
Management report 2016

KLP Banken AS and its subsidiaries KLP Kommunekreditt AS and KLP Boligkreditt AS have bonds listed on the Oslo Børs exchange. According to Section 3-3b of the Norwegian Accounting Act, the companies are therefore required to report on their management principles and practice with regard to the following:

1. Internal control over financial reporting.

The accounts of the KLP Banken Group are drawn up in accordance with the applicable International Financial Reporting Standards (IFRS), as approved for use within the EU. The Group's accounting principles apply to the company financial statements for KLP Banken AS and its subsidiaries KLP Kommunekreditt AS and KLP Boligkreditt AS. The Bank Group's accounts and financial reports are produced in close collaboration with the KLP Group's centralized Accounting function. The Bank's Finance and Risk/Compliance departments report to the Managing Director and ensure that the reporting complies with the relevant legislation and accounting standards and with the Group's accounting principles. Processes have been established to ensure that the financial reports are quality-assured and that any errors are followed up and corrected as they occur. A number of control measures have been established to provide for correct, valid and complete reporting. These measures include reasonableness and plausibility checks within the various business areas and at an aggregated level. There are also detailed daily and monthly reconciliation checks. External auditors conduct a full audit of the financial statements for the Group and the individual companies.

Within the Bank Group, both subsidiaries issue covered bonds. The Norwegian Financial Undertakings Act lays down special requirements for this type of activity, including a requirement to provide security according to specific rules, liquidity requirements and a requirement to maintain a register of the bonds that have been issued and the security assigned to them. The Bank Group's Finance department monitors these requirements on a regular basis. As an extra assurance that the requirements are being met, an independent inspector has been appointed in line with the Financial Undertakings Act, to confirm that the covered bonds and the security to cover them have been correctly recorded. The inspector also checks that the value of the security exceeds the value of the covered bonds at all times. The Financial Supervisory Authority of Norway has appointed PwC as the independent inspector for this activity within the KLP Banken Group.

2. Provisions in the Articles of Association governing the appointment and replacement of members of the Board of Directors.

The following sections in the Company's Articles of Association deal with the appointment and replacement of members of the Board of Directors:

Section 2-2: The Board of Directors of KLP Banken AS shall comprise 5-8 members with up to the same number of deputy members, and the Board of Directors of KLP Boligkreditt AS and of KLP Kommunekreditt AS shall comprise 4-8 members in each case. Two of the elected members of the Board of KLP Banken and their deputies are elected by and among the employees. The remaining Board members and deputies, and the chair of the Board, shall be elected by the General Meeting. For KLP Boligkreditt and KLP Kommunekreditt, all members shall be elected by the General Meeting. The elected members of the Board shall serve for two years. Section 2-3: The election of Board members shall be prepared by an election committee made up of the chair and deputy chair of the Board of KLP. The election committee shall propose candidates to the Board and the chair. The committee shall also propose the remuneration payable to staff representatives and auditors.

3. Acquisition of own shares

The Board of Directors of KLP Banken AS, KLP Boligkreditt AS and KLP Kommunekreditt AS are not authorized to repurchase or issue own shares.