



Interim report

KLP BANKEN

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KLP BANKEN GROUP

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MAIN FEATURES BY THIRD QUARTER END:

- Stable growth in mortgage loan volumes
- Public sector lending balance has increased by NOK 1.7 billion
- Positive development in net interest income
- Earnings are positively impacted by financial losses in the liquidity portfolio.

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 also manages a lending portfolio on behalf of KLP. The Group manages lending totalling NOK 79 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 by third quarter end 2016 amounted to NOK 149.4 million compared to NOK 133.1 million in the same period in 2015. Operating expenses and depreciation amounted to NOK 126.1 million this year compared to NOK 122.1 million at the same time last year.

Net charges and commission income is reduced from NOK 7.8 million by the third quarter in 2015 to NOK 6.6 million in 2016. The main reason for the reduction is customization of the fee structure related to market campaigns.

The financial statements have been prepared in NOK and are presented in accordance with IAS 34. This means that financial instruments are recognised in part at market value. At the end of the third quarter, the income statement includes a net gain associated with securities of NOK 20.5 million. During the same period the previous year, a net loss of NOK 23.9 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 42.8 million in the first three quarters of 2016. Last year, this amount was NOK 43.2 million.

The income statement include a loss provision of NOK 0.5 million on mortgage loans in 2016. There are no recognized losses on public sector loans.

By the end of the third quarter, the KLP Banken Group had a pre-tax profit of NOK 90.7 million. The retail market segment generated a profit of NOK 32.0 million while the public sector segment achieved a profit of NOK 58.7 million. In 2015, this Group profit was NOK 34.4 million where the retail market segment reported a profit of NOK 17.9 million and the public sector market a profit of NOK 16.5 million. Group income after tax amounted to NOK 66.4 million at the reporting date and NOK 27.1 million at the same time last year.

LENDING

On 30 September 2016, the KLP Banken Group had a lending balance of NOK 30.1 billion compared to NOK 26.2 billion at the same time previous year. The distribution between the retail market and public sector lending was NOK 12.8 billion and NOK 17.3 billion, respectively.

During the first three quarters of 2016, the Group's mortgage lending balance increased by NOK 2.1 billion. The increase is partly explained by the purchase of loans totaling NOK 0.3 billion from the parent company KLP. KLP's own mortgage lending balance was decreased by NOK 0.8 billion during the same period.

The public sector lending balance in KLP Banken AS Group has increased by NOK 1.6 billion in 2016. Managed loans on KLP's own balance sheets has increased by NOK 0.4 billion in the same period. Managed loans to foreign debtors in foreign currencies has decreased by NOK 1.4 billion.

LIQUID INVESTMENT

On the reporting date, the portfolio of liquid investments amounted to NOK 3.2 billion against NOK 1.9 billion at the same time last year. Net financial gains have positively impacted earnings by NOK 20.5 million this year compared to a negative impact of NOK 23.9 million last year.

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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 8,5 billion and issued securities amounted to NOK 24,5 billion. Of the issued securities, covered bonds (OMF) issued by KLP Kommunekreditt AS represented NOK 17,7 billion, while KLP Boligkreditt AS had NOK 3,9 billion outstanding. All covered bonds issues have achieved AAA rating.

RISK AND CAPITAL ADEQUACY

The KLP Banken Group is exposed to various types of risk. The bank has established a framework for risk management aimed at ensuring that risks are identified, analysed and subjected to management using policies, limits, procedures and instructions. The bank is to have a prudent risk profile and earnings are to be principally a result of borrowing and lending activity as well as liquidity management. This means that the bank is to have low market risk, and interest and foreign-exchange risk arising within the borrowing and lending activity is reduced

using derivatives. The bank is to have responsible long-term financing and limits have been established to ensure that this objective is achieved. The credit risk in the bank is low and the bank's lending is limited to loans with local government risk and loans with lien on housing and leisure property. Management of the bank's liquidity is conducted through investments in banks satisfying credit quality requirements and in securities in accordance with Board-approved credit lines. The Group's securities portfolio has high credit quality.

At the end of the third quarter, eligible Tier 1 and Tier 2 capital i.a.w. the capital adequacy rules was NOK 1 571.9 million. Eligible Tier 1 and Tier 2 capital comprises core capital only. The corresponding figure for last year was NOK 1 477.9 million. Lending is risk-weighted in accordance with the authorities' capital adequacy regulations. The KLP Banken Group had a capital adequacy ratio of 16.8 per cent at the end of the third quarter, against 17.9 per cent on the same date last year. The minimum statutory requirement is 11.5 per cent core capital adequacy and 15.0 per cent capital adequacy.

Income statement

KLP BANKEN AS GROUP

NOTE	NOK THOUSANDS	Q3 2016	Q3 2015	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015	2015
	Interest income	193 125	202 945	572 749	621 814	817 991
	Interest expense	-144 040	-151 325	-423 389	-488 751	-630 928
3	Net interest income	49 085	51 620	149 360	133 063	187 063
	Commission income and income from banking services	3 208	2 801	7 816	8 592	11 280
	Commission cost and cost from banking services	-272	-238	-1 245	-777	-1 074
	Net charges and commission income	2 936	2 563	6 571	7 815	10 205
	Other fee income	14 250	14 405	42 750	43 215	57 648
16	Net gain/ (loss) financial instruments	3 609	-13 599	18 535	-27 724	-34 111
	Total other operating income	17 859	806	61 285	15 491	23 537
	Salaries and administrative costs	-12 999	-14 824	-40 085	-39 669	-60 824
	Depreciation	-982	-653	-3 014	-1 974	-3 396
	Impairment	0	0	0	0	-1 338
	Other operating expenses	-23 017	-22 165	-82 985	-80 474	-104 595
	Total operating expenses	-36 998	-37 642	-126 084	-122 117	-170 153
14	Net loan losses	-168	-40	-465	106	-1 034
	Operating profit/loss before tax	32 713	17 307	90 667	34 359	49 618
	Tax ordinary income	-8 176	-4 673	-22 238	-9 284	-14 240
	Profit/loss for the period	24 537	12 634	68 429	25 075	35 378
	Estimate difference, pension obligation and assets	-395	2 837	-2 753	2 837	7 012
	Tax on actuarial gains and losses	98	-766	688	-766	-1 893
	Items that will not be reclassified to profit and loss	-296	2 071	-2 065	2 071	5 119
	Changes in the fair value at available for sale financial assets	0	0	3	0	0
	Tax on changes in fair value of available for sale financial assets	0	0	-1	0	0
	Items that may be reclassified to profit and loss	0	0	2	0	0
	Other comprehensive income for the period	-296	2 071	-2 063	2 071	5 119
	Comprehensive income for the period	24 241	14 705	66 366	27 145	40 497

Balance sheet

KLP BANKEN AS GROUP

NOTE	NOK THOUSANDS	30.09.2016	30.09.2015	31.12.2015
ASSETS				
	Loans to credit institutions	1 414 419	870 321	973 591
4	Loans to customers	30 148 563	26 245 249	26 359 449
13	Interest-bearing securities	3 213 086	1 946 193	3 783 373
	Shareholdings	269	265	265
	Financial derivatives	151 002	186 982	148 375
	Deffered tax assets	4 080	0	9 542
	Fixed assets	455	472	468
	Intangible assets	17 000	16 557	17 784
10	Other assets	440	855	1 593
	Total assets	34 949 313	29 266 894	31 294 440
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
7	Debt securities issued	24 455 121	19 940 718	21 901 660
	Deposits and borrowings from the public	8 453 990	7 279 095	7 426 181
	Financial derivatives	333 025	431 409	366 706
	Deffered tax liabilities	0	1 529	24 514
11	Other Liabilities	69 084	84 389	29 643
11	Provision for accrued costs and liabilities	39 653	35 290	37 920
	Total liabilities	33 350 872	27 772 430	29 786 624
EQUITY				
	Share capital	855 000	855 000	855 000
	Share premium	535 000	535 000	535 000
	Retained earnings	208 441	104 465	117 816
	Total equity	1 598 441	1 494 464	1 507 816
	Total liabilities and equity	34 949 313	29 266 894	31 294 440

Statement of changes in equity

KLP BANKEN AS GROUP

NOK THOUSANDS	SHARE CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	TOTAL EQUITY
Equity 1 January 2016	855 000	535 000	117 816	1 507 816
Profit for the period	0	0	68 429	68 429
Other comprehensive income	0	0	-2 063	-2 063
Total comprehensive income for the period	0	0	66 366	66 366
Group contribution received	0	0	90 520	90 520
Group contribution made	0	0	-66 261	-66 261
Total transactions with the owners	0	0	24 259	24 259
Equity 30 September 2016	855 000	535 000	208 441	1 598 441

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	25 075	25 075
Other comprehensive income	0	0	2 071	2 071
Total comprehensive income for the period	0	0	27 145	27 145
Group contribution received	0	0	4 980	4 980
Group contribution made	0	0	-22 879	-22 879
Owners' equity received during the period	105 000	95 000	0	200 000
Total transactions with the owners	105 000	95 000	-17 899	182 101
Equity 30 September 2015	855 000	535 000	104 465	1 494 464

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	35 378	35 378
Other comprehensive income	0	0	5 119	5 119
Total comprehensive income for the period	0	0	40 497	40 497
Group contribution received	0	0	4 980	4 980
Group contribution made	0	0	-22 879	-22 879
Owners' equity received during the period	105 000	95 000	0	200 000
Total transactions with the owners	105 000	95 000	-17 899	182 101
Equity 31 December 2015	855 000	535 000	117 816	1 507 816

Statement of cash flows

KLP BANKEN AS GROUP

NOK THOUSANDS	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015	2015
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	496 538	547 609	776 367
Payments to customers - interest, commission & charges	-89 068	-120 766	-150 819
Net receipts/disbursements on loans customers & credit institutions	-3 876 003	-1 375 083	-1 614 588
Net receipts on customer deposits banking	1 027 847	1 028 222	1 175 318
Net receipts/disbursements on operations	-83 253	-80 792	-106 447
Payments to employees, pension schemes, employer's social security contribution etc.	-39 539	-43 396	-59 268
Net interest investment accounts	3 579	13 788	18 517
Net receipts/disbursements from operating activities	64 219	88 329	70 349
Income tax paid	0	0	0
Net cash flow from operating activities	-2 495 680	57 910	109 429
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	3 165 092	2 294 238	2 474 691
Receipts on sale of securities	-2 571 365	-778 724	-2 804 539
Receipts of interest from securities	41 602	42 937	53 267
Payments on the purchase of tangible fixed assets	-2 216	0	-3 320
Net cash flow from investment activities	633 113	1 558 451	-279 901
FINANCING ACTIVITIES			
Net receipts/disbursements on loans from credit institutions	2 540 162	-1 721 476	310 301
Net payment of interest on loans	-256 889	-316 253	-437 823
Receipts on issue of owners' equity	0	200 000	200 000
Group contributions made	-250	-27 080	-27 080
Net cash flows from financing activities	2 283 023	-1 864 809	45 398
Net cash flow during the period	420 456	-248 450	-125 074
Cash and cash equivalents at the start of the period	945 275	1 070 349	1 070 349
Cash and cash equivalents at the end of the period	1 365 731	821 899	945 275
Net receipts/ disbursements (-) of cash	420 456	-248 450	-125 074

Notes to the accounts

KLP BANKEN AS GROUP

NOTE 1 General information

KLP Banken AS was formed on 25 February 2009. KLP Banken AS owns all the shares in KLP Kommunekreditt AS and KLP Boligkreditt AS. These companies together form the KLP Banken AS Group. KLP Banken AS Group provide or acquire loans to Norwegian municipalities and county authorities, as well as to companies with 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. It's head office is at Beddingen 8 in Trondheim. The company has a branch office in Oslo.

The company, KLP Banken AS, is a subsidiary of KLP Bankholding AS, which is in turn is 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 2016 – 30 September 2016. The Auditor has reviewed the interim consolidated Financial Statements of KLP Banken AS.

The interim consolidated financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting".

There are no changes in accounting principles in 2016 that have been of significance for the interim consolidated financial statements following the third quarter. Attention is drawn to KLP Banken's annual report for 2015 for detailed description of accounting principles.

The annual financial statements are available at klp.no

NOTE 3 Net interest income

NOK THOUSANDS	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015	2015
Interest on loans to and receivables from credit institutions	10 165	14 976	18 578
Interest on loans to customers	518 108	564 261	744 398
Interest on securities	44 476	42 577	55 015
Total interest income	572 749	621 814	817 991
Interest on liabilities to credit institutions	333 798	368 877	480 948
Interest on liabilities to customers	87 830	119 964	149 738
Premium/discount on covered bonds	1 780	-708	-414
Other interest costs	-19	618	656
Total interest costs	423 389	488 751	630 928
Net interest income	149 360	133 063	187 063

NOTE 4 Loans to customers

NOK THOUSANDS	30.09.2016	30.09.2015	31.12.2015
Loans to cutomers before write-downs	29 765 776	25 763 146	25 943 953
Individual write-downs	-1 794	-288	-1 328
Write-downs by group	0	0	0
Loans to cutomers after write-downs	29 763 982	25 762 858	25 942 625
Accured interest	113 350	130 532	83 956
Change in fair value due to interest rate changes (fair value hedging)	271 231	351 859	332 868
Loans to customers	30 148 563	26 245 249	26 359 449

NOTE 5 Categories of financial instruments

NOK THOUSANDS	30.09.2016		30.09.2015		31.12.2015	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE						
Fixed-income securities	3 213 086	3 213 086	1 946 193	1 946 193	3 783 373	3 783 373
Total financial assets at fair value	3 213 086	3 213 086	1 946 193	1 946 193	3 783 372	3 783 372
FINANCIAL ASSETS AT FAIR VALUE HEDGING						
Loans to Norwegian local administrations	5 406 395	5 418 438	5 723 470	5 690 836	5 558 168	5 526 008
Loans to retail customers	348 529	341 481	406 252	406 207	388 664	379 511
Financial derivatives	151 002	151 002	186 982	186 982	148 375	148 375
Total financial assets at fair value hedging	5 905 926	5 910 921	6 316 704	6 284 025	6 095 207	6 053 894

NOTE 5 Categories of financial instruments — cont.

NOK THOUSANDS	30.09.2016		30.09.2015		31.12.2015	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AVAILABLE FOR SALE						
Shares and holdings	269	269	265	265	265	265
Total financial assets available for sale	269	269	265	265	265	265
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	1 414 419	1 414 419	870 321	870 321	973 591	973 591
Loans to Norwegian local administrations	11 929 905	11 920 512	10 084 215	10 076 078	10 088 101	10 080 287
Loans to retail customers	12 463 733	12 463 733	10 031 312	10 031 312	10 324 515	10 324 515
Total financial assets at amortized cost	25 808 057	25 798 664	20 985 848	20 977 711	21 386 205	21 378 393
Total financial assets	34 927 338	34 922 940	29 249 010	29 208 194	31 265 052	31 215 925
LIABILITIES TO CREDIT INSTITUTIONS AT FAIR VALUE HEDGING						
Liabilities created on issuance of securities	2 316 442	2 327 344	2 440 045	2 443 310	2 018 823	2 031 421
Financial derivatives	333 025	333 025	431 409	431 409	366 706	366 706
Total financial liabilities at fair value hedging	2 649 467	2 660 369	2 871 454	2 874 719	2 385 529	2 398 127
LIABILITIES TO CREDIT INSTITUTIONS AND DEPOSITS AT AMORTIZED COST						
Liabilities created on issuance of securities	22 138 679	22 284 804	17 500 673	17 401 959	19 882 837	19 731 677
Deposits from customers	8 453 990	8 453 990	7 279 095	7 279 095	7 426 181	7 426 181
Total financial liabilities at amortized cost	30 592 669	30 738 794	24 779 768	24 681 054	27 309 017	27 157 858
Total financial liabilities	33 242 136	33 399 162	27 651 222	27 555 773	29 694 546	29 555 985

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for on normal market terms and conditions. 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
Bloomberg is used as a source for pricing Norwegian government bonds. It is Oslo Børs (Stock Exchange) that provides the price (via Bloomberg). The prices are compared with the prices from Reuters 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. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the main source of spread 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. Fair value of fixedrate loans is calculated by discounting contractual cash flows by the marked rate including a relevant risk margin on the reporting date.

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 30.09.2016
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	175 712	3 037 374	0	3 213 086
Shareholdings	0	0	269	269
Financial derivatives	0	151 002	0	151 002
Total financial assets recognized at fair value	175 712	3 188 376	269	3 364 356
Financial assets recognized at fair value in Note 5:				
Loans to retail customers	0	341 481	0	341 481
Loans to Norwegian local administrations	0	5 418 438	0	5 418 438
Total financial assets at fair value used for hedging	0	5 759 919	0	5 759 919
Financial assets at amortized cost:				
Loans to and receivables from credit institutions	0	1 414 419	0	1 414 419
Loans to retail customers	0	12 463 733	0	12 463 733
Loans to Norwegian local administrations	0	11 920 512	0	11 920 512
Total financial assets at amortized cost	0	25 798 664	0	25 798 664
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	333 025	0	333 025
Total financial derivatives recognized at fair value	0	333 025	0	333 025
Financial liabilities recognized at fair value in Note 5:				
Liabilities created on issuance of securities	0	2 327 344	0	2 327 344
Total financial liabilities at fair value used for hedging	0	2 327 344	0	2 327 344
Liabilities to credit institutions	0	22 284 804	0	22 284 804
Covered bonds issued	0	8 453 990	0	8 453 990
Total financial liabilities at amortized cost	0	30 738 794	0	30 738 794

NOTE 6 Fair value hierarchy — cont.

NOK THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 30.09.2015
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	99 514	1 846 679	0	1 946 193
Shareholdings	0	0	265	265
Financial derivatives	0	186 982	0	186 982
Total financial assets recognized at fair value	99 514	2 033 661	265	2 133 440
Financial assets recognized at fair value in Note 5:				
Loans to retail customers	0	406 207	0	406 207
Loans to Norwegian local administrations	0	5 690 836	0	5 690 836
Total financial assets at fair value used for hedging	0	6 097 043	0	6 097 043
Financial assets at amortized cost:				
Loans to and receivables from credit institutions	0	870 321	0	870 321
Loans to retail customers	0	10 031 312	0	10 031 312
Loans to Norwegian local administrations	0	10 076 078	0	10 076 078
Total financial assets at amortized cost	0	20 977 711	0	20 977 711
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	431 409	0	431 409
Total financial derivatives recognized at fair value	0	431 409	0	431 409
Financial liabilities recognized at fair value in Note 5:				
Liabilities created on issuance of securities	0	2 443 310	0	2 443 310
Total financial liabilities at fair value used for hedging	0	2 443 310	0	2 443 310
Liabilities to credit institutions	0	17 401 959	0	17 401 959
Covered bonds issued	0	7 279 095	0	7 279 095
Total financial liabilities at amortized cost	0	24 681 054	0	24 681 054

NOTE 6 Fair value hierarchy — cont.

NOK THOUSANDS	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL 31.12.2015
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	99 620	3 683 753	0	3 783 373
Shareholdings	0	0	265	265
Financial derivatives	0	148 375	0	148 375
Total financial assets recognized at fair value	99 620	3 832 128	265	3 932 013
Financial assets recognized at fair value in Note 5:				
Loans to retail customers	0	379 511	0	379 511
Loans to Norwegian local administrations	0	5 526 008	0	5 526 008
Total financial assets at fair value used for hedging	0	5 905 519	0	5 905 519
Financial assets at amortized cost:				
Loans to and receivables from credit institutions	0	973 591	0	973 591
Loans to retail customers	0	10 324 515	0	10 324 515
Loans to Norwegian local administrations	0	10 080 287	0	10 080 287
Total financial assets at amortized cost	0	21 378 393	0	21 378 393
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	366 706	0	366 706
Total financial derivatives recognized at fair value	0	366 706	0	366 706
Financial liabilities recognized at fair value in Note 5:				
Liabilities created on issuance of securities	0	2 031 421	0	2 031 421
Total financial liabilities at fair value used for hedging	0	2 031 421	0	2 031 421
Liabilities to credit institutions	0	19 731 677	0	19 731 677
Covered bonds issued	0	7 426 181	0	7 426 181
Total financial liabilities at amortized cost	0	27 157 858	0	27 157 858

NOK THOUSANDS	BOOK VALUE 31.12.2015	BOOK VALUE 30.09.2015	BOOK VALUE 30.09.2016
CHANGES IN LEVEL 3 UNLISTED SHARES			
Opening balance 1 Jan	265	265	265
Sold	0	0	0
Bought	0	0	0
Unrealized changes	0	0	4
Closing balance	265	265	269
Realized gains/losses	0	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 therefore not 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.

There has been no movement between the levels.

NOTE 7 Securities liabilities - stock exchange listed covered bonds and certificates

NOK THOUSANDS	30.09.2016	30.09.2015	31.12.2015
Bond debt, nominal amount	27 035 000	19 720 000	22 355 000
Adjustments	85 355	141 881	122 014
Accured interest	89 766	78 837	54 646
Own holdings, nominal amount	-2 755 000	0	-630 000
Total debt securities issued	24 455 121	19 940 718	21 901 660

Changes in debt securities issued

NOK THOUSANDS	BALANCE SHEET 30.09.2016	ISSUED	MATURED/ REDEEMED	OTHER ADJUSTEMENTS	BALANCE SHEET 31.12.2015
Bond debt, nominal amount	27 035 000	6 795 000	-2 115 000	0	22 355 000
Adjustments	85 355	0	0	-36 659	122 014
Accured interest	89 766	0	0	35 121	54 646
Own holdings, nominal amount	-2 755 000	0	-2 125 000	0	-630 000
Total debt securities issued	24 455 121	6 795 000	-4 240 000	-1 538	21 901 660

NOTE 8 Financial assets and liabilities subject net settlement

						30.09.2016
NOK THOUSANDS	GROSS FINANCIAL ASSETS/ LIABILITIES	GROSS ASSETS/ LIABILITIES PRESENTED NET	BOOK VALUE	FINANCIAL INSTRUMENTS	SECURITY IN CASH	RELATED SUMS THAT ARE NOT PRESENTED NET NET RECOGNISED VALUE
ASSETS						
Financial derivatives	151 002	0	151 002	-151 002	-6 197	0
Total	151 002	0	151 002	-151 002	-6 197	0
LIABILITIES						
Financial derivatives	333 025	0	333 025	-151 002	-13 150	168 873
Total	333 025	0	333 025	-151 002	-13 150	168 873

						30.09.2015
NOK THOUSANDS	GROSS FINANCIAL ASSETS/ LIABILITIES	GROSS ASSETS/ LIABILITIES PRESENTED NET	BOOK VALUE	FINANCIAL INSTRUMENTS	SECURITY IN CASH	RELATED SUMS THAT ARE NOT PRESENTED NET NET RECOGNISED VALUE
ASSETS						
Financial derivatives	186 982	0	186 982	-186 982	-6 200	0
Total	186 982	0	186 982	-186 982	-6 200	0
LIABILITIES						
Financial derivatives	431 409	0	431 409	-186 982	-10 700	233 727
Total	431 409	0	431 409	-186 982	-10 700	233 727

						31.12.2015
NOK THOUSANDS	GROSS FINANCIAL ASSETS/ LIABILITIES	GROSS ASSETS/ LIABILITIES PRESENTED NET	BOOK VALUE	FINANCIAL INSTRUMENTS	SECURITY IN CASH	RELATED SUMS THAT ARE NOT PRESENTED NET NET RECOGNISED VALUE
ASSETS						
Financial derivatives	148 375	0	148 375	-148 375	-2 900	0
Total	148 375	0	148 375	-148 375	-2 900	0
LIABILITIES						
Financial derivatives	366 706	0	366 706	-148 375	-1 020	217 311
Total	366 706	0	366 706	-148 375	-1 020	217 311

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	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015	2015
INCOME STATEMENT ITEMS			
KLP, fees lending management	42 750	43 215	57 620
KLP Kapitalforvaltning AS, fees for services provided	-372	-329	-422
KLP, rent	-4 083	-2 772	-3 692
KLP, pension premium	-5 683	-5 659	-7 887
KLP, staff services (at cost)	-35 776	-34 988	-46 386
KLP Group companies, subsidised interest employee loans	1 449	747	1 065
Total	-1 715	214	298

NOK THOUSANDS	30.09.2016	30.09.2015	31.12.2015
FINANCIAL POSITION STATEMENT ITEMS			
KLP, net internal accounts	-8 470	-9 617	-8 498
KLP, loan settlement	-34 407	-54 700	-16 448
KLP Group companies, net other internal accounts	44	5	358
Total	-42 834	-64 312	-24 588

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	30.09.2016	30.09.2015	31.12.2015
Intercompany receivables	316	118	437
Miscellaneous receivables	124	0	0
Prepaid expenses	0	737	1 156
Total	440	855	1 593

NOTE 11 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.09.2016	30.09.2015	31.12.2015
Creditors	1 743	1 785	1 583
Intercompany payables	43 149	64 431	25 025
Other liabilities	24 192	18 173	3 035
Total other liabilities	69 084	84 389	29 643
Withholding tax	1 301	1 173	2 738
Social security costs	1 069	977	1 982
Holiday pay	3 250	3 084	4 499
Pension obligations	27 294	25 072	22 505
VAT	0	548	170
Provisioned costs	6 739	4 436	6 027
Total accrued costs and liabilities	39 653	35 290	37 920

NOTE 12 Capital adequacy

NOK THOUSANDS	30.09.2016	30.09.2015	31.12.2015
Share capital and share premium fund	1 390 000	1 390 000	1 390 000
Other owners' equity	142 075	77 319	117 816
Total owners' equity	1 532 075	1 467 319	1 507 816
Interim profit/loss	66 366	27 145	0
Deduction goodwill and other intangible assets	-17 000	-16 557	-17 784
Deferred tax asset	-9 542	0	-9 542
Core capital/Tier 1 capital	1 571 899	1 477 907	1 480 490
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)	1 571 899	1 477 907	1 480 490
Capital requirement	747 235	660 139	672 968
Surplus of own funds (Tier 1 and Tier 2 capital)	824 664	817 768	807 522

NOTE 12 Capital adequacy — cont.

NOK THOUSANDS	30.09.2016	30.09.2015	31.12.2015
ESTIMATE BASIS CREDIT RISK:			
Institutions	322 670	234 213	229 347
Local and regional authorities (incl. municipalities/county administrations)	3 596 362	3 211 120	3 339 625
Investments with mortgage security in real estate	4 681 440	4 146 330	4 079 989
Investments fallen due	66 107	95 802	98 091
Covered bonds	261 580	164 307	262 689
Other holdings	9 754	738	899
Calculation basis credit risk	8 937 913	7 852 510	8 010 640
Credit risk	715 033	628 201	640 851
Operating risk	31 957	31 938	32 117
Credit valuation adjustments (CVA)	245	0	0
Total capital requirement assets	747 235	660 139	672 968
Core capital adequacy ratio	16.8 %	17.9 %	17.6 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	16.8 %	17.9 %	17.6 %
Leverage ratio	4.3 %	5.0 %	4.7 %

CAPITAL REQUIREMENT PER 30.09.2016	TIER 1 CAPITAL	TIER 2 CAPITAL	TIER 1 AND TIER 2 CAPITAL
Minimum requirement excl. buffers	4.5 %	3.5 %	8.0 %
Protective buffer	2.5 %	0.0 %	2.5 %
Systemic risk buffer	3.0 %	0.0 %	3.0 %
Counter-cyclical capital buffer	1.5 %	0.0 %	1.5 %
Current capital requirement incl. buffers	11.5 %	3.5 %	15.0 %

NOTE 13 Fixed-income securities

NOK THOUSANDS	30.09.2016		30.09.2015		31.12.2015	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	385 915	387 847	99 346	99 514	1 044 836	1 048 173
Bonds	2 806 578	2 825 239	1 843 296	1 846 679	2 737 387	2 735 200
Total fixed-income securities	3 192 493	3 213 086	1 942 642	1 946 193	3 782 223	3 783 373

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

NOTE 14 Losses on lending

NOK THOUSANDS	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015	2015
Known losses	0	0	-278
Reversal of previous write-downs	0	562	562
Change in individual write-downs	-465	-456	-1 318
Change in write-downs by group	0	0	0
Total loss on lending	-465	106	-1 034

NOK THOUSANDS	30.09.2016	30.09.2015	31.12.2015
Balance of write-down losses on lending 1 January	1 329	573	573
Reversal of write-down on individual loans for the period	0	-562	-562
Write-down on individual loans for the period	465	277	1 318
Total write-down on individual loans	1 794	288	1 329
Gross default exceeding 90 days	24 284	26 455	29 339
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	30.09.2016	30.09.2015	31.12.2015
Credit facilities for lending not utilized	428 984	330 661	351 309
Loan promise	861 899	359 891	273 714
Total contingent liabilities	1 290 883	690 552	625 023

NOTE 16 Net gain/(loss) on financial instruments

NOK THOUSANDS	01.01.2016- 30.09.2016	01.01.2015- 30.09.2015	2015
Net gain/(loss) on fixed-income securities	20 507	-23 935	-30 077
Net gain/(loss) financial derivatives and realized amortization linked to lending	795	1 882	2 054
Net gain/(loss) financial derivatives and realized repurchase of own debt	-4 284	-5 289	-5 051
Net value change lending and borrowing, hedge accounting	210	43	-202
Other financial income and expenses	1 307	-425	-834
Total	18 535	-27 724	-34 111

NOTE 17 Pension obligations - own employees

NOK THOUSANDS	30.09.2016	30.09.2015	31.12.2015
Capitalized net liability	22 505	25 381	25 381
Pension costs taken to profit/loss	6 053	5 853	8 484
Financial costs taken to profit/loss	637	425	834
Actuarial gains and losses	2 753	-2 837	-7 012
Premiums/supplement paid-in including admin	-4 654	-3 750	-5 182
Capitalized net liability	27 294	25 072	22 505

ASSUMPTIONS	30.09.2016	30.09.2015	31.12.2015
Discount rate	2.10 %	2.50 %	2.70 %
Salary growth	2.25 %	2.50 %	2.50 %
The National Insurance basic amount (G)	2.00 %	2.25 %	2.25 %
Pension increases	1.24 %	1.48 %	1.48 %
Social security contribution rate	14.10 %	14.10 %	14.10 %

Quarterly earnings trend

NOK MILLIONS	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Interest income	193.1	189.7	190.0	196.2	202.9
Interest expense	-144.0	-140.3	-139.1	-142.2	-151.3
Net interest income	49.1	49.4	50.9	54.0	51.6
Commission income and income from banking services	3.2	2.9	1.7	2.7	2.8
Commission cost and cost from banking services	-0.3	-0.5	-0.5	-0.3	-0.2
Net charges and commission income	2.9	2.4	1.2	2.4	2.6
Other fee income	14.3	14.3	14.3	14.4	14.4
Net gain/ (loss) financial instruments	3.6	8.5	6.5	-6.4	-13.6
Total other operating income	17.9	22.7	20.7	8.0	0.8
Salaries and administrative costs	-13.0	-12.1	-15.0	-21.2	-14.8
Depreciation	-1.0	-1.0	-1.0	-1.4	-0.7
Impairment	0.0	0.0	0.0	-1.3	0.0
Other operating expenses	-23.0	-22.9	-37.0	-24.1	-22.2
Total operating expenses	-37.0	-36.1	-53.0	-48.0	-37.6
Net loan losses	-0.2	-0.3	0.0	-1.1	0.0
Operating profit/loss before tax	32.7	38.1	19.9	15.3	17.3
Tax ordinary income	-8.2	-9.1	-5.0	-5.0	-4.7
Profit/loss for the period	24.5	29.0	14.9	10.3	12.6
Other comprehensive income	-0.4	0.0	-2.4	4.2	2.8
Tax on other comprehensive income	0.1	0.0	0.6	-1.1	-0.8
Other comprehensive income for the period	-0.3	0.0	-1.8	3.0	2.1
Comprehensive income for the period	24.2	29.0	13.1	13.3	14.7

Key figures

ACCUMULATED FIGURES IN NOK MILLIONS	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015
Pre-tax income	90.7	58.0	19.9	496	34.4
Net interest income	149.4	100.3	50.9	187.1	133.1
Other operating income	49.3	32.1	15.5	67.9	51.0
Other operating cost and depreciation	-126.1	-89.1	-53.0	-170.2	-122.1
Net realized/unrealized change fin. instruments at fair value	18.5	14.9	6.5	-34.1	-27.7
Deposits	8 454.0	8 252.0	7 883.7	7 426.2	7 279.1
Housing mortgage lending	12 812.2	12 294.4	11 311.0	10 713.1	10 437.5
Lending with public sector guarantee	17 336.4	16 047.5	15 782.9	15 646.3	15 807.7
Non-performing loans	24.3	28.4	33.1	29.3	26.5
Total liabilities created on issuance of securities	24 455.1	23 798.7	22 282.7	21 901.7	19 940.7
Other borrowing	0.0	0.0	0.0	0.0	0.0
Total assets	34 949.3	34 144.6	32 199.8	31 294.4	29 266.9
Average total assets	33 121.9	32 719.5	31 747.1	30 525.3	29 510.9
Equity	1 598.4	1 574.2	1 545.2	1 507.8	1 494.5
Interest net	0.45 %	0.31 %	0.16 %	0.61 %	0.45 %
Profit/loss from ordinary operation before taxes	0.27 %	0.18 %	0.06 %	0.16 %	0.12 %
Return on equity	5.67 %	3.68 %	1.29 %	3.21 %	2.30 %
Capital adequacy ratio	16.8 %	16.5 %	17.5 %	17.6 %	17.9 %
Liquidity coverage ratio (LCR)	212 %	199 %	217 %	212 %	232 %



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