

Interim report Q4 2013

Income statement, balance sheet and notes



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KLP Banken AS Group

Interim financial statements Q4 / 2013

Main features of the fourth quarter:

- maintaining good margins on public sector lending
- no loss on lending
- satisfactory costs development
- applied to the Financial Supervisory Authority of Norway for a licence to establish a housing finance company that issues covered bonds

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 steadily expanded its activity in the retail market. The Group manages lending totalling NOK 55 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 BK Prosjekt AS. The latter will change name once licensed as a housing finance company able to issue covered bonds.

Income statement

Net interest income for the KLP Banken Group at the end of Q4 2013 amounted to NOK 122.0 million against 86.3 million for the same period the previous year. Operating expenses and depreciation amounted to NOK 144.7 million against NOK 133.4 million at the same time last year. During the fourth quarter the Group has once again had no losses on lending.

The financial statements have been prepared in NOK and are presented in accordance with the Norwegian Accounting Act, the Annual Accounts Regulations for Banking (Regulation No. 1240 of 16 December 1998), as well as Regulations on Simplified Application of IFRS, the Simplification Regulations (Regulation No. 57 of 21 January 2008). This means that financial instruments are recognised in part at market value. At the end of the fourth quarter the income statement includes a net gain associated with securities of NOK 4.1 million. During the same period last year a net gain of NOK 51.2 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 58.0 million at the end of the fourth quarter. The corresponding amount last year was NOK 79.0 million.

At the end of the fourth quarter the KLP Banken Group had achieved pre-tax profits of NOK 87.0. At the same time last year the result was NOK 88.2 million. Income after tax amounted to NOK 75.0 million and NOK 56.8 million respectively.

Lending

On 31 December 2013 the KLP Banken Group had lending of NOK 21.3 billion compared to NOK 21.9 billion the previous year. The distribution between the retail market and public sector lending was NOK 4.5 billion and NOK 16.7 billion respectively.

Liquid investments

On the reporting date the portfolio of liquid investments amounted to NOK 2.9 billion against NOK 4.1 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 from individuals and companies were NOK 4.4 billion and liabilities created on issuance of securities were NOK 20.0 billion. Of the securities liabilities, covered bonds (OMF) issued by KLP Kommunekreditt AS represented NOK 17.2 billion. All covered bonds issues have achieved AAA rating.

NOK 12.1 million has been expensed in 2013 as a result of restructuring and buy-back of own debt in KLP Kommunekreditt AS.

Solvency

At the end of the fourth quarter, eligible Tier 1 and Tier 2 capital i.a.w. the capital adequacy rules was NOK 1190.2 million. Eligible Tier 1 and Tier 2 capital comprises core capital only. The corresponding figure for last year was NOK 1197.8 million. Lending is risk-weighted in accordance with the authorities' capital adequacy regulations. The KLP Banken Group had a capital adequacy ratio of 18.4 per cent at the end of the fourth quarter, against 20.1 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	Q4 2013	Q4 2012	2013	2012
	Interest income and similar income	207 686	218 856	839 397	956 724
	Cost of interest and similar costs	-173 706	-192 517	-717 420	-870 387
3	Net interest income	33 980	26 339	121 977	86 337
	Commission & banking services income	4 187	1 289	8 538	4 888
	Commission & banking services costs	-165	-104	-727	-352
	Net charges and commission income	4 022	1 185	7 811	4 535
	Other fee income	14 313	14 613	58 063	79 075
	Net gain/(loss) financial instruments	-2 789	-489	43 806	51 633
	Total other operating income	11 524	14 124	101 869	130 708
	Salary and administrative costs	-13 163	-10 591	-51 316	-44 523
	Depreciation	-670	-479	-2 356	-2 068
	Other operating expenses	-25 979	-28 196	-91 026	-86 792
	Total operating expenses	-39 812	-39 265	-144 698	-133 383
	Loss on loans issued, guarantees etc.	0	0	0	0
	Gains/losses on securities that are fixed assets	0	0	0	0
	Operating profit/loss before tax	9 714	2 383	86 958	88 197
	Tax on ordinary profit/loss	-2 410	-9 289	-10 498	-33 317
	Income	7 304	-6 905	76 460	54 880
	Other comprehensive income	-2 085	1 921	-2 085	1 921
	Tax on other comprehensive income	584	0	584	0
	Other comprehensive income for the period	-1 501	1 921	-1 501	1 921
	COMPREHENSIVE INCOME FOR THE PERIOD	5 803	-4 984	74 959	56 802

Financial Position Statement

KLP Banken AS Group

Note	NOK thousands	31.12.2013	31.12.2012
ASSETS			
	Lending to and receivables from credit institutions	1 534 079	2 136 069
4	Lending to and receivables from customers	21 317 032	21 875 012
13	Interest-bearing securities	2 922 819	4 063 485
	Financial derivatives	210 223	183 904
	Deferred tax assets	5 329	0
	Tangible fixed assets	581	472
	Intangible assets	21 098	21 214
10	Other assets	4 331	1 358
	TOTAL ASSETS	26 015 493	28 281 515
LIABILITIES AND OWNERS' EQUITY			
LIABILITIES			
7	Liabilities created on issuance of securities	19 981 805	23 708 404
	Deposits	4 406 943	2 946 196
	Financial derivatives	265 754	358 770
	Deferred tax	0	1 536
11	Other liabilities	39 952	27 377
11	Provision for accrued costs and liabilities	29 464	22 618
	TOTAL LIABILITIES	24 723 920	27 064 901
OWNERS' EQUITY			
	Share capital	750 000	750 000
	Share premium fund	405 707	405 707
	Other owners' equity contributed	60 907	60 907
	Unallocated profit/loss	74 959	0
	TOTAL OWNERS' EQUITY	1 291 574	1 216 614
	TOTAL LIABILITIES AND OWNERS' EQUITY	26 015 493	28 281 515

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
Profit for the period	0	0	0	76 460	76 460
Other comprehensive income	0	0	0	-1 501	-1 501
Total comprehensive income	0	0	0	74 959	74 959
Total transactions with the owners	0	0	0	0	0
Owners' equity 31 December 2013	750 000	405 707	60 907	74 959	1 291 574

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
Changing in accounting principles, pension corridor	0	-9 058	0	0	-9 058
Adjusted owners' equity 1 January 2012	750 000	339 073	60 907	0	1 149 979
Profit for the period	0	54 880	0	0	54 880
Other comprehensive income	0	1 921	0	0	1 921
Total comprehensive income	0	56 801	0	0	56 801
Net group contribution, net of tax adjusted from 2011	0	9 833	0	0	9 833
Total transactions with the owners	0	9 833	0	0	9 833
Owners' equity 31 December 2012	750 000	405 707	60 907	0	1 216 614

Statement of cash flows

KLP Banken AS Group

NOK thousands	2013	2012
OPERATING ACTIVITIES		
Payments received from customers - interest, commission & charges	764 031	885 750
Payments to customers - interest, commission & charges	-180 511	-111 424
Net receipts/disbursements on lending to customers	385 286	6 545 615
Net receipts on customer deposits banking	1 460 748	1 105 934
Net receipts/disbursements on operations	-94 239	-87 734
Paym's to staff, pension schemes, employer's soc. security contrib. etc.	-45 024	-43 274
Net interest investment accounts	29 584	38 500
Net receipts/disbursements from operating activities	86 014	129 617
Income tax paid	0	0
Net cash flow from operating activities	2 405 888	8 462 984
INVESTMENT ACTIVITIES		
Receipts from securities	2 619 973	1 927
Disbursements to securities	-1 478 732	-2 470 499
Receipts of interest from securities	77 487	77 313
Receipts from sales of fixed assets	0	0
Payments on the purchase of tangible fixed assets	-2 018	-1 600
Net cash flows from investment activities	1 216 710	-2 392 859
FINANCING ACTIVITIES		
Net receipts/disbursements on loans from credit institutions	-3 729 547	-4 823 855
Net disbursements of interest on loans	-491 514	-707 994
Net receipts/disbursements on other short-term items	-6 822	30 211
Net cash flows from financing activities	-4 227 884	-5 501 638
Net cash flow during the period	-605 287	568 487
Cash and cash equivalents at the start of the period	2 091 712	1 523 225
Cash and cash equivalents at the end of the period	1 486 425	2 091 712
Net receipts/disbursements of cash	-605 287	568 487
RECONCILIATION		
Profit/loss before tax	86 958	88 197
Accounts receivables	-38	0
Change in accounts payable	-850	867
Items classified as investment or financing activities	466 058	729 154
Changes in other accrual items	1 853 761	7 644 766
Net cash flow from operating activities	2 405 888	8 462 984

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 Kommunekreditt AS. Lending with public sector guarantee is carried out through this company, principally financed by issuing covered bonds.

KLP Banken AS Group is a wholly-owned subsidiary group of Kommunal Landspensjonskasse gjensidige forsikringsselskap (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 - 31 December 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 fourth 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, second and third quarters of 2013. These reports are available at klp.no

The accounts for the fourth quarter have not been audited.

Note 3 NET INTEREST INCOME

NOK thousands	2013	2012
Interest on loans to and receivables from credit institutions	29 649	38 577
Interest on loans to customers	734 644	836 312
Interest on securities	75 103	81 835
Total interest income	839 397	956 724
Interest on debt to credit institutions	508 636	649 339
Interest on debt to KLP	0	26 065
Interest on debt to customers	204 421	192 202
Premium/discount on covered bonds	3 893	2 778
Other interest costs	471	3
Total interest costs	717 420	870 387
Net interest income	121 977	86 337

Note 4 LENDING TO CUSTOMERS

NOK thousands	31.12.2013	31.12.2012
Loans to customers before write-downs	20 989 035	21 464 820
Individual write-downs	-9	-9
Write-downs by group	0	0
Loans to customers after individual write-downs	20 989 026	21 464 811
Accrued interest	108 906	126 855
Loans to customers, fair value hedging	219 100	281 384
Loans to customers, fair value adjustment	0	1 962
Loans to customers	21 317 032	21 875 012

Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

NOK thousands	31.12.2013		31.12.2012	
	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS AT FAIR VALUE				
Interest-bearing securities	2 922 819	2 922 819	4 063 485	4 063 485
Loans to Norwegian local administrations	0	0	33 021	33 021
Financial derivatives	210 223	210 223	183 904	183 904
Total financial assets at fair value	3 133 042	3 133 042	4 280 410	4 280 410
FINANCIAL ASSETS AT FAIR VALUE HEDGING				
Loans to Norwegian local administrations	6 160 311	6 181 146	5 978 833	6 032 021
Loans to private customers	454 408	442 592	524 223	524 223
Total financial assets at fair value hedging	6 614 719	6 623 738	6 503 056	6 556 244
FINANCIAL ASSETS AT AMORTIZED COST				
Loans to and receivables from credit institutions	1 534 079	1 534 079	2 136 069	2 136 069
Loans to Norwegian local administrations	10 673 119	10 671 959	14 333 161	14 333 161
Loans to private customers	4 029 195	4 029 195	1 005 774	1 005 774
Total financial assets at amortized cost	16 236 392	16 235 233	17 475 004	17 475 004
Total financial assets	25 984 153	25 992 013	28 258 470	28 311 658
DEBT TO CREDIT INSTITUTIONS AT FAIR VALUE				
Financial derivatives	265 754	265 754	358 770	358 770
Total financial liabilities at fair value	265 754	265 754	358 770	358 770
LIABILITIES CREATED ON ISSUANCE OF SECURITIES AT FAIR VALUE HEDGING				
Liabilities created on issuance of securities	4 943 547	4 969 199	3 691 662	3 777 110
Total financial liabilities at fair value hedging	4 943 547	4 969 199	3 691 662	3 777 110
DEBT TO CREDIT INSTITUTIONS AND DEPOSITS AT AMORTIZED COST				
Liabilities created on issuance of securities	15 038 258	15 121 033	20 016 742	20 042 241
Deposits from customers	4 406 943	4 406 943	2 946 196	2 946 196
Total financial liabilities at amortized cost	19 445 201	19 527 976	22 962 938	22 988 437
Total financial liabilities	24 654 502	24 762 929	27 013 369	27 124 316

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 31.12.2013
ASSETS				
Interest-bearing securities	128 739	2 794 080	0	2 922 819
Financial derivatives	0	210 223	0	210 223
Total financial assets valued at fair value	128 739	3 004 303	0	3 133 042
LIABILITIES				
Financial derivatives	0	265 754	0	265 754
Total financial liabilities at fair value	0	265 754	0	265 754

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

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	31.12.2013 Book value
N00010585185	4 300 000	NOK	Floating	15.09.10	15.09.15	3 918	4 303 918
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	1 607	751 607
N00010609795	999 000	NOK	Floating	20.05.11	20.05.14	2 238	1 001 238
N00010624778	2 500 000	NOK	Fixed	15.09.11	15.05.15	55 377	2 555 377
XS0747335494	500 000	SEK	Floating	17.02.12*	17.02.15	925	434 425
N00010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	4 608	1 004 608
N00010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	8 798	3 008 798
N00010663180	2 000 000	NOK	Floating	15.11.12	16.11.16	4 840	2 004 840
N00010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	15 041	1 015 041
N00010675978	1 000 000	NOK	Floating	15.05.13	15.05.18	2 611	1 002 611
Amortization / value adjustments							128 180
Total covered bonds issued							17 210 642
* Paid 500 mill. NOK in January 2012.							
Certificate loan	300 000	NOK	Floating	21.03.13	21.03.14	142	300 142
Certificate loan	300 000	NOK	Floating	11.06.13	11.06.14	340	300 340
Certificate loan	150 000	NOK	Floating	30.08.13	29.08.14	265	150 265
Secured bonds	300 000	NOK	Floating	27.04.12	27.04.15	1 587	301 587
Secured bonds	300 000	NOK	Fixed	15.06.12	15.06.17	7 726	307 726
Secured bonds	300 000	NOK	Floating	24.08.12	24.08.15	891	300 891
Secured bonds	300 000	NOK	Floating	15.11.12	16.11.16	1 111	301 111
Secured bonds	300 000	NOK	Floating	14.05.13	13.05.16	947	300 947
Secured bonds	300 000	NOK	Floating	31.05.13	28.11.14	547	300 547
Secured bonds	200 000	NOK	Fixed	03.10.13	03.10.18	1 761	201 761
Amortization / value adjustments							5 846
Total liabilities issuance of certificate loans and secured bonds							2 771 163
Total liabilities created on issuance of securities							19 981 805

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
Total covered bonds issued							20 365 434
Certificate loan	360 000	NOK	Flytende	18.01.12	18.01.13	1 725	361 725
Certificate loan	360 000	NOK	Flytende	14.05.12	14.05.13	1 109	361 109
Certificate loan	300 000	NOK	Flytende	01.06.12	31.05.13	635	300 635
Certificate loan	300 000	NOK	Fast	05.07.12	05.04.13	1 701	301 701
Certificate loanfikatlån	300 000	NOK	Flytende	09.07.12	09.07.13	1 659	301 659
Secured bonds	500 000	NOK	Flytende	12.03.12	11.06.13	709	500 709
Secured bonds	300 000	NOK	Flytende	27.04.12	27.04.15	1 669	301 669
Secured bonds	300 000	NOK	Fast	15.06.12	15.06.17	7 726	307 726
Secured bonds	300 000	NOK	Flytende	24.08.12	24.08.15	963	300 963
Secured bonds	300 000	NOK	Flytende	15.11.12	16.11.16	1 281	301 281
Amortization / value adjustments							3 794
Total liabilities issuance of certificate loans and secured bonds							3 342 970
Total liabilities created on issuance of securities							23 708 404

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

31.12.2013 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	210 223	0	210 223	-137 147	0	73 076
Total	210 223	0	210 223	-137 147	0	73 076
LIABILITIES						
Financial derivatives	265 754	0	265 754	-137 147	-1 858	126 749
Total	265 754	0	265 754	-137 147	-1 858	126 749

31.12.2012 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
Total	183 904	0	183 904	-183 904	0	0
LIABILITIES						
Financial derivatives	358 770	0	358 770	-183 904	-20 190	154 675
Total	358 770	0	358 770	-183 904	-20 190	154 675

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	2013	2012
INCOME STATEMENT ITEMS		
KLP, fees income lending management	58 000	79 000
KLP, interest on borrowing	0	-26 065
KLP, interest on certificate loan	0	-18 028
KLP Kapitalforvaltning, fees for services provided	-527	-503
KLP, rent	-3 435	-3 447
KLP, pension premium	-6 223	-8 900
KLP, staff services (at cost)	-41 637	-42 610
KLP Group companies, subsidised interest employee loans	1 086	615
TOTAL	7 264	-19 938

NOK thousands	31.12.2013	31.12.2012
FINANCIAL POSITION STATEMENT ITEMS		
KLP, net intra-Group accounts	-8 164	-7 900
KLP, clearance banking system	-8 950	-16 520
KLP Bankholding AS, net internal accounts	0	25
KLP Group companies	176	-38
TOTAL	-16 938	-24 433

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

Note 10 OTHER ASSETS

NOK thousands	31.12.2013	31.12.2012
Receivables from companies in the same Group	176	56
Miscellaneous receivables	2 806	53
Prepaid expenses	1 349	1 249
Total other assets	4 331	1 358

Note 11 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	31.12.2013	31.12.2012
Creditors	1 833	2 684
Receivables from companies in the same Group	17 210	24 474
Miscellaneous liabilities	20 909	219
Total other liabilities	39 952	27 377
Withholding tax	2 421	2 349
Social security costs	1 620	1 589
Holiday pay	3 685	3 574
Pension obligations	19 889	14 501
VAT	158	259
Provisioned costs	1 691	346
Total accrued costs and liabilities	29 464	22 618

Note 12 CAPITAL ADEQUACY

NOK thousands	31.12.2013	31.12.2012	
Share capital and share premium fund	1 155 707	1 158 076	
Other owners' equity	60 907	60 907	
Owners' equity	1 216 614	1 218 983	
Interim profit/loss	0	0	
Less goodwill and other intangible assets	-21 098	-21 214	
Deferred tax asset	-5 329	0	
Core capital	1 190 187	1 197 769	
Supplementary capital	0	0	
Supplementary capital	0	0	
Total eligible Tier 1 and 2 capital	1 190 187	1 197 769	
Capital requirement	518 035	476 921	
Surplus of Tier 1 and 2 capital	672 152	720 848	
CALCULATION BASIS CREDIT RISK			
Local and regional authorities (including municipalities/county administrations)	3 388 172	3 964 218	
Publicly owned enterprises	0	2 439	
States	0	2 645	
Institutions	394 712	713 342	
Investments with security in real estate	2 088 362	649 286	
Investments fallen due	46 510	26 619	
Covered bonds	279 408	338 791	
Other holdings	581	472	
Calculation basis credit risk	6 197 745	5 697 812	
Credit risk	495 820	455 825	
Operating risk	22 215	21 096	
Total capital requirement	518 035	476 921	
Core capital adequacy ratio	18.4 %	20.1 %	
Supplementary capital ratio	0.0 %	0.0 %	
Capital adequacy ratio	18.4 %	20.1 %	
	Tier 1 capital	Tier 2 capital	Tier 1 and Tier 2 capital
Minimum requirement excl. buffers	4.5 %	3.5 %	8.0 %
Conservation buffer (w.e.f. 01.07.2013)	2.5 %	0.0 %	2.5 %
Systemic risk buffer (w.e.f. 01.07.2013)	2.0 %	0.0 %	2.0 %
Current capital requirement incl. buffers	9.0 %	3.5 %	12.5 %

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

Note 13 INTEREST-BEARING SECURITIES

NOK thousands	31.12.2013		31.12.2012	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	0	0	417 941	419 370
Bonds	2 885 394	2 922 819	3 588 940	3 644 115
Total interest-bearing securities	2 885 394	2 922 819	4 006 881	4 063 485

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

Note 14 LOSSES ON LOANS ISSUED ETC.

NOK thousands	31.12.2013	31.12.2012
Confirmed losses	0	0
Reversal of previous write-downs	0	0
Change in individual write-downs	0	0
Change in write-downs by group	0	0
Total loss on lending	0	0
Gross default exceeding 90 days	9 661	6 854
Gross other doubtful loans	0	0

Note 15 CONTINGENT LIABILITIES

NOK thousands	31.12.2013	31.12.2012
Credit facilities for lending not utilised	193 600	48 358
Promised loans	260 290	83 840
Total contingent liabilities	453 890	132 198

Note 16 KEY FIGURES

Accumulated figures in NOK millions	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012
Pre-tax income	87.0	77.2	68.9	9.3	88.2
Net interest income	122.0	88.0	54.7	24.3	86.3
Other operating income	65.9	47.5	31.7	16.2	83.6
Depreciation and write down	-144.7	-104.9	-64.0	-34.7	-132.9
Net realized / unrealized change fin. instruments at fair value	43.8	46.6	46.5	3.5	51.1
Deposits	4 406.9	4 164.5	3 957.1	3 459.2	2 946.2
Housing mortgage lending	4 483.6	4 133.8	3 615.0	1 883.1	1 530.0
Lending with public sector guarantee	16 833.4	17 890.8	18 674.5	20 174.1	20 345.0
Defaulted loans	9.7	12.4	13.2	6.9	6.9
Total liabilities created on issuance of securities	19 981.8	20 699.2	21 333.3	21 717.6	23 708.4
Other borrowing	0.0	0.0	0.0	0.0	0.0
Total assets	26 015.5	26 611.4	26 982.8	27 018.9	28 281.5
Average total assets	27 148.5	27 446.5	27 632.2	27 650.2	29 992.8
Owners' equity	1 291.6	1 285.8	1 280.2	1 223.3	1 216.6
Interest net	0.45 %	0.32 %	0.20 %	0.09 %	0.29 %
Profit/loss from ordinary operation before taxes	0.32 %	0.28 %	0.25 %	0.03 %	0.29 %
Profit/loss from ordinary op. excl. fair value assessments	0.16 %	0.11 %	0.08 %	0.02 %	0.12 %
Return on owners' equity before tax	7.15 %	6.35 %	5.66 %	0.76 %	7.61 %
Capital adequacy ratio	18.4 %	18.3 %	18.2 %	20.4 %	20.1 %



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