

Interim report

Q4 2015



[INCOME STATEMENT](#)

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KLP Banken AS and KLP Banken Group

Interim Financial Statements 4 / 2015

Main features by fourth quarter end:

- Positive development in net interest income and mortgage loans in 2015
- The lending balance in KLP Boligkreditt AS was NOK 3.7 billion at the reporting date.
- Earnings are negatively 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 77 billion. The overall business of KLP Banken AS and its subsidiaries is divided into the retail market and public sector loans business areas. The business is nationwide and the companies' head office is in Trondheim. KLP Banken AS is wholly owned by Kommunal Landspensjonskasse Gjensidig forsikringsselskap (KLP) through KLP Bankholding AS. KLP Banken AS has two wholly owned subsidiaries, KLP Kommunekreditt AS and KLP Boligkreditt AS.

Income statement

Net interest income for the KLP Banken Group in 2015 amounted to NOK 187.1 million compared to NOK 133.0 million in 2014. The improvement from last year is a result of mortgage lending increase as well as relatively cheaper funding. Operating expenses and depreciation amounted to NOK 173.5 million this year compared to NOK 157.4 million last year. The increase in costs corresponds to the increase in lending.

The financial statements have been prepared in NOK and are presented in accordance with International Financial Reporting Standards (IFRS). This means that financial instruments mainly are recognised at market value. At the end of the year, the income statement includes a net loss associated with securities of NOK 30.1 million. During the same period the previous year, a net gain of NOK 6.2 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 57.7 million in 2015. Last year, this amount was NOK 58.0 million.

By the end of the fourth quarter, the KLP Banken Group had a pre-tax profit of NOK 46.3 million. The retail market segment generated a profit of NOK 26.9 million while the public sector segment achieved a profit of NOK 19.4 million. In 2014, this Group profit was NOK 28.7 million where the retail market segment reported a loss of NOK 13.9 million and the public sector market a profit of NOK 42.6 million. Group income after tax amounted to NOK 38.9 million this year and NOK 16.6 million last year.

Lending

On 31 December 2015, the KLP Banken Group had a lending balance of NOK 26.4 billion compared to NOK 24.9 billion at the same time previous year. The distribution between the retail market and public sector lending was NOK 10.8 billion and NOK 15.6 billion, respectively.

During 2015, the Group's mortgage lending balance increased by NOK 2.1 billion. The increase is partially explained by the purchase of loans totalling NOK 0.8 billion from the parent company KLP. KLP's own mortgage lending balance was increased by NOK 0.7 billion during the same period.

The public sector lending balance in KLP Banken AS Group has decreased by NOK 0.6 billion in 2015. Managed loans on KLP's own balance sheets has increased by NOK 10.0 billion in the same period. Of this increase, NOK 5.0 billion is represented by loans to foreign debtors in foreign currency.

Liquid investments

On the reporting date, the portfolio of liquid investments amounted to NOK 3.8 billion against NOK 3.5 billion at the same time last year.

Borrowing

The KLP Banken Group's external financing comprises of deposits, certificates and bonds. On the date of reporting, deposits from individuals and companies were NOK 7.4 billion and issued securities amounted to NOK 21.9 billion. Of the issued securities, covered bonds (OMF) issued by KLP Kommunekreditt AS represented NOK 16.1 billion, while KLP Boligkreditt AS had NOK 2.9 billion outstanding. All covered bonds issues have achieved AAA rating.

Capital adequacy

At the end of the fourth quarter, eligible Tier 1 and Tier 2 capital i.a.w. the capital adequacy rules was NOK 1 449.5 million. Eligible Tier 1 and Tier 2 capital comprises core capital only. The corresponding figure for last year was NOK 1 266.7 million. Lending is risk-weighted in accordance with the authorities' capital adequacy regulations. The KLP Banken Group had a capital adequacy ratio of 17.3 per cent at the end of the fourth quarter, against 16.9 per cent on the same date last year. The minimum statutory requirement is 11.0 per cent core capital adequacy and 14.5 per cent capital adequacy.

Liquidity Coverage Ratio (LCR) is reported on monthly basis on Group level and quarterly basis on entity level. At the reporting date, KLP Banken Group LCR was 212% while KLP Banken AS had a ratio of 71%.

Income statement

KLP Banken AS Group

Note	NOK thousands	Q4 2015	Q4 2014	2015	2014
	Interest income	196 177	226 825	817 991	841 945
	Interest expense	-142 177	-186 137	-630 928	-708 899
3	Net interest income	54 000	40 688	187 063	133 046
	Commision income and income from banking services	2 688	3 030	11 280	11 174
	Commision cost and cost from banking services	-297	-170	-1 074	-1 176
	Net charges and commission income	2 390	2 860	10 205	9 998
	Other fee income	14 433	14 525	57 648	58 025
	Net gain/ (loss) financial instruments	-6 387	-7 722	-34 111	-14 399
	Total other operating income	8 046	6 803	23 537	43 626
	Salaries and administrative costs	-21 155	-16 172	-60 824	-48 976
	Depreciation	-1 422	-667	-3 396	-2 677
	Impairment	-1 338	0	-1 338	0
	Other operating expenses	-24 121	-34 872	-104 595	-105 738
	Total operating expenses	-48 036	-51 711	-170 153	-157 391
14	Net loan losses	-1 140	177	-1 034	-607
	Operating profit/loss before tax	15 259	-1 183	49 618	28 672
	Tax ordinary income	-4 120	212	-13 404	-7 849
	Profit/loss for the period	11 138	-971	36 213	20 823
	Other comprehensive income	4 175	-2 424	7 012	-5 722
	Tax on other comprehensive income	-1 127	655	-1 893	1 545
	Other comprehensive income for the period	3 048	-1 769	5 119	-4 177
	COMPREHENSIVE INCOME FOR THE PERIOD	14 186	-2 740	41 332	16 646

Balance sheet

KLP Banken AS Group

Note	NOK thousands	31.12.2015	31.12.2014
	ASSETS		
	Loans to credit institutions	973 591	1 113 949
4	Loans to customers	26 359 449	24 945 746
13	Interest-bearing securities	3 783 373	3 486 756
	Shareholdings	265	265
	Financial derivatives	148 375	187 413
	Fixed assets	468	499
	Intangible assets	17 784	18 503
10	Other assets	1 593	1 852
	TOTAL ASSETS	31 284 898	29 754 984
	LIABILITIES AND OWNERS EQUITY		
	LIABILITIES		
7	Debt securities issued	21 901 660	21 687 168
	Deposits and borrowings from the public	7 426 181	6 250 873
	Financial derivatives	366 706	448 146
	Deffered tax liabilities	3 855	8 021
11	Other Liabilities	39 924	38 821
11	Provision for accrued costs and liabilities	37 920	36 737
	TOTAL LIABILITIES	29 776 247	28 469 766
	EQUITY		
	Share capital	855 000	750 000
	Share premium	535 000	440 000
	Retained earnings	118 651	95 218
	TOTAL EQUITY	1 508 651	1 285 218
	TOTAL LIABILITIES AND EQUITY	31 284 898	29 754 984

Statement of changes in equity

KLP Banken AS Group

NOK thousands	Share capital	Share premium	Retained earnings	Total equity
Equity 1 January 2015	750 000	440 000	95 218	1 285 218
Profit for the period	0	0	36 213	36 213
Other comprehensive income	0	0	5 119	5 119
Total comprehensive income for the period	0	0	41 332	41 332
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	118 651	1 508 651
Equity 1 January 2014	750 000	440 000	100 172	1 290 172
Profit for the period	0	0	20 823	20 823
Other comprehensive income	0	0	-4 177	-4 177
Total comprehensive income for the period	0	0	16 646	16 646
Group contribution received	0	0	8 500	8 500
Group contribution made	0	0	-30 100	-30 100
Total transactions with the owners	0	0	-21 600	-21 600
Equity 31 December 2014	750 000	440 000	95 218	1 285 218

Statement of cash flow

KLP Banken AS Group

NOK thousands	2015	2014
OPERATING ACTIVITIES		
Payments received from customers - interest, commission & charges	776 367	764 555
Payments to customers - interest, commission & charges	-150 819	-154 170
Net receipts/disbursements on loans customers & credit institutions	-1 614 588	-3 573 398
Net receipts on customer deposits banking	1 175 318	1 843 929
Net receipts/disbursements on operations	-106 447	-103 940
Payments to employees, pension schemes, employer's social security contribution etc.	-59 268	-39 411
Net interest investment accounts	18 517	26 105
Net receipts/disbursements from operating activities	70 349	70 594
Income tax paid	0	0
Net cash flow from operating activities	109 429	-1 165 735
INVESTMENT ACTIVITIES		
Payments on the purchase of securities	2 474 691	1 382 690
Receipts on sale of securities	-2 804 539	-1 939 590
Receipts of interest from securities	53 267	66 298
Payments on the purchase of tangible fixed assets	-3 320	0
Net cash flow from investment activities	-279 901	-490 602
FINANCING ACTIVITIES		
Net receipts/disbursements on loans from credit institutions	310 301	1 828 609
Net payment of interest on loans	-437 823	-555 043
Receipts on issue of owners' equity	200 000	0
Group contributions made	-27 080	-33 305
Net cash flows from financing activities	45 398	1 240 261
Net cash flow during the period	-125 074	-416 076
Cash and cash equivalents at the start of the period	1 070 349	1 486 425
Cash and cash equivalents at the end of the period	945 275	1 070 349
Net receipts/ disbursements (-) of cash	-125 074	-416 076

Notes to the accounts

KLP Banken AS Group

Note 1 GENERAL INFORMATION

KLP Banken AS was formed on 25 February 2009. KLP Banken AS and its subsidiaries provide or acquire loans to Norwegian municipalities and county authorities, as well as to companies with public sector guarantee. The lending activities are principally financed by issuance of covered bonds. The Group also offers standard banking products to private customers. KLP Banken AS is registered and domiciled in Norway. Its head office is at Beddingen 8 in Trondheim. The company has a branch office in Oslo.

KLP Banken AS owns all the shares in KLP Kommunekreditt AS and KLP Boligkreditt AS. These companies together form the KLP Banken AS Group. The company, KLP Banken AS, is a subsidiary of KLP Bankholding AS, which is in turn wholly owned by Kommunal Landspensjonskasse (KLP). KLP is a mutual insurance company.

Note 2 ACCOUNTING PRINCIPLES

The interim report includes the consolidated financial statements of KLP Banken AS for the period 1 January 2015 - 31 December 2015. The interim consolidated financial statements have not been audited.

The interim consolidated Financial Statements have been prepared in accordance with IAS 34 «Interim Financial Reporting».

There are no changes in accounting principles in 2015 that have been of significance for the interim consolidated Financial Statements following the 4th quarter. Attention is drawn to KLP Banken's Annual Report for 2014 for detailed description of accounting principles. The annual report is available at klp.no.

Note 3 NET INTEREST INCOME

NOK thousands	2015	2014
Interest on loans to and receivables from credit institutions	18 578	26 157
Interest on loans to customers	744 398	750 040
Interest on securities	55 015	65 748
Total interest income	817 991	841 945
Interest on liabilities to credit institutions	480 948	463 141
Interest on liabilities to customers	149 738	243 638
Premium/discount on covered bonds	-414	2 105
Other interest costs	656	15
Total interest costs	630 928	708 899
Net interest income	187 063	133 046

Note 4 LOANS TO CUSTOMERS

NOK thousands	31.12.2015	31.12.2014
Loans to customers before write-downs	25 943 953	24 435 400
Individual write-downs	-1 328	-573
Write-downs by group	0	0
Loans to customers after write-downs	25 942 624	24 434 827
Accrued interest	83 956	104 463
Change in fair value due to interest rate changes (fair value hedging)	332 868	406 456
Loans to customers	26 359 449	24 945 746

Note 5 CATEGORIES OF FINANCIAL INSTRUMENTS

NOK thousands	31.12.2015		31.12.2014	
	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE				
Fixed-income securities	3 783 373	3 783 373	3 486 756	3 486 756
Total financial assets at fair value	3 783 373	3 783 373	3 486 756	3 486 756
FINANCIAL ASSETS AT FAIR VALUE HEDGING				
Loans to Norwegian local administrations	5 558 168	5 526 008	6 066 133	6 111 821
Loans to retail customers	388 664	379 511	365 713	347 239
Financial derivatives	148 375	148 375	187 413	187 413
Total financial assets at fair value hedging	6 095 207	6 053 894	6 619 259	6 646 473
FINANCIAL ASSETS AVAILABLE FOR SALE				
Shares, holdings and primary capital certificate	265	265	265	265
Total financial assets available for sale	265	265	265	265
FINANCIAL ASSETS AT AMORTIZED COST				
Loans to and receivables from credit institutions	973 591	973 591	1 113 949	1 113 949
Loans to Group companies	10 088 101	10 080 287	10 272 128	10 262 529
Loans to retail customers	10 324 515	10 324 515	8 241 773	8 241 773
Total financial assets at amortized cost	21 386 207	21 378 393	19 627 848	19 618 251
Total financial assets	31 265 052	31 215 925	29 734 128	29 751 745
LIABILITIES TO CREDIT INSTITUTIONS AT FAIR VALUE HEDGING				
Liabilities created on issuance of securities	2 018 823	2 031 421	2 985 895	3 023 096
Financial derivatives	366 706	366 706	448 146	448 146
Total financial liabilities at fair value hedging	2 385 529	2 398 127	3 434 041	3 471 242
LIABILITIES TO CREDIT INSTITUTIONS AND DEPOSITS AT AMORTIZED COST				
Liabilities created on issuance of securities	19 882 837	19 731 677	18 701 273	18 776 903
Deposits from customers	7 426 181	7 426 181	6 250 873	6 250 873
Total financial liabilities at amortized cost	27 309 017	27 157 858	24 952 146	25 027 776
Total financial liabilities	29 694 546	29 555 985	28 386 187	28 499 018

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 - non-government

Norwegian fixed-income securities, except government are priced directly on prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. In theoretical pricing a zero-coupon curve is used as well as yield spread curved for the pricing. Reuters is used as a source for the zero-coupon curve from 0 to 10 years. From 12 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years. The yield curve spreads are received from Norwegian Fund and Asset Management Association. These are based on yield curve spreads collected from several different market operators and converted to an average curve.

Financial derivatives

These transactions are valued based on the applicable swap curve at the time of valuation. Derivative contracts are to be used only to hedge balance amounts and to enable payments obligations to be met. Derivative contracts may be struck only with counterparties with high credit quality.

Fair value of loans to Norwegian local administrations, loans to retail customers and deposits.

Fair value of lending and deposits without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates. Lending with fixed interest is valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Fair value of loans to and receivables from credit institutions

All receivables from credit institutions (bank deposits) are at variable interest rates. Fair value of these is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates.

Fair value of liabilities to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Liabilities created on issuance of securities

Fair value in this category is determined on the basis of internal valuation models based on external observable data.

Note 6 FAIR VALUE HIERARCHY

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2015
ASSETS				
Interest-bearing 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 at fair value	99 620	3 832 128	265	3 932 013
LIABILITIES				
Financial derivatives	0	366 706	0	366 706
Total financial liabilities at fair value	0	366 706	0	366 706

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

NOK thousands	Book value 31.12.2014	Book value 31.12.2015
Opening balance 1 Jan	0	265
Sold	0	0
Bought	265	0
Unrealized changes	0	0
Closing balance	265	265
Realized gains/losses	0	0

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for at normal market terms and conditions. Highest quality in regard to fair value is based on listed prices in an active market. A financial instrument is considered as listed in an active market if listed prices are simply and regularly available from a stock market, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

Level 1: Instruments at this level obtain fair value from listed prices in an active market for identical assets or liabilities to which the entity has access at the reporting date. Examples of instruments in Level 1 are stock market listed securities.

Level 2: Instruments at this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is 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.

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

NOK thousands	31.12.2015	31.12.2014
Bond debt, nominal amount	22 355 000	21 452 000
Adjustments	122 014	155 222
Accrued interest	54 646	79 946
Own holdings, nominal amount	-630 000	0
Total debt securities issued	21 901 660	21 687 168

NOK thousands	Balance sheet 31.12.2015	Issued	Matured/ redeemed	Other adjustments	Balance sheet 31.12.2014
CHANGES IN DEBT SECURITIES ISSUED					
Bond debt, nominal amount	22 355 000	4 820 000	-3 917 000	0	21 452 000
Adjustments	122 014	0	0	-33 208	155 222
Accrued interest	54 646	0	0	-25 300	79 946
Own holdings, nominal amount	-630 000	0	-630 000	0	0
Total debt securities issued	21 901 660	4 820 000	-4 547 000	-58 508	21 687 168

Note 8 FINANCIAL ASSETS AND LIABILITIES SUBJECT TO NET SETTLEMENT

NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	31.12.2015	
					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

NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	31.12.2014	
					Security in cash	Related sums that are not presented net Net recognised value
ASSETS						
Financial derivatives	187 413	0	187 413	-187 413	-3 101	0
Total	187 413	0	187 413	-187 413	-3 101	0
LIABILITIES						
Financial derivatives	448 146	0	448 146	-187 413	-2 239	258 494
Total	448 146	0	448 146	-187 413	-2 239	258 494

The purpose of the note is to show the potential 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	2015	2014
INCOME STATEMENT ITEMS		
KLP, fees lending management	57 620	58 000
KLP Kapitalforvaltning AS, fees for services provided	-422	-434
KLP, rent	-3 692	-3 557
KLP, pension premium	-7 887	-3 603
KLP, staff services (at cost)	-46 386	-42 214
KLP Group companies, subsidised interest employee loans	1 065	1 856
Total	298	10 048

NOK thousands	31.12.2015	31.12.2014
FINANCIAL POSITION STATEMENT ITEMS		
KLP, net internal accounts	-8 498	-10 430
KLP, loan settlement	-16 448	-17 051
KLP Group companies, net other internal accounts	358	400
Total	-24 588	-27 081

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

Note 10 OTHER ASSETS

NOK thousands	31.12.2015	31.12.2014
Intercompany receivables	437	492
Prepaid expenses	1 156	1 360
Total	1 593	1 852

Note 11 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	31.12.2015	31.12.2014
Creditors	1 583	7 296
Intercompany payables	25 025	27 573
Short-term liabilities securities	4	0
Other liabilities	13 312	3 952
Total other liabilities	39 924	38 821
Withholding tax	2 738	2 647
Social security costs	1 982	1 869
Holiday pay	4 499	4 173
Pension obligations	22 505	25 381
VAT	170	301
Provisioned costs	6 027	2 366
Total accrued costs and liabilities	37 920	36 737

Note 12 CAPITAL ADEQUACY

NOK thousands	31.12.2015	31.12.2014	
Share capital and share premium fund	1 390 000	1 190 000	
Other owners' equity	77 319	95 218	
Total owners' equity	1 467 319	1 285 218	
Interim profit/loss	0	0	
Deduction goodwill and other intangible assets	-17 784	-18 503	
Deferred tax asset	0	0	
Core capital/Tier 1 capital	1 449 535	1 266 715	
Supplementary capital/Tier 2 capital	0	0	
Supplementary capital/Tier 2 capital	0	0	
Total eligible own funds (Tier 1 and Tier 2 capital)	1 449 535	1 266 715	
Capital requirement	671 060	598 438	
Surplus of own funds (Tier 1 and Tier 2 capital)	778 475	668 277	
ESTIMATE BASIS CREDIT RISK			
Local and regional authorities (incl. Municipalities / county administrations)	3 320 023	3 311 173	
Institutions	229 347	265 665	
Investments with mortgage security in real estate	4 079 988	3 180 713	
Investments fallen due	96 078	78 758	
Covered bonds	262 689	311 967	
Other holdings	899	1 064	
Calculation basis credit risk	7 989 024	7 149 340	
Credit risk	639 122	571 947	
Operating risk	31 938	26 491	
Total capital requirement assets	671 060	598 438	
Core capital adequacy ratio	17.3 %	16.9 %	
Supplementary capital ratio	0.0 %	0.0 %	
Capital adequacy ratio	17.3 %	16.9 %	
Leverage ratio	4.6 %	4.4 %	
Capital requirement per 31.12.2015	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	1.0 %	0.0 %	1.0 %
Current capital requirement incl. buffers	11.0 %	3.5 %	14.5 %

Note 13 FIXED-INCOME SECURITIES

NOK thousands	31.12.2015		31.12.2014	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	1 044 836	1 048 173	253 538	254 929
Bonds	2 737 387	2 735 200	4 196 865	3 231 827
Total fixed-income securities	3 782 223	3 783 373	4 450 403	3 486 756

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

Note 14 LOSSES ON LENDING

NOK thousands	2015	2014
Known losses	-278	-23
Reversal of previous write-downs	562	9
Change in individual write-downs	-1 318	-593
Change in write-downs by group	0	0
Total loss on lending	-1 034	-607

NOK thousands	31.12.2015	31.12.2014
Balance of write-down losses on lending 1 January	573	9
Reversal of write-down on individual loans for the period	-562	-42
Write-down on individual loans for the period	1 318	607
Total write-down on individual loans	1 329	573
Gross default exceeding 90 days	29 339	26 151
Gross other doubtful loans	0	0

This applies to housing loans. Losses or write downs are not expected on loans in default in the public sector.

Note 15 CONTINGENT LIABILITIES

NOK thousands	31.12.2015	31.12.2014
Credit facilities for lending not utilized	351 309	240 585
Loan promise	273 714	482 834
Total contingent liabilities	625 023	723 419

Note 16 PENSION OBLIGATIONS - OWN EMPLOYEES

NOK thousands	31.12.2015	31.12.2014
Capitalized net liability	25 381	19 889
Pension costs taken to profit/loss	8 461	4 232
Financial costs taken to profit/loss	834	1 097
Actuarial gains and losses	-7 012	5 722
Premiums/supplement paid-in including admin	-5 159	-5 560
Capitalized net liability	22 505	25 381

	31.12.2015	31.12.2014
ASSUMPTIONS		
Discount rate	2.70 %	2.30 %
Salary growth	2.50 %	2.75 %
The National Insurance basic amount (G)	2.25 %	2.50 %
Pension increases	1.48 %	1.73 %
Expected return	2.70 %	2.30 %
Social security contribution rate	14.10 %	14.10 %

Key figures

Accumulated figures in NOK millions	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Pre-tax income	49.6	34.4	17.1	-1.8	28.7
Net interest income	187.1	133.1	81.4	38.4	133.0
Other operating income	67.9	51.0	34.1	17.2	68.0
Other operating cost and depreciation	-170.2	-122.1	-84.5	-46.3	-157.4
Net realized/unrealized change fin. Instruments at fair value	-34.1	-27.7	-14.1	-11.6	-14.4
Deposits	7 426.2	7 279.1	7 305.2	7 128.2	6 250.9
Housing mortgage lending	10 713.1	10 437.5	9 604.2	9 438.5	8 607.5
Lending with public sector guarantee	15 646.3	15 807.7	15 591.0	15 951.1	16 338.2
Non-performing loans	29.3	26.5	34.1	25.8	26.2
Total liabilities created on issuance of securities	21 901.7	19 940.7	20 776.8	21 553.0	21 687.2
Other borrowing	0.0	0.0	0.0	0.0	0.0
Total assets	31 284.9	29 266.9	29 813.9	30 469.5	29 755.0
Average total assets	30 519.9	29 510.9	29 784.5	30 112.2	27 881.2
Equity	1 508.7	1 494.5	1 279.8	1 266.0	1 285.2
Interest net	0.61 %	0.45 %	0.27 %	0.13 %	0.48 %
Profit/loss from ordinary operation before taxes	0.16 %	0.12 %	0.06 %	-0.01 %	0.10 %
Return on equity	3.92 %	2.67 %	1.32 %	-0.14 %	2.24 %
Capital adequacy ratio	17.3 %	17.9 %	15.1 %	15.6 %	16.9 %



KLP Banken AS
P.O. Box 8814, 74-81 Trondheim
Organization no.: 993 821 837

Tel.: 05554
Fax: 73 53 38 39
klpbanken@klp.no

Visiting adress, Trondheim: Beddingen 8
Visiting adress, Oslo: Dronning Eufemias gate 10
klpbanken.no