

# Interim report Q3 2013

Income statement, balance sheet and notes

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## KLP Banken AS Group

# Interim financial statements Q3 / 2013

### Main features of the third quarter:

- maintaining good margins on public sector lending
- no loss on lending
- satisfactory costs development

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 and since 2010 has developed a substantial operation in the retail market. The Group manages lending totalling about NOK 53 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 K AS – company under liquidation (previously Kommunekreditt Norge AS) and KLP Kommunekreditt AS.

### Income statement

Net interest income for the KLP Banken Group at the end of Q3 2013 amounted to NOK 88.0 million against 60.0 million for the same period the previous year. Operating expenses and depreciation amounted to NOK 104.9 million against NOK 94.1 million at the same time last year. The Company has not had losses on lending during the third 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 partly recognised at market value. At the end of the third quarter the accounts show an unrealized gain associated with securities of NOK 5.5 million. During the same period last year an unrealized gain of NOK 4.2 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 43.8 million at the end of the third quarter. The corresponding amount last year was NOK 64.5 million.

The KLP Banken Group achieved pre-tax profits of NOK 77.2 million by the end of the third quarter. At the same time last year the result was NOK 85.8 million. Income after tax amounted to NOK 69.2 million and NOK 61.8 million respectively.

### Lending

On 30 September 2013 the KLP Banken Group had lending of NOK 22.0 billion compared to NOK 23.5 billion at the end of the third quarter 2012. The distribution between the retail market and public sector lending was NOK 4.1 billion and NOK 17.9 billion respectively.

### Liquid investments

On the reporting date liquid investments amounted to NOK 2.9 billion against NOK 3.5 billion at the same time last year.

### Borrowing

The KLP Banken Group's external financing comprises deposits, certificates and bonds. On the reporting date deposits were NOK 4.2 billion and liabilities created on issuance of securities were NOK 20.7 billion. Of the securities liabilities, covered bonds (OMF) issued by KLP Kommunekreditt AS represented NOK 18.1 billion. All covered bonds issues have achieved AAA rating.

### Solvency

At the end of the third quarter, eligible Tier 1 and Tier 2 capital i.a.w. the capital adequacy rules was NOK 1194.9 million. Eligible Tier 1 and Tier 2 capital comprises core capital only. The corresponding figure for last year was NOK 1139.0 million. Lending is risk-weighted in accordance with the authorities' capital adequacy regulations. The KLP Banken Group had a capital adequacy ratio of 18.3 per cent at the end of the third quarter, against 18.5 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	Q3 2013	Q3 2012	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	2012
	Interest income and similar income	209 245	223 067	631 711	737 868	956 724
	Cost of interest and similar costs	-175 915	-198 274	-543 714	-677 870	-870 387
3	<b>Net interest income</b>	<b>33 330</b>	<b>24 793</b>	<b>87 997</b>	<b>59 998</b>	<b>86 337</b>
	Commission & banking services income	1 840	1 176	4 351	3 599	4 888
	Commission & banking services costs	-268	-151	-562	-248	-352
	<b>Net charges and commission income</b>	<b>1 572</b>	<b>1 025</b>	<b>3 789</b>	<b>3 351</b>	<b>4 535</b>
	Other fee income	14 250	15 294	43 750	64 462	79 075
	Net gain/(loss) financial instruments	59	44 477	46 595	52 122	51 148
	<b>Total other operating income</b>	<b>14 309</b>	<b>59 771</b>	<b>90 345</b>	<b>116 584</b>	<b>130 223</b>
	Salary and administrative costs	-16 811	-12 956	-38 153	-33 932	-44 038
	Depreciation	-666	-522	-1 686	-1 589	-2 068
	Other operating expenses	-23 405	-20 383	-65 047	-58 596	-86 792
	<b>Total operating expenses</b>	<b>-40 882</b>	<b>-33 861</b>	<b>-104 886</b>	<b>-94 118</b>	<b>-132 898</b>
	Loss on loans issued, guarantees etc.	0	0	0	0	0
	Gains/losses on securities that are fixed assets	0	0	0	0	0
	<b>Operating profit/loss before tax</b>	<b>8 328</b>	<b>51 728</b>	<b>77 244</b>	<b>85 815</b>	<b>88 197</b>
	Tax on ordinary profit/loss	-2 791	-14 484	-8 088	-24 028	-33 317
	<b>Income</b>	<b>5 537</b>	<b>37 244</b>	<b>69 156</b>	<b>61 787</b>	<b>54 880</b>
	Other comprehensive income	0	0	0	0	1 921
	<b>Other comprehensive income for the period after tax</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1 921</b>
	<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>5 537</b>	<b>37 244</b>	<b>69 156</b>	<b>61 787</b>	<b>56 802</b>

# Financial Position Statement

KLP Banken AS Group

Note	NOK thousands	30.09.2013	30.09.2012	31.12.2012
	<b>ASSETS</b>			
	Lending to and receivables from credit institutions	1 497 382	1 485 214	2 136 069
4	Lending to and receivables from customers	22 024 621	23 463 861	21 875 012
13	Interest-bearing securities	2 875 561	3 490 663	4 063 485
	Financial derivatives	190 325	203 884	183 904
	Tangible fixed assets	533	490	472
	Intangible assets	21 747	20 075	21 214
10	Other assets	1 277	3 987	1 358
	<b>TOTAL ASSETS</b>	<b>26 611 446</b>	<b>28 668 175</b>	<b>28 281 515</b>
	<b>LIABILITIES AND OWNERS' EQUITY</b>			
	<b>LIABILITIES</b>			
7	Liabilities created on issuance of securities	20 699 249	24 443 384	23 708 404
	Deposits	4 164 481	2 552 500	2 946 196
	Financial derivatives	299 551	398 477	358 770
	Deferred tax	1 536	2 080	1 536
11	Other liabilities	130 203	35 324	27 377
11	Provision for accrued costs and liabilities	30 656	24 643	22 618
	<b>TOTAL LIABILITIES</b>	<b>25 325 675</b>	<b>27 456 408</b>	<b>27 064 901</b>
	<b>OWNERS' EQUITY</b>			
	Share capital	750 000	750 000	750 000
	Share premium fund	405 707	339 073	405 707
	Other owners' equity contributed	60 907	60 907	60 907
	Unallocated profit/loss	69 156	61 787	0
	<b>TOTAL OWNERS' EQUITY</b>	<b>1 285 770</b>	<b>1 211 768</b>	<b>1 216 614</b>
	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>26 611 446</b>	<b>28 668 175</b>	<b>28 281 515</b>

# Statement of owners' equity

KLP Banken AS Group

2013 NOK thousands	Share capital	Share pre- mium fund	Other owners' equity contributed	Other owners' equity	Total owners' equity
Owners' equity 1 January 2013	750 000	405 707	60 907	0	1 216 614
Unallocated profit/loss	0	0	0	69 156	69 156
Other comprehensive income	0	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>69 156</b>	<b>69 156</b>
Total transactions with the owners	0	0	0	0	0
<b>Owners' equity 30 September 2013</b>	<b>750 000</b>	<b>405 707</b>	<b>60 907</b>	<b>69 156</b>	<b>1 285 770</b>

2012 NOK thousands	Share capital	Share pre- mium fund	Other owners' equity contributed	Other owners' equity	Total owners' equity
Owners' equity 1 January 2012	750 000	348 130	60 907	0	1 159 037
Brought to book actuarially profit/loss employee benefits	0	-9 058	0	0	-9 058
<b>Adjusted owners' equity 01.01.2012</b>	<b>750 000</b>	<b>339 073</b>	<b>60 907</b>	<b>0</b>	<b>1 149 979</b>
Unallocated profit/loss	0	0	0	61 787	61 787
Other comprehensive income	0	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>61 787</b>	<b>61 787</b>
Total transactions with the owners	0	0	0	0	0
<b>Owners' equity 30 September 2012</b>	<b>750 000</b>	<b>339 073</b>	<b>60 907</b>	<b>61 787</b>	<b>1 211 768</b>

# Statement of cash flows

KLP Banken AS Group

NOK thousands	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	01.01.2012- 31.12.2012
<b>OPERATING ACTIVITIES</b>			
Payments received from customers - interest, commission & charges	530 316	634 049	885 750
Payments to customers - interest, commission & charges	-131 579	-75 338	-111 424
Net receipts/disbursements on lending to customers	-233 603	5 087 497	6 545 615
Net receipts on customer deposits banking	1 218 285	712 239	1 105 934
Net receipts/disbursements on operations	-54 910	-55 263	-87 734
Paym's to staff, pension schemes, employer's soc. security contrib. etc.	-38 900	-36 108	-43 274
Net interest investment accounts	12 195	11 458	38 500
Net receipts/disbursements from operating activities	92 697	53 183	129 617
Income tax paid	0	0	0
<b>Net cash flow from operating activities</b>	<b>1 394 501</b>	<b>6 331 716</b>	<b>8 462 984</b>
<b>INVESTMENT ACTIVITIES</b>			
Receipts from securities	2 569 968	4 310	1 927
Disbursements to securities	-1 374 199	-1 903 076	-2 470 499
Receipts of interest from securities	56 601	51 438	77 313
Receipts from sales of fixed assets	653	0	0
Payments on the purchase of tangible fixed assets	-2 602	0	-1 600
<b>Net cash flows from investment activities</b>	<b>1 250 421</b>	<b>-1 847 329</b>	<b>-2 392 859</b>
<b>FINANCING ACTIVITIES</b>			
Net receipts/disbursements on loans from credit institutions	-2 998 794	-4 121 215	-4 823 855
Net disbursements of interest on loans	-385 418	-560 528	-707 994
Net receipts/disbursements on other short-term items	93 347	34 241	30 211
<b>Net cash flows from financing activities</b>	<b>-3 290 865</b>	<b>-4 647 502</b>	<b>-5 501 638</b>
<b>Net cash flow during the period</b>	<b>-645 943</b>	<b>-163 115</b>	<b>568 487</b>
Cash and cash equivalents at the start of the period	2 091 712	1 523 225	1 523 225
Cash and cash equivalents at the end of the period	1 445 768	1 360 110	2 091 712
<b>Net receipts/disbursements of cash</b>	<b>-645 943</b>	<b>-163 115</b>	<b>568 487</b>
<b>RECONCILIATION</b>			
Profit/loss before tax	77 244	85 815	88 197
Change in accounts payable	142	-271	867
Items classified as investment or financing activities	342 556	604 997	729 154
Changes in other accrual items	974 559	5 641 176	7 644 766
<b>Net cash flow from operating activities</b>	<b>1 394 501</b>	<b>6 331 716</b>	<b>8 462 984</b>

# Notes to the Accounts

KLP Banken AS Group

## Note 1 GENERAL INFORMATION

KLP Banken AS was formed on 25 February 2009. The Company is a commercial bank offering deposit products and loans to the retail market and business customers. The bank is an online bank without branches.

KLP Banken AS owns all the shares in KLP K AS (previously KLP Kreditt AS), which is under liquidation, and in KLP Kommunekreditt AS. Lending with public sector guarantee is carried out through these companies, principally financed by issuing covered bonds.

KLP Banken AS Group is a wholly-owned subsidiary group of Kommunal Landspensjonskasse gjensidige forsikringselskap (KLP) through KLP Bankholding AS.

KLP Banken AS is registered and domiciled in Norway. The head office address is KLP Banken AS, Beddingen 8, Postbox 8814, 7481 Trondheim, Norway.

## Note 2 ACCOUNTING PRINCIPLES

This is an interim report for the period 1 January 2013 - 30 September 2013.

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 permit the use of the EU-approved IFRS/IAS international accounting standards, but some exceptions are allowed under Regulation no. 57: "Regulation on simplified use of international accounting standards" of 21 January 2008 ("The Simplification Regulation"). The Group financial statements are presented in accordance with IFRS, with certain exceptions that are laid down in the Simplification Regulation.

The financial statements for the third quarter 2013 are presented in accordance with the same accounting principles as the annual financial statements for 2012, with the exception of those changes described in the interim reports for the first and second quarters of 2013. These reports are available at [klp.no](http://klp.no)

The accounts for the third quarter have not been audited.



**Note 3 NET INTEREST INCOME**

NOK thousands	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	2012
Interest on loans to and receivables from credit institutions	22 567	28 213	38 577
Interest on loans to customers	550 492	651 120	836 312
Interest on securities	58 651	58 535	81 835
<b>Total interest income</b>	<b>631 711</b>	<b>737 868</b>	<b>956 724</b>
Interest on debt to credit institutions	389 771	507 429	649 339
Interest on debt to KLP	0	44 093	26 065
Interest on debt to customers	151 010	124 354	192 202
Premium/discount on covered bonds	2 933	1 983	2 778
Other interest costs	1	10	3
<b>Total interest costs</b>	<b>543 714</b>	<b>677 870</b>	<b>870 387</b>
<b>Net interest income</b>	<b>87 997</b>	<b>59 998</b>	<b>86 337</b>

**Note 4 LENDING TO CUSTOMERS**

NOK thousands	30.09.2013	30.09.2012	31.12.2012
Loans to customers before write-downs	21 666 349	22 989 777	21 464 820
Individual write-downs	-9	-9	-9
Write-downs by group	0	0	0
<b>Loans to customers after individual write-downs</b>	<b>21 666 340</b>	<b>22 989 768</b>	<b>21 464 811</b>
Accrued interest	154 291	192 549	126 855
Loans to customers, fair value hedging	203 990	279 491	281 384
Loans to customers, fair value adjustment	0	2 053	1 962
<b>Loans to customers</b>	<b>22 024 621</b>	<b>23 463 861</b>	<b>21 875 012</b>

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

NOK thousands	30.09.2013		30.09.2012		31.12.2012	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
<b>FINANCIAL ASSETS AT FAIR VALUE</b>						
Interest-bearing securities	2 875 561	2 875 561	3 490 663	3 490 663	4 063 485	4 063 485
Loans to Norwegian local administrations	0	0	1 157 104	1 157 104	33 021	33 021
Financial derivatives	190 325	190 325	203 884	203 884	183 904	183 904
<b>Total financial assets at fair value</b>	<b>3 065 886</b>	<b>3 065 886</b>	<b>4 851 650</b>	<b>4 851 650</b>	<b>4 280 410</b>	<b>4 280 410</b>
<b>FINANCIAL ASSETS AT FAIR VALUE HEDGING</b>						
Loans to Norwegian local administrations	6 175 364	6 194 309	5 877 751	5 882 053	5 978 833	5 983 059
Loans to private customers	481 005	470 424	527 783	515 824	524 223	524 223
<b>Total financial assets at fair value hedging</b>	<b>6 656 369</b>	<b>6 664 733</b>	<b>6 405 534</b>	<b>6 397 877</b>	<b>6 503 056</b>	<b>6 507 282</b>
<b>FINANCIAL ASSETS AT AMORTIZED COST</b>						
Loans to and receivables from credit institutions	1 497 382	1 497 382	1 485 214	1 485 214	2 136 069	2 136 069
Loans to Norwegian local administrations	11 717 468	11 714 849	14 880 545	14 867 382	14 333 161	14 333 161
Loans to private customers	3 650 784	3 650 784	1 020 678	1 022 716	1 005 774	1 005 774
<b>Total financial assets at amortized cost</b>	<b>16 865 634</b>	<b>16 863 015</b>	<b>17 386 437</b>	<b>17 375 312</b>	<b>17 475 004</b>	<b>17 475 004</b>
<b>Total financial assets</b>	<b>26 587 889</b>	<b>26 593 634</b>	<b>28 643 621</b>	<b>28 624 839</b>	<b>28 258 470</b>	<b>28 262 696</b>
<b>DEBT TO CREDIT INSTITUTIONS AT FAIR VALUE</b>						
Financial derivatives	299 551	299 551	398 477	398 477	358 770	358 770
<b>Total financial liabilities at fair value</b>	<b>299 551</b>	<b>299 551</b>	<b>398 477</b>	<b>398 477</b>	<b>358 770</b>	<b>358 770</b>
<b>LIABILITIES CREATED ON ISSUANCE OF SECURITIES AT FAIR VALUE HEDGING</b>						
Liabilities created on issuance of securities	4 715 034	4 745 108	4 044 885	4 065 593	3 691 662	3 777 110
<b>Total financial liabilities at fair value hedging</b>	<b>4 715 034</b>	<b>4 745 108</b>	<b>4 044 885</b>	<b>4 065 593</b>	<b>3 691 662</b>	<b>3 777 110</b>
<b>DEBT TO CREDIT INSTITUTIONS AND DEPOSITS AT AMORTIZED COST</b>						
Liabilities created on issuance of securities	15 984 215	15 874 341	20 398 499	21 999 623	20 016 742	20 042 241
Deposits from customers	4 164 481	4 164 481	2 552 500	2 552 500	2 946 196	2 946 196
<b>Total financial liabilities at amortized cost</b>	<b>20 148 696</b>	<b>20 038 822</b>	<b>22 950 999</b>	<b>24 552 123</b>	<b>22 962 938</b>	<b>22 988 437</b>
<b>Total financial liabilities</b>	<b>25 163 281</b>	<b>25 083 481</b>	<b>27 394 361</b>	<b>29 016 193</b>	<b>27 013 369</b>	<b>27 124 316</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 interest rate curves and 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:****Interest-bearing securities - government**

Reuters is used as a source for pricing Norwegian government bonds. It is Oslo Børs that provides the price (via Reuters). The prices are compared with the prices from Bloomberg to reveal any errors.

**Interest-bearing securities - other than government**

All Norwegian fixed income securities except government are priced theoretically. A zero coupon curve is used as well as spread curves for the pricing. Reuters is used as the source for the zero coupon curve from 0 to 10 years. From 10 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.

**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 30.09.2013
<b>ASSETS</b>				
Interest-bearing securities	127 933	2 747 628	0	2 875 561
Financial derivatives	0	190 325	0	190 325
<b>Total financial assets valued at fair value</b>	<b>127 933</b>	<b>2 937 953</b>	<b>0</b>	<b>3 065 886</b>
<b>LIABILITIES</b>				
Financial derivatives	0	299 551	0	299 551
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>299 551</b>	<b>0</b>	<b>299 551</b>

NOK thousands	Level 1	Level 2	Level 3	Total 30.09.2012
<b>ASSETS</b>				
Interest-bearing securities	0	3 490 663	0	3 490 663
Financial derivatives	0	203 884	0	203 884
<b>Total financial assets valued at fair value</b>	<b>0</b>	<b>3 694 547</b>	<b>0</b>	<b>3 694 547</b>
<b>LIABILITIES</b>				
Financial derivatives	0	398 477	0	398 477
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>398 477</b>	<b>0</b>	<b>398 477</b>

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2012
<b>ASSETS</b>				
Interest-bearing securities	148 352	3 915 133	0	4 063 485
Financial derivatives	0	183 904	0	183 904
<b>Total financial assets valued at fair value</b>	<b>148 352</b>	<b>4 099 037</b>	<b>0</b>	<b>4 247 389</b>
<b>LIABILITIES</b>				
Financial derivatives	0	358 770	0	358 770
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>358 770</b>	<b>0</b>	<b>358 770</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 curves.

**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** LIABILITIES CREATED ON ISSUANCE OF SECURITIES

NOK thousands ISIN code	Nominal	Currency	Interest	Commence- ment	Due date	Accrued interest	30.09.2013 Book value
N00010585185	4 300 000	NOK	Floating	15.09.10	15.09.15	3 852	4 303 852
N00010592892	602 000	NOK	Floating	10.12.10	10.12.13	713	602 713
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	27 411	777 411
N00010609795	1 339 000	NOK	Floating	20.05.11	20.05.14	3 093	1 342 093
N00010624778	2 500 000	NOK	Fixed	15.09.11	15.05.15	33 322	2 533 322*
XS0747335494	500 000	SEK	Floating	17.02.12	17.02.15	913	434 413
N00010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	4 463	1 004 463
N00010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	8 792	3 008 792
N00010663180	2 000 000	NOK	Floating	15.11.12	16.11.16	5 188	2 005 188
N00010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	9 370	1 009 370
N00010675978	1 000 000	NOK	Floating	15.05.13	15.05.18	2 703	1 002 703
Amortization / value adjustments							110 787
<b>Total covered bonds issued</b>							<b>18 135 106</b>
* Paid 500 mill. NOK in January 2012.							
Certificate loan	300 000	NOK	Floating	21.03.13	21.03.14	131	300 131
Certificate loan	300 000	NOK	Floating	11.06.13	11.06.14	333	300 333
Certificate loan	150 000	NOK	Floating	30.08.13	29.08.14	263	150 263
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.15	1 579	301 579
Secured bonds	300 000	NOK	Fixed	15.06.12	15.06.17	4 172	304 172
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	1 181	301 181
Secured bonds	300 000	NOK	Floating	14.05.13	13.05.16	980	300 980
Secured bonds	300 000	NOK	Floating	31.05.13	28.11.14	570	300 570
Amortization / value adjustments							4 045
<b>Total liabilities issuance of certificate loans and secured bonds</b>							<b>2 564 143</b>
<b>Total liabilities created on issuance of securities</b>							<b>20 699 249</b>

**Note 7** LIABILITIES CREATED ON ISSUANCE OF SECURITIES (CONT.)

NOK thousands ISIN code	Nominal	Currency	Interest	Commence- ment	Due date	Accrued interest	30.09.2012 Book value
N00010585185	4 300 000	NOK	Floating	15.09.10	15.09.15	3 930	4 303 930
N00010592884	2 470 000	NOK	Floating	10.12.10	10.12.12	3 184	2 473 184
N00010592892	4 000 000	NOK	Floating	10.12.10	10.12.13	5 437	4 005 437
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	27 430	777 430
XS0605180412	1 250 000	SEK	Floating	15.03.11	15.03.13	866	1 095 866
N00010609795	4 000 000	NOK	Floating	20.05.11	20.05.14	10 967	4 010 967
N00010624778	2 500 000	NOK	Fixed	15.09.11	15.05.15	33 322	2 533 322
XS0747335494	500 000	SEK	Floating	17.02.12	17.02.15	1 344	434 844
N00010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	5 889	1 005 889
Amortization / value adjustments							122 359
<b>Total covered bonds issued</b>							<b>20 763 227</b>
Certificate loan	500 000	NOK	Floating	16.12.11	14.12.12	548	500 548
Certificate loan	500 000	NOK	Floating	18.01.12	18.01.13	2 740	502 740
Certificate loan	360 000	NOK	Floating	14.05.12	14.05.13	1 229	361 229
Certificate loan	300 000	NOK	Floating	01.06.12	31.05.13	633	300 633
Certificate loan	300 000	NOK	Fixed	05.07.12	05.04.13	1 965	301 965
Certificate loan	300 000	NOK	Floating	09.07.12	09.07.13	1 890	301 890
Secured bonds	500 000	NOK	Floating	12.03.12	11.06.13	711	500 711
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.15	1 903	301 903
Secured bonds	300 000	NOK	Fixed	15.06.12	15.06.17	4 172	304 172
Secured bonds	300 000	NOK	Floating	24.08.12	24.08.15	1 045	301 045
Amortization / value adjustments							3 322
<b>Total liabilities issuance of certificate loans and secured bonds</b>							<b>3 680 158</b>
<b>Total liabilities created on issuance of securities</b>							<b>24 443 384</b>

**Note 7** LIABILITIES CREATED ON ISSUANCE OF SECURITIES (CONT.)

NOK thousands ISIN code	Nominal	Currency	Interest	Commence- ment	Due date	Accrued interest	31.12.2012 Book value
N00010585185	4 300 000	NOK	Floating	15.09.10	15.09.15	4 031	4 304 031
N00010592892	1 103 000	NOK	Floating	10.12.10	10.12.13	1 490	1 104 490
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	1 607	751 607
XS0605180412	1 250 000	SEK	Floating	15.03.11	15.03.13	765	1 095 765
N00010609795	4 000 000	NOK	Floating	20.05.11	20.05.14	10 313	4 010 313
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	959	434 459
N00010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	5 092	1 005 092
N00010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	12 898	3 012 898
N00010663180	2 000 000	NOK	Floating	15.11.12	16.11.16	5 797	2 005 797
Amortization / value adjustments							85 605
<b>Total covered bonds issued</b>							<b>20 365 434</b>
Certificate loan	360 000	NOK	Floating	18.01.12	18.01.13	1 725	361 725
Certificate loan	360 000	NOK	Floating	14.05.12	14.05.13	1 109	361 109
Certificate loan	300 000	NOK	Floating	01.06.12	31.05.13	635	300 635
Certificate loan	300 000	NOK	Fixed	05.07.12	05.04.13	1 701	301 701
Certificate loan	300 000	NOK	Floating	09.07.12	09.07.13	1 659	301 659
Secured bonds	500 000	NOK	Floating	12.03.12	11.06.13	709	500 709
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.15	1 669	301 669
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	963	300 963
Secured bonds	300 000	NOK	Floating	15.11.12	16.11.16	1 281	301 281
Amortization / value adjustments							3 794
<b>Total liabilities issuance of certificate loans and secured bonds</b>							<b>3 342 970</b>
<b>Total liabilities created on issuance of securities</b>							<b>23 708 404</b>

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

30.09.13 NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	190 325	0	190 325	-159 392	0	30 933
<b>Total</b>	<b>190 325</b>	<b>0</b>	<b>190 325</b>	<b>-159 392</b>	<b>0</b>	<b>30 933</b>

LIABILITIES						
Financial derivatives	299 551	0	299 551	-159 392	-15 953	124 205
<b>Total</b>	<b>299 551</b>	<b>0</b>	<b>299 551</b>	<b>-159 392</b>	<b>-15 953</b>	<b>124 205</b>

30.09.12 NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	203 884	0	203 884	-65 512	0	138 372
<b>Total</b>	<b>203 884</b>	<b>0</b>	<b>203 884</b>	<b>-65 512</b>	<b>0</b>	<b>138 372</b>

LIABILITIES						
Financial derivatives	258 981	0	258 981	-65 512	-20 198	173 271
<b>Total</b>	<b>258 981</b>	<b>0</b>	<b>258 981</b>	<b>-65 512</b>	<b>-20 198</b>	<b>173 271</b>

31.12.12 NOK thousands	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Related amounts not presented net		
				Financial instruments	Security in cash	Net amount
ASSETS						
Financial derivatives	183 904	0	183 904	-183 904	0	0
<b>Total</b>	<b>183 904</b>	<b>0</b>	<b>183 904</b>	<b>-183 904</b>	<b>0</b>	<b>0</b>

LIABILITIES						
Financial derivatives	358 770	0	358 770	-183 904	-20 190	154 675
<b>Total</b>	<b>358 770</b>	<b>0</b>	<b>358 770</b>	<b>-183 904</b>	<b>-20 190</b>	<b>154 675</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	01.01.2013- 30.09.2013	01.01.2012- 30.09.2012	2012
INCOME STATEMENT ITEMS			
KLP, fees income lending management	43 750	64 412	79 000
KLP, interest on borrowing	0	-26 065	-26 065
KLP, interest on certificate loan	0	-18 028	-18 028
KLP Kapitalforvaltning, fees for services provided	-417	-425	-503
KLP, rent	-2 619	-2 620	-3 447
KLP, pension premium	-5 874	-6 507	-8 900
KLP, staff services (at cost)	-30 020	-30 385	-42 610
KLP Group companies, subsidised interest employee loans	630	504	615
<b>TOTAL</b>	<b>5 450</b>	<b>-19 114</b>	<b>-19 938</b>

NOK thousands	30.09.2013	30.09.2012	31.12.2012
FINANCIAL POSITION STATEMENT ITEMS			
KLP, net intra-Group accounts	-89 266	-8 495	-7 900
KLP, clearance banking system	-26 354	-20 576	-16 520
KLP Bankholding AS, net internal accounts	0	0	25
KLP Group companies	57	-185	-38
<b>TOTAL</b>	<b>-115 563</b>	<b>-29 256</b>	<b>-24 433</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	30.09.2013	30.09.2012	31.12.2012
Receivables from companies in the same Group	77	29	56
Miscellaneous receivables	3	0	53
Prepaid expenses	1 197	3 958	1 249
<b>Total other assets</b>	<b>1 277</b>	<b>3 987</b>	<b>1 358</b>



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

NOK thousands	30.09.2013	30.09.2012	31.12.2012
Creditors	2 826	1 547	2 684
Receivables from companies in the same Group	115 729	8 709	24 474
Miscellaneous liabilities	11 648	25 068	219
<b>Total other liabilities</b>	<b>130 203</b>	<b>35 324</b>	<b>27 377</b>
Withholding tax	1 105	1 001	2 349
Social security costs	1 093	833	1 589
Holiday pay	2 613	2 580	3 574
Pension obligations	14 501	16 422	14 501
VAT	450	342	259
Provisioned costs	10 894	3 465	346
<b>Total accrued costs and liabilities</b>	<b>30 656</b>	<b>24 643</b>	<b>22 618</b>

**Note 12 CAPITAL ADEQUACY**

NOK thousands	30.09.2013	30.09.2012	31.12.2012
Share capital and share premium fund	1 155 707	1 021 372	1 158 076
Other owners' equity	60 907	137 665	60 907
<b>Owners' equity</b>	<b>1 216 614</b>	<b>1 159 037</b>	<b>1 218 983</b>
Interim profit/loss	0	0	0
Less goodwill and other intangible assets	-21 747	-20 075	-21 214
Deferred tax asset	0	0	0
<b>Core capital</b>	<b>1 194 867</b>	<b>1 138 962</b>	<b>1 197 769</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	1 194 867	1 138 962	1 197 769
Capital requirement	521 778	491 459	476 921
<b>Surplus of Tier 1 and 2 capital</b>	<b>673 089</b>	<b>647 503</b>	<b>720 848</b>
<b>CALCULATION BASIS CREDIT RISK</b>			
Local and regional authorities (including municipalities/county administrations)	3 620 723	4 186 239	3 964 218
Publicly owned enterprises	0	11 133	2 439
States	0	3 047	2 645
Institutions	346 999	583 494	713 342
Investments with security in real estate	1 962 075	721 104	649 286
Investments fallen due	39 445	36 954	26 619
Covered bonds	274 763	337 074	338 791
Other holdings	533	490	472
<b>Calculation basis credit risk</b>	<b>6 244 538</b>	<b>5 879 535</b>	<b>5 697 812</b>
Credit risk	499 563	470 363	455 825
Operating risk	22 215	21 096	21 096
<b>Total capital requirement</b>	<b>521 778</b>	<b>491 459</b>	<b>476 921</b>
Core capital adequacy ratio	18,3 %	18,5 %	20,1 %
Supplementary capital ratio	0,0 %	0,0 %	0,0 %
Capital adequacy ratio	18,3 %	18,5 %	20,1 %

Basel II regulations have been used in calculating capital adequacy.

The core capital requirement is 9 per cent, and the capital adequacy requirement is 12.5 per cent.

**Note 13 INTEREST-BEARING SECURITIES**

NOK thousands	30.09.2013		31.12.2012	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	50 363	50 361	417 941	419 370
Bonds	2 825 336	2 825 200	3 588 940	3 644 115
<b>Total interest-bearing securities</b>	<b>2 875 699</b>	<b>2 875 561</b>	<b>4 006 881</b>	<b>4 063 485</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	30.09.2013	30.09.2012	31.12.2012
Confirmed losses	0	0	0
Reversal of previous write-downs	0	0	0
Change in individual write-downs	0	0	0
Change in write-downs by group	0	0	0
<b>Total loss on lending</b>	<b>0</b>	<b>0</b>	<b>0</b>
Gross default exceeding 90 days	12 356	5 854	6 854
Gross other doubtful loans	0	0	0

This applies to housing loans. The risk of losses or write-downs on public sector loans are considered very low.

**Note 15 CONTINGENT LIABILITIES**

NOK thousands	30.09.2013	30.09.2012	31.12.2012
Credit facilities for lending not utilised	189 916	42 572	48 358
Promised loans	311 534	206 442	83 840
<b>Total contingent liabilities</b>	<b>501 450</b>	<b>249 014</b>	<b>132 198</b>

**Note 16 KEY FIGURES**

Accumulated figures in NOK millions	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Pre-tax income	77.2	68.9	9.3	88.2	85.8
Net interest income	88.0	54.7	24.3	86.3	60.0
Other operating income	47.5	31.7	16.2	83.6	67.8
Depreciation and write down	-104.9	-64.0	-34.7	-132.9	-94.1
Net realized / unrealized change fin. instruments at fair value	46.6	46.5	3.5	51.1	52.1
Deposits	4 164.5	3 957.1	3 459.2	2 946.2	2 552.5
Housing mortgage lending	4 133.8	3 615.0	1 883.1	1 530.0	1 550.5
Lending with public sector guarantee	17 890.8	18 674.5	20 174.1	20 345.0	21 915.4
Defaulted loans	12.4	13.2	6.9	6.9	5.9
Total liabilities created on issuance of securities	20 699.2	21 333.3	21 717.6	23 708.4	24 443.4
Other borrowing	0.0	0.0	0.0	0.0	0.0
Total assets	26 611.4	26 982.8	27 018.9	28 281.5	28 668.2
Average total assets	27 446.5	27 632.2	27 650.2	29 992.8	30 186.1
Owners' equity	1 285.8	1 280.2	1 223.3	1 216.6	1 211.8
Interest net	0.32 %	0.20 %	0.09 %	0.29 %	0.20 %
Profit/loss from ordinary operation before taxes	0.28 %	0.25 %	0.03 %	0.29 %	0.28 %
Profit/loss from ordinary op. excl. fair value assessments	0.11 %	0.08 %	0.02 %	0.12 %	0.11 %
Return on owners' equity before tax	6.01 %	5.38 %	0.76 %	7.25 %	7.08 %
Capital adequacy ratio	18.3 %	18.2 %	20.4 %	20.1 %	18.5 %

**Note 17 PENSION OBLIGATIONS – OWN EMPLOYEES**

In September the Norwegian Accounting Standards Board published an updated version of guidance on pension assumptions, which showed some change in the parameters compared to 31 December 2012. The calculation assumptions provided are hedged with uncertainty and KLP must itself determine the assumptions based on a concrete evaluation of its pension scheme.

The changes in the economic assumptions pull in different directions and will not significantly affect net book pension obligation as at 30 September 2013. The book pension obligation is therefore unchanged from the estimate made for pension obligation as at 31 December 2012.



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