

Consolidated financial statements

Interim report

Q1 2015

ALP
Banken



[INCOME STATEMENT](#)

[BALANCE SHEET](#)

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KLP Banken AS and KLP Banken Group

Interim financial statements 1/2015

Main features by the first quarter end:

- The Group has purchased mortgage loans from its parent KLP
- Additional NOK 0.6 billion of mortgage covered bonds issued in Q1. The lending balance in KLP Boligkreditt was NOK 4.0 billion at the reporting date.
- Earnings are negatively impacted by financial losses in the liquidity portfolio and booking of the entire 2015 fee to The Norwegian Bank's Guarantee Fund (Bankenes Sikringsfond).

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 70 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.

Income statement

Net interest income for the KLP Banken Group in Q1 2015 amounted to NOK 38.4 million compared to NOK 31.4 million in Q1 2014. Operating expenses and depreciation amounted to NOK 46.3 million this year compared to NOK 41.0 million at the same time last year. No material credit loss provisions have been made in 2015.

The financial statements have been prepared in NOK and are presented in accordance with International Financial Reporting Standards (IFRS). 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 loss associated with securities of NOK 8.9 million. During the same period the previous year, a net gain of NOK 3.2 million was brought to book.

As a result of new regulations for IFRS-reporting banks from January 1st 2015, KLP Banken has decided to expense the entire 2015 fee to The Norwegian Banks' Guarantee Fund in the first quarter. NOK 4.9 million has therefore been charged to the P&L. This fee has previously been accrued evenly over the year. 2014 numbers have been adjusted accordingly. Interpretation of the new regulations has been disputed.

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 14.4 million by the first quarter. Last year, this amount was NOK 14.5 million.

By the first quarter end, the KLP Banken Group had a loss of NOK 1.8 million. The retail market segment generated a loss of NOK 3.3 million while the public sector segment achieved

a profit of NOK 1.4 million. In 2014, this Group profit was NOK 10.4 million where the retail market segment reported a loss of NOK 10.0 million and the public sector market a profit of NOK 20.4 million.

Group income after tax amounted to negative NOK 1.3 million by the first quarter this year and positive NOK 7.6 million at the same time last year.

Lending

On 31 March 2015, the KLP Banken Group had a lending balance of NOK 25.4 billion compared to NOK 21.4 billion at the same time previous year. The distribution between the retail market and public sector lending was NOK 9.4 billion and NOK 16.0 billion, respectively.

During the first quarter of 2015, the Group's mortgage lending balance increased by NOK 0.8 billion. The increase is partly explained by the purchase of loans totalling NOK 0.5 billion from the parent company KLP. KLP's own mortgage lending balance was reduced by NOK 0.2 billion during the same period.

The public sector lending balance in KLP Banken AS Group has decreased by NOK 0.4 billion in 2015. Managed loans on KLP's own balance sheets has increased by NOK 2.8 billion in the same period. Of this increase, NOK 1.8 billion is represented by loans to foreign debtors in foreign currency.

Liquid investment

On the reporting date, the portfolio of liquid investments amounted to NOK 3.0 billion against NOK 2.9 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 7.1 billion and issued securities amounted to NOK 21.6 billion. Of the issued securities, covered bonds (OMF) issued by KLP Kommunekreditt AS represented NOK 16.0 billion, while KLP Boligkreditt AS had NOK 2.3 billion outstanding. All covered bonds issues have achieved AAA rating.

Capital adequacy

At the end of the first quarter 2015 core capital i.a.w. the capital adequacy rules was NOK 1 245.1 million. KLP Banken AS Group had a core capital adequacy and capital adequacy ratio of 15.6 per cent at the end of the first quarter 2015. The minimum statutory requirement is 10.0 per cent core capital adequacy ratio and 13.5 per cent capital adequacy ratio.

Income statement

KLP Banken AS Group

Note	NOK thousands	Q1 2015	Q1 2014	2014
	Interest income	213 648	200 934	841 945
	Interest expense	-175 256	-169 531	-708 899
3	Net interest income	38 391	31 404	133 046
	Commission income and income from banking services	3 140	2 496	11 174
	Commission cost and cost from banking services	-354	-322	-1 176
	Net charges and commission income	2 786	2 173	9 998
	Other fee income	14 405	14 500	58 025
	Net gain/ (loss) financial instruments	-11 578	3 917	-14 399
	Total other operating income	2 827	18 417	43 626
	Salaries and administrative costs	-14 426	-12 922	-48 976
	Depreciation	-668	-671	-2 677
	Other operating expenses	-31 167	-27 402	-105 738
	Total operating expenses	-46 261	-40 995	-157 391
	Net loan losses	416	-621	-607
	Operating profit/loss before tax	-1 840	10 378	28 672
	Tax ordinary income	497	-2 802	-7 849
	Profit/loss for the period	-1 343	7 576	20 823
	Other comprehensive income	0	0	-5 722
	Tax on other comprehensive income	0	0	1 545
	Other comprehensive income for the period	0	0	-4 177
	Comprehensive income for the period	-1 343	7 576	16 646

Balance sheet

KLP Banken AS Group

Note	NOK thousands	31.03.2015	31.03.2014	31.12.2014
ASSETS				
	Loans to credit institutions	1 899 227	1 534 223	1 113 949
4	Loans to customers	25 389 640	21 376 096	24 945 746
13	Interest-bearing securities	2 965 876	2 926 995	3 486 756
	Shareholdings	265	0	265
	Financial derivatives	192 126	242 501	187 413
	Deffered tax assets	3 082	595	0
	Fixed assets	481	559	499
	Intangible assets	17 854	20 450	18 503
10	Other assets	943	2 875	1 852
	TOTAL ASSETS	30 469 495	26 104 292	29 754 984
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
7	Debt securities issued	21 552 956	19 753 099	21 687 168
	Deposits and borrowings from the public	7 128 170	4 706 392	6 250 873
	Financial derivatives	427 013	296 276	448 146
	Deffered tax liabilities	0	0	8 021
11	Other Liabilities	52 558	35 989	38 821
11	Provision for accrued costs and liabilities	42 765	36 389	36 737
	TOTAL LIABILITIES	29 203 463	24 828 145	28 469 766
EQUITY				
	Share capital	750 000	750 000	750 000
	Share premium	440 000	440 000	440 000
	Retained earnings	76 032	86 147	95 218
	TOTAL EQUITY	1 266 032	1 276 147	1 285 218
	TOTAL LIABILITIES AND EQUITY	30 469 495	26 104 292	29 754 984

Statement of changes in equity

KLP Banken AS Group

NOK thousands	Share capital	Share premium	Retained earnings	Total equity
Equity 1 january 2015	750 000	440 000	95 218	1 285 218
Profit for the period	0	0	-1 343	-1 343
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	-1 343	-1 343
Group contribution received	0	0	4 837	4 837
Group contribution made	0	0	-22 680	-22 680
Total transactions with the owners	0	0	-17 843	-17 843
Equity 31 march 2015	750 000	440 000	76 032	1 266 032

NOK thousands	Share capital	Share premium	Retained earnings	Total equity
Equity 1 january 2014	750 000	440 000	100 172	1 290 172
Profit for the period	0	0	7 576	7 576
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	7 576	7 576
Group contribution received	0	0	8 500	8 500
Group contribution made	0	0	-30 100	-30 100
Total transactions with the owners	0	0	-21 600	-21 600
Equity 31 march 2014	750 000	440 000	86 147	1 276 147

NOK thousands	Share capital	Share premium	Retained earnings	Total equity
Equity 1 january 2014	750 000	440 000	100 172	1 290 172
Profit for the period	0	0	20 823	20 823
Other comprehensive income	0	0	-4 177	-4 177
Total comprehensive income for the period	0	0	16 646	16 645
Group contribution received	0	0	8 500	8 500
Group contribution made	0	0	-30 100	-30 100
Total transactions with the owners	0	0	-21 600	-21 600
Equity 31 december 2014	750 000	440 000	95 218	1 285 218

Statement of cash flow

KLP Banken AS Group

NOK thousands	31.03.2015	31.03.2014	2014
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	183 000	163 932	764 555
Payments to customers - interest, commission & charges	-46 757	-35 742	-154 170
Net receipts/disbursements on loans customers & credit institutions	-476 488	-35 958	-3 573 398
Net receipts on customer deposits banking	877 298	299 448	1 843 929
Net receipts/disbursements on operations	-29 888	-20 521	-103 940
Payments to employees, pension schemes, employer's social security contribution etc.	-12 245	-13 750	-39 411
Net interest investment accounts	4 854	4 599	26 105
Net receipts/disbursements from operating activities	-5 453	27 775	70 594
Income tax paid	0	0	0
Net cash flow from operating activities	494 321	389 784	-1 165 735
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	1 094 581	316 356	1 382 690
Receipts on sale of securities	-583 507	-316 243	-1 939 590
Receipts of interest from securities	17 600	16 116	66 298
Net cash flow from investment activities	528 674	16 229	-490 602
FINANCING ACTIVITIES			
Net receipts/disbursements on loans from credit institutions	-140 125	-285 101	1 828 609
Net payment of interest on loans	-104 682	-85 750	-555 043
Group contributions made	0	-33 306	-33 305
Net cash flows from financing activities	-244 807	-404 157	1 240 261
Net cash flow during the period	778 188	1 857	-416 076
Cash and cash equivalents at the start of the period	1 070 349	1 486 425	1 486 425
Cash and cash equivalents at the end of the period	1 848 537	1 488 282	1 070 349
Net receipts/ disbursements (-) of cash	778 188	1 857	-416 076

Notes to the accounts

KLP Banken AS Group

Note 1 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 issuance of covered bonds. The Group also offers standard banking products to private customers. 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.

Note 2 ACCOUNTING PRINCIPLES

The interim report includes the consolidated financial statements of KLP Banken AS for the period 1 January 2015 - 31 March 2015.

The interim consolidated financial statement has been prepared in accordance with IAS 34 «Interim Financial Reporting».

IFRIC 21 Levies, came into force from the beginning of 2015. IFRIC 21 stipulates how to recognise a liability for a levy falling within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The new interpretation raises questions of accrual accounting for the annual levy to The Norwegian Banks' Guarantee Fund (the Guarantee Fund levy) and at present there is a professional debate on whether the interpretation of IFRIC 21 means the whole Guarantee Fund levy must be taken to expenses in its entirety when it is set.

The Guarantee Fund levy is determined mainly on the basis of the bank's deposits in previous quarters. In the event of joining the scheme partway through the year a deduction is made for that part of the year in which the bank has not been a member. There is no provision on whether a corresponding deduction is made in the event of departure from the scheme partway through the year, even though considerations of equal treatment would indicate such an arrangement. The Norwegian Ministry of Finance currently decides this through individual decisions. This will have impact on the accrual accounting for the Guarantee Fund levy.

Since there is uncertainty associated with whether levies would be repaid in the event of cessation of membership, KLP Banken AS has chosen to change its practice in regard to accrual of the Guarantee Fund levy in connection with the implementation of IFRIC 21. This means that the annual Guarantee Fund levy is taken to expenses in its entirety when it is set, i.e. during the first quarter. Previously the Guarantee Fund levy accrual was recognized evenly over the year.

The effect of changes in accounting policy is illustrated in the table below:

	Q1 2015	Q1 2014 Adjusted
INCOME STATEMENT		
Other operating expenses	3 667 976	3 452 648
Tax ordinary income	990 345	932 251
Total effect on Profit/loss for the period	2 677 622	2 520 433
BALANCE SHEET		
Provision for accrued costs and liabilities	3 667 976	3 452 648
Deffered tax assets	990 354	932 251
Retained earnings	2 677 622	2 520 433

There are no other changes in accounting policies in 2015 that have been of significance for the interim financial statements following the first quarter. Attention is drawn to KLP Banken's Annual Report for 2014 for detailed description of accounting principles.

The annual report is available on www.klp.no.

Note 3 NET INTEREST INCOME

NOK thousands	Q1 2015	Q1 2014	2014
Interest on loans to and receivables from credit institutions	5 331	6 948	26 157
Interest on loans to customers	191 939	178 196	750 040
Interest on securities	16 378	15 790	65 748
Total interest income	213 648	200 934	841 945
Interest on liabilities to credit institutions	107 550	113 386	463 141
Interest on liabilities to customers	67 296	55 248	243 638
Premium/discount on covered bonds	393	895	2 105
Other interest costs	17	1	15
Total interest costs	175 256	169 531	708 899
Net interest income	38 391	31 404	133 046

Note 4 LOANS TO CUSTOMERS

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Loans to cutomers before write-downs	24 905 703	21 018 938	24 435 400
Individual write-downs	-11	-662	-573
Write-downs by group	0	0	0
Loans to customers after write-downs	24 905 692	21 018 276	24 434 827
Accured interest	116 225	126 027	104 463
Change in fair value due to interest rate changes (fair value hedging)	367 723	231 793	406 456
Loans to customers	25 389 640	21 376 096	24 945 746

Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

NOK thousands	31.03.2015		31.03.2014		31.12.2014	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE						
Fixed-income securities	2 965 876	2 965 876	2 926 994	2 926 994	3 486 757	3 486 757
Financial derivatives	192 126	192 126	242 501	242 501	187 413	187 413
Total financial assets at fair value	3 158 002	3 158 002	3 169 495	3 169 495	3 674 170	3 674 170
FINANCIAL ASSETS AT FAIR VALUE HEDGING						
Loans to Norwegian local administrations	5 973 162	6 013 596	6 323 152	6 357 849	6 066 133	6 111 821
Loans to retail customers	405 333	393 866	442 130	429 918	365 713	347 239
Total financial assets at fair value hedging	6 378 495	6 407 462	6 765 282	6 787 767	6 431 846	6 459 060
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	1 899 227	1 899 227	1 534 222	1 534 222	1 113 949	1 113 949
Loans to Group companies	9 977 934	9 968 431	10 236 331	10 234 396	10 272 128	10 262 529
Loans to retail customers	9 033 211	9 033 211	4 374 482	4 374 482	8 241 773	8 241 773
Total financial assets at amortized cost	20 910 371	20 900 869	16 145 035	16 143 100	19 627 850	19 618 251
Total financial assets	30 446 869	30 466 334	26 079 812	26 100 362	29 733 866	29 751 481

Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES - CONT.

NOK thousands	31.03.2015		31.03.2014		31.12.2014	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
LIABILITIES TO CREDIT INSTITUTIONS AT FAIR VALUE						
Financial derivatives	427 013	427 013	296 275	296 275	448 146	448 146
Total financial liabilities at fair value	427 013	427 013	296 275	296 275	448 146	448 146
LIABILITIES TO CREDIT INSTITUTIONS AT FAIR VALUE HEDGING						
Liabilities created on issuance of securities	2 657 873	2 686 817	4 990 601	5 006 054	2 985 895	3 023 096
Total financial liabilities at fair value hedging	2 657 873	2 686 817	4 990 601	5 006 054	2 985 895	3 023 096
LIABILITIES TO CREDIT INSTITUTIONS AND DEPOSITS AT AMORTIZED COST						
Liabilities created on issuance of securities	18 895 083	18 938 810	14 762 498	14 908 067	18 701 273	18 776 903
Deposits from customers	7 128 170	7 128 170	4 706 392	4 706 392	6 250 873	6 250 873
Total financial liabilities at amortized cost	26 023 253	26 066 980	19 468 890	19 614 459	24 952 146	25 027 776
Total financial liabilities	29 108 139	29 180 810	24 755 766	24 916 788	28 386 187	28 499 018

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

Norwegian fixed-income securities, except government are priced directly on prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. In theoretical pricing a zero-coupon curve is used as well as yield spread curved for the pricing. Reuters is used as a source for the zero-coupon curve from 0 to 10 years. From 12 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years.

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 6 FAIR VALUE HIERARCHY

NOK thousands	Level 1	Level 2	Level 3	Total
				31.03.2015
ASSETS				
Interest-bearing securities	2 833 669	132 207	0	2 965 876
Shareholdings	0	0	265	265
Financial derivatives	0	192 126	0	192 126
Total financial assets at fair value	2 833 669	324 333	265	3 158 267
LIABILITIES				
Financial derivatives	0	427 013	0	427 013
Total financial liabilities at fair value	0	427 013	0	427 013

Note 6 FAIR VALUE HIERARCHY - CONT.

NOK thousands	Level 1	Level 2	Level 3	Total 31.03.2014
ASSETS				
Interest-bearing securities	129 219	2 797 776	0	2 926 995
Financial derivatives	0	242 501	0	242 501
Total financial assets at fair value	129 219	3 040 277	0	3 169 496
LIABILITIES				
Financial derivatives	0	296 276	0	296 276
Total financial liabilities at fair value	0	296 276	0	296 276

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2014
ASSETS				
Interest-bearing securities	149 005	3 337 751	0	3 486 756
Shareholdings	0	0	265	265
Financial derivatives	0	187 413	0	187 413
Total financial assets at fair value	149 005	3 525 164	265	3 674 434
LIABILITIES				
Financial derivatives	0	448 146	0	448 146
Total financial liabilities at fair value	0	448 146	0	448 146

NOK thousands	Book value 31.12.2014	Book value 31.03.2014	Book value 31.03.2015
CHANGES IN LEVEL 3 UNLISTED SHARES			
Opening balance 1 Jan		0	0
Sold		0	0
Bought		265	0
Unrealized changes		0	0
Closing balance		265	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.

In Q1 2015 interest-bearing securities totaling NOK 2,543,151 are moved from level 2 to level 1 because pricing information from Nordic Bond Pricing AS is used to determine the fair value of these securities.

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS AND CERTIFICATES

NOK thousands ISIN kode	Nominal	Currency	Interest	Issued	Due date	Accrued interest	31.03.2015 Book value
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.15	1 376	301 376
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	792	300 792
Secured bonds	400 000	NOK	Floating	15.11.12	16.11.16	1 335	401 335
Secured bonds	400 000	NOK	Floating	14.05.13	13.05.16	1 081	401 081
Secured bonds	200 000	NOK	Fixed	03.10.13	03.10.18	3 521	203 521
Secured bonds	500 000	NOK	Floating	10.03.14	10.03.17	538	500 538
Secured bonds	500 000	NOK	Floating	04.04.14	04.04.18	2 365	502 365
Secured bonds	300 000	NOK	Floating	29.09.14	27.09.19	83	300 083
Amortization / value adjustments							20 267
Total liabilities issuance of certificate loans and secured bonds							3 242 561
N00010719875	600 000	NOK	Floating	12.09.14	12.09.19	527	600 527
N00010721244	600 000	NOK	Floating	06.10.14	06.10.17	2 253	602 253
N00010723018	600 000	NOK	Floating	05.11.14	05.11.21	1 503	601 503
N00010729486	600 000	NOK	Floating	20.01.15	20.01.21	1 976	601 976
N00010729486 - own holdings	-100 000	NOK	Floating	20.01.15	20.01.21	-329	-100 329
Amortization/value adjustments							-2 061
Total liabilities of issuance of covered bonds in the mortgage							2 303 869
N00010585185	1 300 000	NOK	Floating	15.09.10	15.09.15	976	1 300 976
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	10 114	760 114
N00010624778	215 000	NOK	Fixed	15.09.11	15.05.15	6 618	221 618
N00010642192	560 000	NOK	Floating	13.04.12	13.04.16	2 208	562 208
N00010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	7 417	3 007 417
N00010663180	2 500 000	NOK	Floating	15.11.12	16.11.16	5 133	2 505 133
N00010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	19 541	1 019 541
N00010675978	1 500 000	NOK	Floating	15.05.13	15.05.18	3 135	1 503 135
N00010711419	1 000 000	NOK	Floating	15.05.14	15.05.17	1 882	1 001 882
N00010716780	2 000 000	NOK	Floating	26.08.14	10.12.18	1 882	2 001 882
N00010719974	2 000 000	NOK	Floating	17.09.14	20.12.19	927	2 000 927
Amortization/value adjustments							121 693
Total liabilities of issuance of covered bonds in lending by public guarantee							16 006 526
Total liabilities created on issuance of securities							21 552 956

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS AND CERTIFICATES - CONT.

NOK thousands ISIN kode	Nominal before repurchase	Repurchase	Rate	Purchase amount	Profit/loss	Date
REPURCHASE OF DEBT						
N00010624778	542 000	202 000	100,70	203 414	-1 414	14.01.15
N00010624778	340 000	125 000	100,46	125 576	-576	23.02.15
N00010642192	860 000	300 000	100,49	301 470	-1 470	24.02.15
Total repurchase	1 742 000	627 000		630 460	-3 460	

Linked to repurchase of debt, interest rate swaps were realized with gain of NOK 1.1 million.
The total effect on profit/loss of repurchased debt was therefore NOK -2.3 million.

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

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS AND CERTIFICATES - CONT.

NOK thousands ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	31.12.2014 Book value
Secured bonds	300 000	NOK	Variable	27.04.12	27.04.15	1 595	301 595
Secured bonds	300 000	NOK	Fixed	15.06.12	15.06.17	7 726	307 726
Secured bonds	300 000	NOK	Variable	24.08.12	24.08.15	925	300 925
Secured bonds	400 000	NOK	Variable	15.11.12	16.11.16	1 530	401 530
Secured bonds	400 000	NOK	Variable	14.05.13	13.05.16	1 279	401 279
Secured bonds	200 000	NOK	Fixed	03.10.13	03.10.18	1 761	201 761
Secured bonds	500 000	NOK	Variable	10.03.14	10.03.17	596	500 596
Secured bonds	500 000	NOK	Variable	04.04.14	04.04.18	2 586	502 586
Secured bonds	300 000	NOK	Variable	29.09.14	27.09.19	50	300 050
Amortization / value adjustments							22 793
Total liabilities issuance of certificate loans and secured bonds							3 240 841
N00010719875	600 000	NOK	Flytende	12.09.14	12.09.19	613	600 613
N00010721244	600 000	NOK	Flytende	06.10.14	06.10.17	2 567	602 567
N00010723018	600 000	NOK	Flytende	05.11.14	05.11.21	1 777	601 777
Amortization / value adjustments							-1 562
Total liabilities of issuance of covered bonds in lending by public guarantee							1 803 395
N00010585185	1 300 000	NOK	Flytende	15.09.10	15.09.15	1 148	1 301 148
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	1 607	751 607
N00010624778	542 000	NOK	Fixed	15.09.11	15.05.15	12 006	554 006
N00010642192	860 000	NOK	Variable	13.04.12	13.04.16	3 899	863 899
N00010662307	3 000 000	NOK	Variable	26.10.12	10.11.17	8 797	3 008 797
N00010663180	2 500 000	NOK	Variable	15.11.12	16.11.16	6 281	2 506 281
N00010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	13 993	1 013 993
N00010675978	1 500 000	NOK	Variable	15.05.13	15.05.18	3 825	1 503 825
N00010711419	1 000 000	NOK	Variable	15.05.14	15.05.17	2 338	1 002 338
N00010716780	2 000 000	NOK	Variable	26.08.14	10.12.18	2 114	2 002 114
N00010719974	2 000 000	NOK	Variable	17.09.14	20.12.19	933	2 000 933
Amortization / value adjustments							133 991
Total liabilities of issuance of covered bonds in lending by public guarantee							16 642 932
Total liabilities created on issuance of securities							21 687 168

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS AND CERTIFICATES - CONT.

Nominal before repurchase	Nominal before repurchase	Repurchase	Rate	Purchase amount	Profit/loss	Date
REPURCHASE OF DEBT						
N00010624778	2 500 000	1 441 000	101,66	1 464 916	-23 916	15.05.14
N00010585185	4 300 000	500 000	100,56	502 800	-2 800	25.06.14
N00010585185	3 800 000	1 331 500	100,50	1 338 184	-6 684	26.08.14
N00010585185	3 799 899	165 000	100,50	165 820	-820	28.08.14
N00010585185	3 799 799	570 500	100,46	573 124	-2 624	17.09.14
N00010585185	3 799 699	56 000	100,47	56 262	-262	26.09.14
N00010624778	1 059 000	45 000	101,20	45 540	-540	15.09.14
N00010624778	1 058 899	340 000	101,22	344 138	-4 138	17.09.14
N00010624778	1 058 798	62 000	101,15	62 713	-713	30.09.14
N00010585185	1 677 000	220 000	100,46	221 001	-1 001	03.10.14
N00010585185	1 457 000	116 000	100,45	116 524	-524	06.10.14
N00010585185	1 341 000	41 000	100,39	41 158	-158	20.11.14
N00010624778	612 000	70 000	100,90	70 629	-629	20.11.14
N00010642192	1 000 000	50 000	100,62	50 310	-310	10.10.14
N00010642192	950 000	45 000	100,57	45 257	-257	06.11.14
N00010642192	905 000	45 000	100,62	45 279	-279	07.11.14
Total repurchase	33 118 093	5 098 000		5 143 657	-45 657	

Linked to repurchase of debt, interest rate swaps were realized with a gain of NOK 3.6 million. The total effect on profit/loss of repurchased debt was therefore NOK -42.1 million.

Note 8 FINANCIAL ASSETS AND LIABILITIES SUBJECT TO NET SETTLEMENT

NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	31.03.2015	
					Related sums that are not presented net Security in cash	Net recognised
ASSETS						
Financial derivatives	192 126	0	192 126	-192 126	-6 206	0
Total	192 126	0	192 126	-192 126	-6 206	0
LIABILITIES						
Financial derivatives	427 013	0	427 013	-192 128	0	234 885
Total	427 013	0	427 013	-192 128	0	234 885

NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	31.03.2014	
					Related sums that are not presented net Security in cash	Net recognised
ASSETS						
Financial derivatives	242 501	0	242 501	-169 106	0	73 394
Total	242 501	0	242 501	-169 106	0	73 394
LIABILITIES						
Financial derivatives	296 276	0	296 276	-169 107	0	127 169
Total	296 276	0	296 276	-169 107	0	127 169

NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	31.12.2014	
					Related sums that are not presented net Security in cash	Net recognised
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

The purpose of the note is to show the potential 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 2015	Q1 2014	2014
INCOME STATEMENT ITEMS			
KLP, fees lending management	14 405	14 500	58 000
KLP Kapitalforvaltning AS, fees for services provided	-168	-75	-434
KLP, rent	-930	-881	-3 557
KLP, pension premium	-1 707	-1 531	-3 603
KLP, staff services (at cost)	-11 884	-6 170	-42 214
KLP Group companies, subsidised interest employee loans	343	505	1 856
Total	59	6 348	10 048

NOK thousands	31.03.2015	31.03.2014	31.12.2014
FINANCIAL POSITION STATEMENT ITEMS			
KLP Bankholding, internal accounts	-1 424	0	0
KLP, net internal accounts	-35 072	-7 635	-10 430
KLP, loan settlement	-5 331	-18 690	-17 051
KLP Group companies, net other internal accounts	-48	84	400
Total	-41 875	-26 241	-27 081

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 10 OTHER ASSETS

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Intercompany receivables	95	148	492
Miscellaneous receivables	0	1 866	0
Prepaid expenses	848	861	1 360
Total	943	2 875	1 852

Note 11 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Creditors	1 785	1 137	7 296
Intercompany payables	41 969	26 389	27 573
Other liabilities	8 804	8 463	3 952
Total other liabilities	52 558	35 989	38 821
Withholding tax	1 193	1 085	2 647
Social security costs	1 207	1 106	1 869
Holiday pay	5 328	4 694	4 173
Pension obligations	25 381	19 889	25 381
VAT	59	176	301
Provisioned costs	9 597	9 439	2 366
Total accrued costs and liabilities	42 765	36 389	36 737

Note 12 CAPITAL ADEQUACY

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Share capital and share premium fund	1 190 000	1 190 000	1 190 000
Other owners' equity	77 375	78 571	95 218
Total owners' equity	1 267 375	1 268 571	1 285 218
Interim profit/loss	-1 343	0	0
Deduction goodwill and other intangible assets	-17 854	-20 450	-18 503
Deferred tax asset	-3 082	0	0
Core capital/Tier 1 capital	1 245 096	1 248 121	1 266 715
Supplementary capital/Tier 2 capital	0	0	0
Supplementary capital/Tier 2 capital	0	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	1 245 096	1 248 121	1 266 715
Capital requirement	637 030	494 681	598 438
Surplus of own funds (Tier 1 and Tier 2 capital)	608 066	753 440	668 277

Note 12 CAPITAL ADEQUACY - CONT.

NOK thousands	31.03.2015	31.03.2014	31.12.2014
ESTIMATE BASIS CREDIT RISK			
Local and regional authorities (incl. Municipalities/ county administrations)	3 232 701	3 333 700	3 311 173
Institutions	443 274	407 364	265 665
Investments with mortgage security in real estate	3 526 637	1 787 391	3 180 713
Investments fallen due	99 822	43 581	78 758
Covered bonds	260 285	279 778	311 967
Other holdings	933	559	1 064
Calculation basis credit risk	7 563 652	5 852 373	7 149 340
Credit risk	605 092	468 190	571 947
Operating risk	31 938	26 491	26 491
Total capital requirement assets	637 030	494 681	598 438
Core capital adequacy ratio	15.6 %	20.2 %	16.9 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	15.6 %	20.2 %	16.9 %

The overall requirements for core tier 1 capital and the capital base are 10 and 13.5 per cent as of 1 July 2014. From 30 June 2015 a counter-cyclical capital buffer of 1 per cent core tier 1 capital will be introduced.

Note 13 FIXED-INCOME SECURITIES

NOK thousands	31.03.2015		31.03.2014		31.12.2014	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	148 197	149 462	0	0	253 538	254 929
Bonds	2 794 226	2 816 414	2 889 547	2 926 995	4 196 865	3 231 827
Total fixed-income securities	2 942 423	2 965 876	2 889 547	2 926 995	4 450 403	3 486 756

Fixed income securities are brought to account at market value, including accrued but not due interests.

Note 14 LOSSES ON LENDING

NOK thousands	Q1 2015	Q1 2014	2014
Known losses	0	0	-23
Reversal of previous write-downs	562	0	9
Change in individual write-downs	-146	-621	-593
Change in write-downs by group	0	0	0
Total loss on lending	416	-621	-607

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Balance of write-down losses on lending 1 January 2015	573	9	9
Reversal of write-down on individual loans for the period	-562	32	-42
Write-down on individual loans for the period	0	621	607
Total write-down on individual loans	11	662	573
Gross default exceeding 90 days	25 760	10 064	26 151
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	31.03.2015	31.03.2014	31.12.2014
Credit facilities for lending not utilized	497 324	330 229	374 701
Loan promise	1 024 571	154 299	348 718
Total contingent liabilities	1 521 895	484 528	723 419

Key figures

Accumulated figures in NOK millions	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Pre-tax income	-1.8	28.7	31.0	30.9	10.4
Net interest income	38.4	133.0	92.4	60.8	31.4
Other operating income	17.2	68.0	50.6	33.7	16.7
Other operating cost and depreciation	-46.3	-157.4	-105.3	-69.8	-41.0
Net realized/unrealized change fin. Instruments at fair value	-11.6	-14.4	-6.7	6.3	3.9
Deposits	7 128.2	6 250.9	5 485.7	5 079.3	4 706.4
Housing mortgage lending	9 438.5	8 607.5	6 526.9	5 840.0	4 816.6
Lending with public sector guarantee	15 951.1	16 338.2	16 044.9	16 314.0	16 559.5
Non-performing loans	25.8	26.2	18.4	7.6	10.1
Total liabilities created on issuance of securities	21 553.0	21 687.2	20 244.0	19 603.7	19 753.1
Other borrowing	0.0	0.0	0.0	0.0	0.0
Total assets	30 469.5	29 755.0	27 674.3	26 445.8	26 104.3
Average total assets	30 112.2	27 881.2	26 840.8	26 226.6	26 055.8
Equity	1 266.0	1 285.2	1 288.8	1 290.4	1 276.1
Interest net	0.13 %	0.48 %	0.34 %	0.23 %	0.12 %
Profit/loss from ordinary operation before taxes	-0.01 %	0.10 %	0.12 %	0.12 %	0.04 %
Return on equity	-0.14 %	2.24 %	2.40 %	2.42 %	1.07 %
Capital adequacy ratio	15.6 %	16.9 %	18.4 %	20.1 %	20.2 %



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