year the company managed assets worth approx. NOK 370 billion on behalf of the parent company and external clients.

KLP EIENDOM AS is one of Norway's largest property companies, It manages 1,554,000 m2 of building space and 372,000 m2 of leasehold land, and is engaged in several major property development projects. As at 31 December 2014, the property was worth a total of NOK 45.7 billion. KLP Eiendom has operations in Norway, Sweden, Denmark, Luxembourg and the UK (London). Its properties have excellent locations, a high standard of construction and effective utilisation of space. For KLP, property is an investment class on the same level as shares, bonds and lending.



KLP's values

Social responsibility

Much hyperbole has been employed to describe corporate social responsibility. But for KLP it is simply about how the company runs its business. Pensions, banking, insurance, savings and property are products that bring us close to the lives of our members. It is a responsibility that KLP feels it is important to discharge well.

The company's social responsibility goals are to contribute to a sustainable public sector and integrate sustainable and responsible practices into all its business processes. Social responsibility is therefore of strategic significance to KLP, and its endeavours are associated with four principal areas: responsibility in investments and products, responsible environmental solutions, the sharing of knowledge and local engagement.

Responsibility in investments and products

KLP aims to be among the leaders within the area of responsible investment. 2014 saw intense public debate about investments in coal companies. KLP has a major responsibility as the country's largest life insurance company. It is important to achieve a good return that safeguards future pensions. At the same time, it is important to consider how its long-term investments can contribute to sustainable development. KLP therefore decided to invest an additional NOK 500 million in increased renewable energy capacity, and pull out of companies that generate a significant proportion of their revenues from coal. With this move, KLP wishes to contribute to a shift from fossil fuels to renewable energy. This effort has already begun. Through its partnership with Norfund, KLP invested in Africa's largest wind farm in Kenya in 2014, as well as solar power plants in Rwanda and Honduras.

KLP signed the UN Global Compact as far back as 2003. By doing so it has pledged to work for human and labour rights, environmental protection and efforts to eradicate corruption.

KLP also endorses investor initiatives such as the UN's principles for responsible investments and the CDP (an initiative to increase and improve companies' carbon emission reporting), and uses international reporting guidelines such as the Integrated Reporting Framework and the Global Reporting Initiative to improve its own reporting.

History
1949–2014

1949
The Union of Norwegian Cities and the Norwegian Association of Rural Municipalities (forerunners to the Norwegian Association of Local and Regional Authorities - KS) resolve to establish Kommunal Landspensjonkasse. KLP was established as a «managed» pension scheme under Norsk Kollektiv Pensjonskasse.

1950
KLPs Harald Bastiansen develops an average premium system for hospital doctors.

1961
The Nurses' Scheme with average premiums is introduced. The Norwegian Act concerning Pension Scheme for Nurses came into force in 1962.

1967
The Norwegian parliament, the Storting, passed a resolution to introduce National Insurance.

1974
The Transfer Agreement, to which KLP contributes, secures pension rights in the event of a change of job within the public sector.

1974
KLP obtains its own licence as an insurance company and establishes a joint local authority pension scheme.

1986
KLP achieves breakthrough pensions to be indexed in line with the National Insurance Basic Amount («G»).

1988
Contractual early retirement (AFP) is introduced.

1990
KLP establishes scheme with equity capital contribution i.a.w. the Norwegian Insurance Act.

1995–1996
Competition over the local authority pension schemes becomes fiercer.

2003
The Banking Act Commission delivers reports on competition in local government occupational pension schemes, and gender and age neutrality in group pension schemes.

2004
KLP's premium system becomes part of the industry norm and is incorporated into the Norwegian Insurance Act.

2008
The Norwegian Insurance Act is amended. Differentiation is made between customer assets and corporate assets.

2011
Public sector occupational pension is adjusted to the changes in the Pension Reform.

2013
KLP's principal competitors in the market for public sector occupational pensions opt to withdraw.

2014
The Storting adopts new disability pension in the public sector from 1 January 2015.

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