

# Contents

### KLP Banken AS Group

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## Income statement KLP Banken AS Group

Note	NOK thousands	Q3 2011	Q3 2010	01.01.2011- 30.09.2011	01.01.2010- 30.09.2010	01.01.2010- 31.12.2010
	Interest income and similar income  Cost of interest and similar costs	247 315 -246 315	227 214 -211 337	695 139 -684 028	682 511 -654 942	898 559 -866 949
3	Net interest income	1 000	15 877	11 111	27 569	31 610
	Commission & banking svcs income Commission & banking svcs costs	1 017	732 -76	2 795 -239	1 455 -137	2 290 -178
	Net charges and commission income	903	656	2 556	1 318	2 112
	Other operating income Net gain/(loss) fin. instrums. fair value	14 397 6 490	14 478 -7 093	43 604 6 982	34 478 16 460	52 513 59 238
	Total other operating income	20 886	7 385	50 585	50 938	111 751
	Salary and administrative costs Depreciation Other operating expenses	-10 660 -573 -24 092	-10 767 -424 -15 511	-27 704 -1 690 -68 082	-27 805 -1 273 -50 741	-37 787 -2 250 -69 584
	Total operating expenses	-35 325	-26 702	-97 476	-79 819	-109 622
	Loss on loans issued, guarantees etc.	-9	0	-50	0	0
	Write down on securities	0	0	-204	0	0
	Operating income before tax	-12 545	-2 784	-33 478	6	35 851
	Tax on ordinary income	3 513	2 138	9 374	-2	-16 667
	Income	-9 032	-646	-24 104	4	19 182

# Financial position statement KLP Banken AS Group

Note	NOK thousands	30.09.201	1 30.09.2010	31.12.2010
	ASSETS			
	Lending to and receivables from credit institutions	2 019 21	9 1 034 648	1 466 411
4	Lending to and receivables from customers	28 128 54	3 27 219 607	26 319 684
	Fixed income securities	1 070 80	4 1 770	1 819
	Financial derivatives	66 16	0 0	1 085
	Tangible fixed assets	70	2 755	675
	Intangible assets	22 00	2 24 700	23 448
	Other assets	79 10	1 6 465	51 967
	TOTAL ASSETS	31 386 53	1 28 287 944	27 865 090
	LIABILITIES AND OWNERS' EQUITY			
	LIABILITIES			
6	Debt to credit institutions	4 506 17	4 19 773 339	16 166 712
5	Liabilities created on issuance of securities	23 635 80	8 6 495 078	9 245 104
	Deposits	1 715 12	6 656 223	1 025 734
	Financial derivatives	179 58	5 159 402	135 752
	Deferred taxes	7 66	3 998	17 813
	Other liabilities	148 97	7 8 037	81 043
	Provision for accrued costs and liabilities	23 19	4 10 935	11 497
	TOTAL LIABILITIES	30 216 52	7 27 107 012	26 683 655
	OWNERS' EQUITY			
	Share capital	750 00	750 000	750 000
	Share premium fund	306 44	3 365 962	306 443
	Other owners' equity	137 66	6 0	124 990
	Funds for unrealised gains		0 64 963	0
	Unallocated profit/loss	-24 10	4 4	0
	TOTAL OWNERS' EQUITY	1 170 00	5 1 180 930	1 181 434
	TOTAL LIABILITIES AND OWNERS' EQUITY	31 386 53	1 28 287 944	27 865 090

# Statement of cash flows KLP Banken AS Group

NOK thousands	01.01.2011- 30.09.2011	01.01.2010- 30.09.2010	01.01.2010- 31.12.2010
Pre-tax income	-33 478	6	35 850
Acquisition of funds from operation:			
New lending	-11 577 221	-5 249 169	-9 231 009
Loan repayment/sales of loans	12 488 952	11 131 150	15 942 842
Unrealised changes	33 087	135 150	126 052
Depreciation	1 690	1 273	2 251
Change in short-term investments	169	0	-123 801
Change in:			
Accrued income not yet received	67 827	8 210	61 522
Other receivables	2 753	163 834	144 229
Other short term debt	21 289	-16 782	6 881
Total acquisition of funds from operating activities	1 005 068	6 173 672	6 964 817
New financial investments	-1 076 383	0	0
Investment in fixed assets	-272	-356	0
Net cash flow from investment activities	-1 076 655	-356	0
Change in liability to credit institutions/private individuals	597 940	-6 349 578	-6 822 852
Net cash flow from financial activities	597 940	-6 349 578	-6 822 852
NET CHANGE IN CASH AND CASH EQUIVALENTS	526 353	-176 262	141 965
Cash and cash equivalents at the start of the period	1 342 609	1 200 646	1 200 646
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	1 868 962	1 024 384	1 342 609

# Statement of owners' equity KLP Banken AS Group

2011			
NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 01.01.2011	1 190 000	-8 567	1 181 433
Income	0	-24 104	-24 104
Other comprehensive income	0	0	0
Total comprehensive income	0	-24 104	-24 104
Change in deferred tax 2010	0	12 675	12 675
Owners' equity 30.09.2011	1 190 000	-19 996	1 170 005

2010			
NOK thousands	Owners' equity contributed	Retained earnings	Total owners' equity
Owners' equity 01.01.2010	1 190 000	4 843	1 194 843
Income	0	4	4
Other comprehensive income	0	0	0
Total comprehensive income	0	4	4
Correction amortised cost in the Group	0	-13 917	-13 917
Total comprehensive income	1 190 000	-9 070	1 180 930
Total transactions with owners	0	0	0
Owners' equity 30.09.2010	1 190 000	-9 070	1 180 930

#### Note 1 **General information**

KLP Banken AS was formed on 25 February 2009. The company offers standard banking products to personal banking customers. 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 branch offices in Oslo.

KLP Banken AS owns all the shares in KLP Kreditt AS (formerly Kommunekreditt Norge AS) and KLP Kommunekreditt AS. The Company 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**

This interim report covers the period 1 January to 30 September 2011. The accounts have not been audited. The accounts are presented in accordance with Regulation No. 1240 "Regulations on financial statements etc for banks, financial enterprises and their parent companies" of 16 December 1998. A comprehensive description of accounting principles as well as important estimates is provided in the annual financial statement for 2010.

The interim accounts post Q3 2011 are presented in accordance with the same principles as the financial statement for 2010. This interim report is therefore recommended to be read in conjunction with the latter. The annual financial statement is available on application to KLP Banken AS or at www.klp.no.

#### Note 3 Net interest income

NOK thousands	01.01.2011- 30.09.2011	01.01.2010- 30.09.2010	01.01.2010- 31.12.2010
Interest on lending to and receivables from credit institutions	40 192	24 811	33 336
Interest on lending to customers	640 425	655 208	861 829
Interest on securities	14 522	2 492	3 394
Total interest income	695 139	682 511	898 559
Interest on debt to credit institutions	564 511	605 590	793 592
Interest on debt to KLP	74 363	37 714	55 652
Interest on debt to customers	39 026	9 271	16 473
Premium/discount on covered bonds	6 102	2 367	3 910
Premium/discount on lending to customers	0	0	-2 685
Other interest costs	26	0	7
Total interest costs	684 028	654 942	866 949
Net interest income	11 111	27 569	31 610

#### Note 4 **Lending to customers**

NOK thousands	30.09.2011	30.09.2010	31.12.2010
Lending to customers, nominal principal	27 935 754	26 957 383	26 116 457
Individual write-downs	-50	0	0
Lending to customers after individual write-downs	27 935 704	26 957 383	26 116 457
Accrued interest	190 144	179 233	139 278
Lending customers fair value adjustment	2 695	82 991	63 950
Lending to customers at amortised cost	28 128 543	27 219 607	26 319 684

Note 5 Liabilities created on issuance of securities

NOK thousands						30.09.2011
Covered bonds						
ISIN code	Nominal	Currency	Interest	Commencement	Due date	Book value
NO0010585185	4 300 000	NOK	Variable	15.09.2010	15.09.2015	4 300 000
N00010592884	3 000 000	NOK	Variable	10.12.2010	10.12.2012	3 000 000
N00010592892	4 000 000	NOK	Variable	10.12.2010	10.12.2013	4 000 000
N00010592900	750 000	NOK	Fixed	15.12.2010	15.12.2020	750 000
XS0605180412	1 250 000	SEK	Variable	15.03.2011	15.03.2013	1 095 000
N00010609795	4 000 000	NOK	Variable	20.05.2011	20.05.2014	4 000 000
N00010614555	2 900 000	NOK	Fixed	28.06.2011	28.06.2012	2 900 000
N00010624778	2 000 000	NOK	Variable	15.09.2011	15.05.2015	2 000 000
Accrued interest						66 659
Amortisation/value adjustment						20 024
Total covered bonds issued						22 131 684
Certificate loan, KLP	1 000 000	NOK	Fixed	31.08.2011	01.12.2012	1 000 000
Certificate loan	500 000	NOK	Fixed	01.09.2011	01.03.2012	500 000
Accrued interest						4 125
Total certificate loans issued						1 504 125
Total liabilities created on issuance	e of securities					23 635 808

### Note 6 **Debt to credit institutions**

NOK thousands				30.09.2011
Borrowing	Due date	Nominal	Accrued interest	Book value
Debt to KLP	15.12.2011	4 500 000	6 174	4 506 174
Total liabilities to credit institutions		4 500 000	6 174	4 506 174

Note 7 Transactions with related parties

NOK thousands	30.09.2011	30.09.2010	31.12.2010
Income statement items			
KLP, fees income lending management	43 504	34 478	52 513
KLP, interest on borrowing	-74 363	-37 715	-55 652
KLP, interest on certificate loan	-2 849	0	0
KLP Kapitalforvaltning, fees for services provided	-443	-330	-499
KLP, rent	-2 558	-2 488	-3 329
KLP, pension premium	-2 383	-2 492	-4 269
KLP, staff services (at cost)	-26 018	-21 795	-31 197
TOTAL	-65 110	-30 342	-42 433
KLP, borrowing Group debt short-term	-4 506 174	-2 502 981	-3 203 964
KLP, certificate loans issued	-1 002 849	0	0
KLP, net internal accounts	-75 169	-6 842	-912
KLP Kapitalforvaltning AS, net internal accounts	-159	-236	-87
TOTAL	-5 584 351	-2 510 059	-3 204 963

The liabilities to KLP of NOK 4.5 billion excluding accrued market interest has fixed interest and falls due on 15 December 2011. The certificate loan to KLP of NOK 1.0 billion excluding accrued market interest has fixed interest and falls due on 1 December 2012.

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 accounts are settled as they arise.

Note 8 Capital adequacy

NOK thousands	30.09.2011	30.09.2010	31.12.2010
Share capital and premium fund	1 056 443	1 165 034	1 056 443
Other owners' equity	137 666	29 809	124 990
Owners' equity	1 194 109	1 194 843	1 181 433
Unrealised value changes	0	0	359
Interim profit/loss	-33 478	-7 975	0
Deduction goodwill and other intangible assets	-22 002	-24 700	-23 448
Deferred tax assets	0	-11 029	0
Core capital	1 138 632	1 151 140	1 158 344
Supplementary capital	0	0	0
Supplementary capital	0	0	0
Total Tion 1 and 2 conital to count	1 138 632	1 151 140	1 158 344
Total Tier 1 and 2 capital to count.	583 564	520 449	652 407
Capital requirement Surplus of Tier 1 and 2 capital	555 068	630 691	505 937
Surplus of Her 1 and 2 capital	555 000	020 031	505 957
Estimate basis credit risk			
Local and regional authorities (incl. Municipalities)	5 138 413	4 780 700	4 666 330
Government-owned enterprises	36 738	198 438	129 150
Institutions	519 563	579 688	2 386 113
Investments with mortgage security in real estate	859 225	241 275	506 075
Investments fallen due	25 500	0	0
Holdings securities	214 163	0	363
Other holdings	227 075	0	193 175
Estimate basis credit risk	7 020 675	5 800 101	7 881 213
Credit risk	561 654	464 008	630 497
Operational risk	21 910	25 292	21 910
Total capital requirement	583 564	489 300	652 407
Core capital adequacy ratio	15,6 %	17,7 %	14,2 %
Supplementary capital ratio	0,0 %	0,0 %	0,0 %
Capital adequacy ratio	15,6 %	17,7 %	14,2 %
Capital adoptacy ratio	17,0 /0	1/,//0	⊥ <del>+</del> ,∠ /0

Basel II regulations have been used in calculating capital adequacy.

The authorities' minimum requirement for capital adequacy is set at 8 per cent for financial institutions.

#### Note 9 Loss on loans issued etc.

NOK thousands	as at 30.09.2011 a	as at 30.09.2010	as at 31.12.2010
Known losses	0	0	0
Reversal of previous write-downs	0	0	0
Change in individual write-downs	50	0	0
Change in write-downs by group	0	0	0
Total losses on lending	50	0	0
Gross default exceeding 90 days	40 784	36	2 411
Gross other doubtful loans	0	0	0

Write-downs applied to housing lending in the personal market. Losses or write-downs are not expected on loans in default in the public sector.

### Note 10 Provisions

In connection with the establishment of the programme for the issuance of covered bonds in the international market, an agreement has been entered into with the facilitator on a fee to be calculated and settled during Q4 2011. In the financial statement as at 30 September, provision has been made for NOK 14.6 million to cover the fee. The sum is included in the accounting line "Other operating costs" in the income statement.

### Note 11 Contingent liabilities

NOK thousands	30.09.2011
Credit facilities for lending not utilised	488 171
Loan promise	45 540
Total conditional liabilities	533 711

Note 12 **Key figures** 

Accumulated figures in NOK millions	Q3-11	Q2-11	Q1-11	Q4-10	Q3-10
Pre-tax income	-33,5	-20,9	1,6	35,9	0,0
Net interest income	11,1	10,1	11,3	31,6	27,6
Other operating income	46,2	30,9	17,6	54,6	35,8
Operating costs and depreciation	-97,7	-62,4	-28,5	-109,6	-79,8
Net realised/unrealised change fin. instruments at fair value	7,0	0,5	1,1	59,2	16,5
Deposits	1 715,1	1 530,4	1 440,9	1 025,7	656,2
Lending with housing mortgage	2 476,9	2 060,8	1 614,3	1 266,6	798,1
Lending with public sector guarantee	25 651,7	24 728,2	24 794,0	25 053,1	26 421,5
Defaulted loans	40,8	6,8	-	-	-
Borrowing on issuance of securities	22 131,7	18 634,7	13 629,1	9 245,1	6 495,1
Other borrowing	6 010,3	8 313,4	11 819,4	16 166,7	19 773,3
Total assets	31 386,5	29 859,3	28 237,0	27 865,1	28 287,9
Average total assets	29 625,8	28 862,2	28 051,0	31 238,9	31 450,3
Owners' equity	1 170,0	1 179,0	1 188,6	1 181,4	1 180,9
Interest net	0,04 %	0,04 %	0,04 %	0,10 %	0,09 %
Income from ordinary operation before taxes	-0,11 %	-0,07 %	0,01 %	0,11 %	0,00 %
Income from ordinary op. excl. fair value assessments, pre-tax	-0,14 %	-0,07 %	0,00 %	-0,07 %	-0,05 %
Return on owners' equity pre-tax	-2,86 %	-1,78 %	0,13 %	3,03 %	0,00 %
Capital adequacy ratio	15,6 %	17,1 %	17,7 %	14,2 %	17,6 %
Number of personal customers	13 535	12 555	10 082	7 965	6 099
Of whom members of KLP	8 217	7 495	5 936	4 729	3 728



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