

# Interim report

## Q1 2014



[INCOME STATEMENT](#)

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## KLP Banken AS

# Interim financial statements Q1 2014

### Main features of the first quarter:

- Increased earnings from lending activity
- Satisfactory cost development
- Permission to establish a mortgage covered bond-issuing entity granted by The FSA (Finanstilsynet)

The KLP Banken Group's purpose is financing of housing mortgages and lending to municipalities, county administrations and companies carrying out public sector assignments. The KLP Banken Group is a substantial long-term lender to the public sector. The Group has also steadily expanded its activity in the retail market since 2010. The Group manages lending totalling NOK 57 billion. The overall business of KLP Banken AS and its subsidiaries is divided into the retail market and public sector loans business areas. The business is nationwide and the companies' head office is in Trondheim. 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 latter is the recently established mortgage covered bond-issuing entity.

### Income statement

Net interest income for the KLP Banken Group in Q1 2014 amounted to NOK 31.4 million against 24.3 million for the same period the previous year. Operating expenses and depreciation amounted to NOK 37.5 million compared to NOK 34.7 million at the same time last year. A loss provision of NOK 0.6 million related to retail loans has been made in the first quarter.

The financial statements have been prepared in NOK and are presented in accordance with the Norwegian Accounting Act, the Annual Accounts Regulations for Banking (Regulation No. 1240 of 16 December 1998), as well as Regulations on Simplified Application of IFRS, the Simplification Regulations (Regulation No. 57 of 21 January 2008). This means that financial instruments are recognised in part at market value. At the end of the first quarter, the income statement includes a net gain associated with securities of NOK 2.9 million. During the same period last year a net gain of NOK 7.6 million was brought to book.

In addition to its own lending, the banking group administers housing mortgages and public sector lending financed by its parent company, Kommunal Landspensjonskasse (KLP). The management fee for this task amounted to NOK 14.5 million

in the first quarter. The corresponding amount last year was NOK 15.3 million.

In the first quarter, the KLP Banken Group had achieved pre-tax profits of NOK 13.8 million. At the same time last year the result was NOK 9.3 million. Income after tax amounted to NOK 10.1 million and NOK 6.7 million, respectively.

### Lending

On 31 March 2014, the KLP Banken Group had lending of NOK 21.4 billion compared to NOK 22.1 billion the previous year. The distribution between the retail market and public sector lending was NOK 4.8 billion and NOK 16.6 billion, respectively.

### Liquidity investments

On the reporting date, the portfolio of liquidity investments amounted to NOK 2.9 billion against NOK 3.1 billion at the same time last year.

### Borrowing

The KLP Banken Group's external financing comprises of deposits, certificates and bonds. On the date of reporting, deposits from individuals and companies were NOK 4.4 billion and issued securities amounted to NOK 19.8 billion. Of the issued securities, covered bonds (OMF) issued by KLP Kommunekreditt AS represented NOK 17.0 billion. All covered bonds issues have achieved AAA rating.

### Solvency

At the end of the first quarter, eligible Tier 1 and Tier 2 capital i.a.w. the capital adequacy rules was NOK 1 248.1 million. Eligible Tier 1 and Tier 2 capital comprises core capital only. The corresponding figure for last year was NOK 1195.6 million. Lending is risk-weighted in accordance with the authorities' capital adequacy regulations. The KLP Banken Group had a capital adequacy ratio of 20.2 per cent at the end of the fourth quarter, against 20.4 per cent on the same date last year. The minimum statutory requirement is 12.5 per cent.

# Income Statement

KLP Banken AS Group

Note	NOK thousands	Q1 2014	Q1 2013	2013
	Interest income and similar income	200 934	209 746	839 397
	Cost of interest and similar costs	-169 531	-185 403	-717 420
3	<b>Net interest income</b>	<b>31 404</b>	<b>24 343</b>	<b>121 977</b>
	Commission income and income from banking services	2 496	1 054	8 538
	Commission costs and costs of banking services	-322	-154	-727
	<b>Net charges and commission income</b>	<b>2 173</b>	<b>900</b>	<b>7 811</b>
	Other fee income	14 500	15 250	58 063
	Net gain/(loss) financial instruments	3 917	3 489	43 806
	<b>Total other operating income</b>	<b>18 417</b>	<b>18 739</b>	<b>101 869</b>
	Salary and administrative costs	-12 922	-12 473	-51 316
	Depreciation	-671	-478	-2 356
	Other operating expenses	-23 949	-21 723	-91 026
	<b>Total operating expenses</b>	<b>-37 542</b>	<b>-34 674</b>	<b>-144 698</b>
	Loss on loans issued, guarantees etc.	-621	0	0
	Gains/losses on securities that are fixed assets	0	0	0
	<b>Operating profit/loss before tax</b>	<b>13 831</b>	<b>9 308</b>	<b>86 959</b>
	Tax on ordinary income	-3 734	-2 606	-12 564
	<b>Income</b>	<b>10 097</b>	<b>6 702</b>	<b>74 395</b>
	Other comprehensive income	0	0	-2 085
	Tax on other comprehensive income	0	0	584
	<b>Other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>-1 501</b>
	<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>10 097</b>	<b>6 702</b>	<b>72 894</b>

# Balance Sheet

KLP Banken AS Group

Note	NOK thousands	31.03.2014	31.03.2013	31.12.2013
	<b>ASSETS</b>			
	Loans to and receivables from credit institutions	1 534 222	1 611 015	1 534 079
4	Loans to and receivables from customers	21 376 096	22 057 171	21 317 032
13	Fixed income securities	2 926 994	3 093 875	2 922 819
	Financial derivatives	242 501	233 384	210 223
	Tangible fixed assets	559	454	581
	Intangible assets	20 450	20 995	21 098
10	Other assets	2 875	1 996	4 330
	<b>TOTAL ASSETS</b>	<b>26 103 697</b>	<b>27 018 892</b>	<b>26 010 162</b>
	<b>LIABILITIES AND OWNERS' EQUITY</b>			
	<b>LIABILITIES</b>			
7	Liabilities created on issuance of securities	19 753 099	21 717 602	19 981 805
	Deposits	4 706 392	3 459 180	4 406 943
	Financial derivatives	296 275	339 573	265 754
	Deferred tax	337	4 143	13 422
11	Other liabilities	35 990	251 041	22 603
11	Provision for accrued costs and liabilities	32 936	24 038	29 464
	<b>TOTAL LIABILITIES</b>	<b>24 825 028</b>	<b>25 795 576</b>	<b>24 719 991</b>
	<b>OWNERS' EQUITY</b>			
	Share capital	750 000	750 000	750 000
	Share premium fund	440 000	405 707	440 000
	Retained earnings	78 571	60 907	100 171
	Unallocated profit/loss	10 097	6 702	0
	<b>TOTAL OWNERS' EQUITY</b>	<b>1 278 668</b>	<b>1 223 316</b>	<b>1 290 171</b>
	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>26 103 697</b>	<b>27 018 892</b>	<b>26 010 162</b>

# Statement of owners' equity

KLP Banken AS Group

2014 NOK thousands	Share capital	Share pre- mium fund	Retained earnings	Total owners' equity
Owners' equity 1 January 2014	750 000	440 000	100 171	1 290 171
Income for the period	0	0	10 097	10 097
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>10 097</b>	<b>10 097</b>
Received group contribution	0	0	8 500	8 500
Group contribution made	0	0	-30 100	-30 100
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>-21 600</b>	<b>-21 600</b>
<b>Owners' equity 31 March 2014</b>	<b>750 000</b>	<b>440 000</b>	<b>88 668</b>	<b>1 278 668</b>

2013 NOK thousands	Share capital	Share pre- mium fund	Retained earnings	Total owners' equity
Owners' equity 1 January 2013	750 000	405 707	60 907	1 216 614
Income for the period	0	6 702	0	6 702
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>6 702</b>	<b>0</b>	<b>6 702</b>
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Owners' equity 31 March 2013</b>	<b>750 000</b>	<b>412 409</b>	<b>60 907</b>	<b>1 223 316</b>

# Statement of cash flows

KLP Banken AS Group

NOK thousands	01.01.2014- 31.03.2014	01.01.2013- 31.03.2013	2013
<b>OPERATING ACTIVITIES</b>			
Payments received from customers - interest, commission & charges	163 932	150 538	764 031
Payments to customers - interest, commission & charges	-51 254	-40 377	-180 511
Net receipts/disbursements on lending to customers	-35 958	68 900	385 286
Net receipts on customer deposits banking	299 448	512 984	1 460 748
Net receipts/disbursements on operations	-20 521	-23 198	-94 239
Paym's to employees, pension schemes, employer's soc. security contrib. etc.	-13 750	-13 151	-45 024
Net interest investment accounts	4 599	4 326	29 584
Net receipts/disbursements from operating activities	17 344	14 519	86 014
Income tax paid	0	0	0
<b>Net cash flow from operating activities</b>	<b>363 840</b>	<b>674 542</b>	<b>2 405 888</b>
<b>INVESTMENT ACTIVITIES</b>			
Receipts from securities	316 356	1 575 145	2 619 973
Payments on purchase of securities	-316 243	-602 143	-1 478 732
Receipts of interest from securities	16 116	24 744	77 487
Payments on purchase of fixed assets	0	-242	-2 018
<b>Net cash flows from investment activities</b>	<b>16 229</b>	<b>997 504</b>	<b>1 216 710</b>
<b>FINANCING ACTIVITIES</b>			
Net receipts/disbursements on loans from credit institutions	-285 101	-2 082 744	-3 729 547
Net payments of interest on loans	-70 237	-107 350	-491 514
Net receipts/disbursements on other short-term items	10 432	-3 782	-6 822
Payment of group contribution	-33 306	0	0
<b>Net cash flows from financing activities</b>	<b>-378 212</b>	<b>-2 193 876</b>	<b>-4 227 884</b>
<b>Net cash flow during the period</b>	<b>1 857</b>	<b>-521 831</b>	<b>-605 287</b>
Cash and cash equivalents at the beginning of the period	1 486 425	2 091 712	2 091 712
Cash and cash equivalents at the end of the period	1 488 282	1 569 881	1 486 425
<b>Net receipts/disbursements of cash</b>	<b>1 857</b>	<b>-521 831</b>	<b>-605 287</b>
<b>RECONCILIATION</b>			
Profit/loss before tax	13 831	9 308	86 959
Change in accounts receivables	38	0	-38
Change in accounts payable	-696	-1 111	-850
Items classified as investment or financing activities	116 156	204 741	466 058
Changes in other accrual items	234 511	461 604	1 853 761
<b>Net cash flow from operating activities</b>	<b>363 840</b>	<b>674 542</b>	<b>2 405 888</b>

# Notes to the accounts

KLP Banken AS Group

## 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 BK Prosjekt AS. These companies together form the KLP Banken AS Group. The Company, KLP Banken AS, is a subsidiary of KLP Bankholding AS, which is wholly owned by Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP). KLP is a mutual insurance company.

## Note 2 ACCOUNTING PRINCIPLES

This is an interim report for the period 1 January 2014 - 31 March 2014.

The KLP Banken AS Group presents financial statements in accordance with the Norwegian Accounting Act of 17 July 1998 and Norwegian Regulation 1240 "Regulation on financial statements etc for banks, financial enterprises and their parent companies", hereinafter referred to as the Annual Accounts Regulation of 16 December 1998. These regulations require the use of the EU-approved IFRS/IAS international accounting standards. The Group Financial statements are presented in accordance with international EU-approved accounting standards (IAS/IFRS), and is prepared in accordance with IAS 34 Interim Financial Reporting.

The financial statements for the first quarter 2014 are presented in accordance with the same accounting principles as the annual financial statements for 2013. This report is available at [klp.no](http://klp.no)

The accounts for the first quarter has not been audited.

**Note 3 NET INTEREST INCOME**

NOK thousands	Q1 2014	Q1 2013	2013
Interest on loans to and receivables from credit institutions	6 949	8 308	29 649
Interest on loans to customers	178 196	177 901	734 644
Interest on securities	15 790	23 537	75 103
<b>Total interest income</b>	<b>200 934</b>	<b>209 746</b>	<b>839 397</b>
Interest on debt to credit institutions	113 386	135 597	508 636
Interest on debt to customers	55 248	48 803	204 421
Premium/discount on covered bonds	895	1 004	3 893
Other interest costs	1	0	471
<b>Total interest costs</b>	<b>169 531</b>	<b>185 403</b>	<b>717 420</b>
<b>Net interest income</b>	<b>31 404</b>	<b>24 343</b>	<b>121 977</b>

**Note 4 LOANS TO CUSTOMERS**

NOK thousands	31.03.2014	31.03.2013	31.12.2013
Loans to customers before write-downs	21 018 938	21 625 233	20 989 035
Individual write-downs	-662	-9	-9
Write-downs by group	0	0	0
<b>Loans to customers after individual write-downs</b>	<b>21 018 276</b>	<b>21 625 224</b>	<b>20 989 026</b>
Accrued interest	126 027	154 905	108 906
Loans to customers, fair value hedging	231 793	275 163	219 100
Loans to customers, fair value adjustment	0	1 878	0
<b>Loans to customers</b>	<b>21 376 096</b>	<b>22 057 171</b>	<b>21 317 032</b>

**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

NOK thousands	31.03.2014		31.03.2013		31.12.2013	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
<b>FINANCIAL ASSETS AT FAIR VALUE</b>						
Fixed income securities	2 926 994	2 926 994	3 093 875	3 093 875	2 922 819	2 922 819
Loans to Norwegian local administrations	0	0	37 015	37 015	0	0
Financial derivatives	242 501	242 501	233 384	233 384	210 223	210 223
<b>Total financial assets at fair value</b>	<b>3 169 495</b>	<b>3 169 495</b>	<b>3 364 274</b>	<b>3 364 274</b>	<b>3 133 042</b>	<b>3 133 042</b>
<b>FINANCIAL ASSETS AT FAIR VALUE HEDGING</b>						
Loans to Norwegian local administrations	6 323 152	6 357 849	6 126 751	6 159 814	6 160 311	6 181 146
Loans to retail customers	442 130	429 918	517 093	504 204	454 408	442 592
<b>Total financial assets at fair value hedging</b>	<b>6 765 282</b>	<b>6 787 767</b>	<b>6 643 844</b>	<b>6 664 018</b>	<b>6 614 719</b>	<b>6 623 738</b>
<b>FINANCIAL ASSETS AT AMORTIZED COST</b>						
Loans to and receivables from credit institutions	1 534 222	1 534 222	1 611 015	1 611 015	1 534 079	1 534 079
Loans to Norwegian local administrations	10 236 332	10 234 396	14 010 338	14 010 338	10 673 119	10 671 959
Loans to retail customers	4 374 482	4 374 482	1 365 974	1 365 974	4 029 195	4 029 195
<b>Total financial assets at amortized cost</b>	<b>16 145 035</b>	<b>16 143 100</b>	<b>16 987 327</b>	<b>16 987 327</b>	<b>16 236 393</b>	<b>16 235 233</b>
<b>Total financial assets</b>	<b>26 079 812</b>	<b>26 100 362</b>	<b>26 995 445</b>	<b>27 015 619</b>	<b>25 984 154</b>	<b>25 992 013</b>
<b>DEBT TO CREDIT INSTITUTIONS AT FAIR VALUE</b>						
Financial derivatives	296 275	296 275	339 573	339 573	265 754	265 754
<b>Total financial liabilities at fair value</b>	<b>296 275</b>	<b>296 275</b>	<b>339 573</b>	<b>339 573</b>	<b>265 754</b>	<b>265 754</b>
<b>LIABILITIES CREATED ON ISSUANCE OF SECURITIES AT FAIR VALUE HEDGING</b>						
Liabilities created on issuance of securities	4 990 601	5 006 054	3 780 738	3 809 470	4 748 614	4 969 199
<b>Total financial liabilities at fair value hedging</b>	<b>4 990 601</b>	<b>5 006 054</b>	<b>3 780 738</b>	<b>3 809 470</b>	<b>4 748 614</b>	<b>4 969 199</b>
<b>DEBT TO CREDIT INSTITUTIONS AND DEPOSITS AT AMORTIZED COST</b>						
Liabilities created on issuance of securities	14 762 498	14 908 067	17 936 864	18 024 219	15 233 191	15 121 032
Deposits from customers	4 706 392	4 706 392	3 459 180	3 459 180	4 406 943	4 406 943
<b>Total financial liabilities at amortized cost</b>	<b>19 468 890</b>	<b>19 614 459</b>	<b>21 396 044</b>	<b>21 483 399</b>	<b>19 640 134</b>	<b>19 527 975</b>
<b>Total financial liabilities</b>	<b>24 755 766</b>	<b>24 916 788</b>	<b>25 516 355</b>	<b>25 632 442</b>	<b>24 654 502</b>	<b>24 762 928</b>

Fair value of investments listed in an active market is based on the current purchase 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 Bloomberg are the sources of 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 debt 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 6 FAIR VALUE HIERARCHY**

NOK thousands	Level 1	Level 2	Level 3	Total 31.03.2014
<b>ASSETS</b>				
Fixed income securities	129 219	2 797 775	0	2 926 994
Financial derivatives	0	242 501	0	242 501
<b>Total financial assets valued at fair value</b>	<b>129 219</b>	<b>3 040 276</b>	<b>0</b>	<b>3 169 495</b>
<b>LIABILITIES</b>				
Financial derivatives	0	296 275	0	296 275
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>296 275</b>	<b>0</b>	<b>296 275</b>

NOK thousands	Level 1	Level 2	Level 3	Total 31.03.2013
<b>ASSETS</b>				
Loans to Norwegian local administrations	0	37 015	0	37 015
Interest-bearing securities	148 859	2 945 016	0	3 093 875
Financial derivatives	0	233 384	0	233 384
<b>Total financial assets valued at fair value</b>	<b>148 859</b>	<b>3 215 415</b>	<b>0</b>	<b>3 364 274</b>
<b>LIABILITIES</b>				
Financial derivatives	0	339 573	0	339 573
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>339 573</b>	<b>0</b>	<b>339 573</b>

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2013
<b>ASSETS</b>				
Fixed income securities	128 739	2 794 080	0	2 922 819
Financial derivatives	0	210 223	0	210 223
<b>Total financial assets valued at fair value</b>	<b>128 739</b>	<b>3 004 303</b>	<b>0</b>	<b>3 133 042</b>
<b>LIABILITIES</b>				
Financial derivatives	0	265 754	0	265 754
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>265 754</b>	<b>0</b>	<b>265 754</b>

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 in 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 in 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 no 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 7 SECURITIES LIABILITIES – STOCK EXCHANGE LISTED COVERED BONDS AND CERTIFICATES**

NOK thousands ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	31.03.2014 Booked value
Certificate loan	200 000	NOK	Floating	11.06.13	11.06.14	231	200 231
Certificate loan	150 000	NOK	Floating	30.08.13	29.08.14	259	150 259
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.15	1 547	301 547
Secured bonds	300 000	NOK	Fixed	15.06.12	15.06.17	11 203	311 203
Secured bonds	300 000	NOK	Floating	24.08.12	24.08.15	882	300 882
Secured bonds	300 000	NOK	Floating	15.11.12	16.11.16	1 100	301 100
Secured bonds	300 000	NOK	Floating	14.05.13	13.05.16	928	300 928
Secured bonds	300 000	NOK	Floating	31.05.13	28.11.14	525	300 525
Secured bonds	200 000	NOK	Fixed	03.10.13	03.10.18	3 521	203 521
Secured bonds	350 000	NOK	Floating	10.03.14	10.03.17	447	350 447
Amortization / value adjustments							6 919
<b>Total liabilities issuance of certificate loans and secured bonds</b>							<b>2 727 562</b>
N00010585185	4 300 000	NOK	Floating	15.09.10	15.09.15	3 798	4 303 798
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	10 114	760 114
N00010609795	287 000	NOK	Floating	20.05.11	20.05.14	625	287 625
N00010624778	2 500 000	NOK	Fixed	15.09.11	15.05.15	76 952	2 576 952
XS0747335494	500 000	SEK	Floating	17.02.12	17.02.15	762	434 262
N00010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	4 420	1 004 420
N00010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	8 792	3 008 792
N00010663180	2 500 000	NOK	Floating	15.11.12	16.11.16	6 032	2 506 032
N00010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	20 589	1 020 589
N00010675978	1 000 000	NOK	Floating	15.05.13	15.05.18	2 449	1 002 449
Amortization / value adjustments							120 505
<b>Total covered bonds issued</b>							<b>17 025 537</b>
<b>Total liabilities created on issuance of securities</b>							<b>19 753 099</b>

**Note 7 SECURITIES LIABILITIES – STOCK EXCHANGE LISTED COVERED BONDS AND CERTIFICATES (CONT.)**

NOK thousands ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	31.03.2013 Booked value
Certificate loan	360 000	NOK	Floating	14.05.12	14.05.13	1 072	361 072
Certificate loan	215 000	NOK	Floating	01.06.12	31.05.13	440	215 440
Certificate loan	270 000	NOK	Floating	09.07.12	09.07.13	1 390	271 390
Certificate loan	300 000	NOK	Floating	21.03.13	21.03.14	191	300 191
Secured bonds	500 000	NOK	Floating	12.03.12	11.06.13	700	500 700
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.15	1 633	301 633
Secured bonds	300 000	NOK	Fixed	15.06.12	15.06.17	11 203	311 203
Secured bonds	300 000	NOK	Floating	24.08.12	24.08.15	910	300 910
Secured bonds	300 000	NOK	Floating	15.11.12	16.11.16	1 141	301 141
Amortization / value adjustments							4 292
<b>Total liabilities issuance of certificate loans and secured bonds</b>							<b>2 867 971</b>
N00010585185	4 300 000	NOK	Floating	15.09.10	15.09.15	4 548	4 304 548
N00010592892	1 053 000	NOK	Floating	10.12.10	10.12.13	1 333	1 054 333
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	10 114	760 114
N00010609795	3 560 000	NOK	Floating	20.05.11	20.05.14	8 465	3 568 465
N00010624778	2 500 000	NOK	Fixed	15.09.11	15.05.15	76 952	2 576 952
XS0747335494	500 000	SEK	Floating	17.02.12	17.02.15	848	434 348
N00010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	4 855	1 004 855
N00010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	9 555	3 009 555
N00010663180	2 000 000	NOK	Floating	15.11.12	16.11.16	5 157	2 005 157
Amortization / value adjustments							131 305
<b>Total covered bonds issued</b>							<b>18 849 631</b>
<b>Total liabilities created on issuance of securities</b>							<b>21 717 602</b>

**Note 7 SECURITIES LIABILITIES – STOCK EXCHANGE LISTED COVERED BONDS AND CERTIFICATES (CONT.)**

NOK thousands ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	31.12.2013 Booked value
Certificate loan	300 000	NOK	Floating	21.03.13	21.03.14	142	300 142
Certificate loan	300 000	NOK	Floating	11.06.13	11.06.14	340	300 340
Certificate loan	150 000	NOK	Floating	30.08.13	29.08.14	265	150 265
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.15	1 587	301 587
Secured bonds	300 000	NOK	Fixed	15.06.12	15.06.17	7 726	307 726
Secured bonds	300 000	NOK	Floating	24.08.12	24.08.15	891	300 891
Secured bonds	300 000	NOK	Floating	15.11.12	16.11.16	1 111	301 111
Secured bonds	300 000	NOK	Floating	14.05.13	13.05.16	947	300 947
Secured bonds	300 000	NOK	Floating	31.05.13	28.11.14	547	300 547
Secured bonds	200 000	NOK	Fixed	03.10.13	03.10.18	1 761	201 761
Amortization / value adjustments							5 846
<b>Total liabilities issuance of certificate loans and secured bonds</b>							<b>2 771 163</b>
N00010585185	4 300 000	NOK	Floating	15.09.10	15.09.15	3 918	4 303 918
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	1 607	751 607
N00010609795	999 000	NOK	Floating	20.05.11	20.05.14	2 238	1 001 238
N00010624778	2 500 000	NOK	Fixed	15.09.11	15.05.15	55 377	2 555 377
XS0747335494	500 000	SEK	Floating	17.02.12	17.02.15	925	434 425
N00010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	4 608	1 004 608
N00010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	8 798	3 008 798
N00010663180	2 000 000	NOK	Floating	15.11.12	16.11.16	4 840	2 004 840
N00010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	15 041	1 015 041
N00010675978	1 000 000	NOK	Floating	15.05.13	15.05.18	2 611	1 002 611
Amortization / value adjustments							128 180
<b>Total covered bonds issued</b>							<b>17 210 642</b>
<b>Total liabilities created on issuance of securities</b>							<b>19 981 805</b>

**Note 8** PRESENTATION OF ASSETS AND LIABILITIES SUBJECT TO NET SETTLEMENT

NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Booked value	31.03.2014		
				Related amounts not presented net Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	242 501	0	242 501	-169 106	0	73 394
<b>Total</b>	<b>242 501</b>	<b>0</b>	<b>242 501</b>	<b>-169 106</b>	<b>0</b>	<b>73 394</b>
LIABILITIES						
Financial derivatives	296 276	0	296 276	-169 107	0	127 169
<b>Total</b>	<b>296 276</b>	<b>0</b>	<b>296 276</b>	<b>-169 107</b>	<b>0</b>	<b>127 169</b>

NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Booked value	31.03.2013		
				Related amounts not presented net Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	233 384	0	233 384	-172 356	0	61 028
<b>Total</b>	<b>233 384</b>	<b>0</b>	<b>233 384</b>	<b>-172 356</b>	<b>0</b>	<b>61 028</b>
LIABILITIES						
Financial derivatives	339 573	0	339 573	-172 356	-12 247	154 970
<b>Total</b>	<b>339 573</b>	<b>0</b>	<b>339 573</b>	<b>-172 356</b>	<b>-12 247</b>	<b>154 970</b>

NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Booked value	31.12.2013		
				Related amounts not presented net Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	210 223	0	210 223	-137 147	0	73 076
<b>Total</b>	<b>210 223</b>	<b>0</b>	<b>210 223</b>	<b>-137 147</b>	<b>0</b>	<b>73 076</b>
LIABILITIES						
Financial derivatives	265 754	0	265 754	-137 147	-1 858	126 749
<b>Total</b>	<b>265 754</b>	<b>0</b>	<b>265 754</b>	<b>-137 147</b>	<b>-1 858</b>	<b>126 749</b>

The purpose of the note is to show the potential effect of netting agreements at the KLP Banken AS Group. The note shows derivative positions in the financial position statement.

**Note 9** TRANSACTIONS WITH RELATED PARTIES

NOK thousands	Q1 2014	Q1 2013	2013
INCOME STATEMENT ITEMS			
KLP, fees income lending management	14 500	15 250	58 000
KLP Kapitalforvaltning, fees for services provided	-75	-202	-527
KLP, rent	-881	-919	-3 435
KLP, pension premium	-1 531	-1 301	-6 223
KLP, staff services (at cost)	-6 170	-9 865	-41 637
KLP Group companies, subsidised interest employee loans	505	109	1 086
<b>TOTAL</b>	<b>6 348</b>	<b>3 072</b>	<b>7 264</b>

NOK thousands	31.03.2014	31.03.2013	31.12.2013
FINANCIAL POSITION STATEMENT ITEMS			
KLP, net intra-Group accounts	-7 635	-4 886	-8 164
KLP, clearance banking system	-18 690	-12 775	-8 950
KLP Group companies	84	-166	176
<b>TOTAL</b>	<b>-26 241</b>	<b>-17 827</b>	<b>-16 938</b>

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

**Note 10** OTHER ASSETS

NOK thousands	31.03.2014	31.03.2013	31.12.2013
Intercompany receivables	148	25	176
Miscellaneous receivables	1 866	1 198	2 806
Prepaid expenses	861	773	1 348
<b>Total other assets</b>	<b>2 875</b>	<b>1 996</b>	<b>4 330</b>

**Note 11** OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	31.03.2014	31.03.2013	31.12.2013
Creditors	1 137	1 573	1 833
Intercompany liabilities	26 389	17 854	17 210
Miscellaneous liabilities	8 464	231 613	3 560
<b>Total other liabilities</b>	<b>35 990</b>	<b>251 041</b>	<b>22 603</b>
Withholding tax	1 085	1 087	2 421
Social security costs	1 106	1 039	1 620
Holiday pay	4 694	4 514	3 685
Pension obligations	19 889	14 501	19 889
VAT	176	38	158
Accrued costs	5 986	2 857	1 691
<b>Total accrued costs and liabilities</b>	<b>32 936</b>	<b>24 038</b>	<b>29 464</b>

**Note 12 CAPITAL ADEQUACY**

NOK thousands	31.03.2014	31.03.2013	31.12.2013
Share capital and share premium fund	1 190 000	1 155 707	1 190 000
Other owners' equity	78 571	60 907	100 171
<b>Owners' equity</b>	<b>1 268 571</b>	<b>1 216 614</b>	<b>1 290 171</b>
Interim profit/loss	0	0	0
Less goodwill and other intangible assets	-20 450	-20 995	-21 098
Deferred tax asset	0	0	0
<b>Core capital</b>	<b>1 248 121</b>	<b>1 195 619</b>	<b>1 269 073</b>
Supplementary capital	0	0	0
<b>Supplementary capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total eligible Tier 1 and 2 capital	1 248 121	1 195 619	1 269 073
Capital requirement	494 681	470 008	518 042
<b>Surplus of Tier 1 and 2 capital</b>	<b>753 440</b>	<b>725 611</b>	<b>751 031</b>
<b>CALCULATION BASIS CREDIT RISK</b>			
Local and regional authorities (including municipalities/county administrations)	3 333 700	3 869 503	3 388 172
Publicly owned enterprises	0	376	0
States	0	2 645	0
Institutions	407 364	611 347	394 712
Investments with mortgage security in real estate	1 787 391	814 031	2 088 362
Investments fallen due	43 581	25 394	46 608
Covered bonds	279 778	273 662	279 408
Other holdings	559	454	581
<b>Calculation basis credit risk</b>	<b>5 852 373</b>	<b>5 597 412</b>	<b>6 197 843</b>
Credit risk	468 190	447 793	495 827
Operating risk	26 491	22 215	22 215
<b>Total capital requirement</b>	<b>494 681</b>	<b>470 008</b>	<b>518 042</b>
Core capital adequacy ratio	20,2 %	20,4 %	19,6 %
Supplementary capital ratio	0,0 %	0,0 %	0,0 %
Capital adequacy ratio	<b>20,2 %</b>	<b>20,4 %</b>	<b>19,6 %</b>
	<b>Tier 1 capital</b>	<b>Tier 2 capital</b>	<b>Tier 1 and Tier 2 capital</b>
Minimum requirement excl. buffers	4,5 %	3,5 %	8,0 %
Protective buffer (w.e.f. 01.07.2013)	2,5 %	0,0 %	2,5 %
Systemic risk buffer (w.e.f. 01.07.2013)	2,0 %	0,0 %	2,0 %
<b>Current capital requirement incl. buffers</b>	<b>9,0 %</b>	<b>3,5 %</b>	<b>12,5 %</b>

The Basel II framework has been used to calculate the capital adequacy ratio.

**Note 13** FIXED INCOME SECURITIES

NOK thousands	31.03.2014		31.12.2013	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	0	0	0	0
Bonds	2 889 547	2 926 994	2 885 394	2 922 819
<b>Total interest-bearing securities</b>	<b>2 889 547</b>	<b>2 926 994</b>	<b>2 885 394</b>	<b>2 922 819</b>

The bonds are brought to account at market value, including accrued but not due interests.

**Note 14** LOSSES ON LOANS ISSUED ETC.

NOK thousands	31.03.2014	31.03.2013	31.12.2013
Confirmed losses	0	0	0
Reversal of previous write-downs	0	0	0
Change in individual write-downs	-621	0	0
Change in write-downs by group	0	0	0
<b>Total loss on lending</b>	<b>-621</b>	<b>0</b>	<b>0</b>
Gross default exceeding 90 days	10 064	6 874	9 661
Gross other doubtful loans	0	0	0

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

**Note 15** CONTINGENT LIABILITIES

NOK thousands	31.03.2014	31.03.2013	31.12.2013
Credit facilities for lending not utilised	197 050	60 145	193 600
Promised loans	287 478	246 840	260 290
<b>Total contingent liabilities</b>	<b>484 528</b>	<b>306 985</b>	<b>453 890</b>

**Note 16 KEY FIGURES**

Accumulated figures in NOK millions	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Pre-tax income	13,8	87,0	77,2	68,9	9,3
Net interest income	31,4	122,0	88,0	54,7	24,3
Other operating income	16,7	65,9	47,5	31,7	16,2
Other operating costs and depreciation	-38,2	-144,7	-104,9	-64,0	-34,7
Net realized / unrealized change fin. instruments at fair value	3,9	43,8	46,6	46,5	3,5
Deposits	4 706,4	4 406,9	4 164,5	3 957,1	3 459,2
Housing mortgage lending	4 816,6	4 483,6	4 133,8	3 615,0	1 883,1
Lending with public sector guarantee	16 559,5	16 833,4	17 890,8	18 674,5	20 174,1
Defaulted loans	10,1	9,7	12,4	13,2	6,9
Total liabilities created on issuance of securities	19 753,1	19 981,8	20 699,2	21 333,3	21 717,6
Other borrowing	0,0	0,0	0,0	0,0	0,0
Total assets	26 103,7	26 010,2	26 611,4	26 982,8	27 018,9
Average total assets	26 056,9	27 145,8	27 446,5	27 632,2	27 650,2
Owners' equity	1 278,7	1 290,2	1 285,8	1 280,2	1 223,3
Interest net	0,12 %	0,45 %	0,32 %	0,20 %	0,09 %
Profit/loss from ordinary operation before taxes	0,05 %	0,32 %	0,28 %	0,25 %	0,03 %
Profit/loss from ordinary op. excl. fair value assessments	0,04 %	0,16 %	0,11 %	0,08 %	0,02 %
Return on owners' equity before tax	1,07 %	7,15 %	6,35 %	5,66 %	0,76 %
Capital adequacy ratio	20,2 %	19,6 %	18,3 %	18,2 %	20,4 %



**KLP Banken AS**  
P.O. Box 8814, 74-81 Trondheim  
Organization no.: 993 821 837

Tel.: 22 03 35 00  
Fax: 73 53 38 39  
[klpbanken@klp.no](mailto:klpbanken@klp.no)

**Visiting address, Trondheim:** Beddingen 8  
**Visiting address, Oslo:** Dronning Eufemias gate 10  
[klpbanken.no](http://klpbanken.no)