



Interim report

KLP KOMMUNEKREDITT AS
Q1 2019

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Interim Financial Statements

KLP KOMMUNEKREDITT AS

Main features by first quarter end:

- Stable operating costs
- Repurchase of own issues and reduced lending margins causes decrease in profits
- No losses on lending

OBJECTIVE AND OWNERSHIP

The Company's objective is long-term financing of municipalities, county administrations and enterprises carrying out public sector assignments. Loans to companies are to be guaranteed by municipalities, county administrations or the central government under Section 50 of the Norwegian Local Government Act. Guarantees are to be of the ordinary surety type covering both repayments and interest. The lending business is principally funded with covered bonds issued.

KLP Kommunekreditt AS is a wholly owned subsidiary of KLP Banken AS. The KLP Banken Group is owned by Kommunal Landspensjonskasse (KLP). KLP Kommunekreditt AS has its head office in Trondheim.

INCOME STATEMENT

Net interest and credit commission revenues in the first quarter were NOK 14.5 (18.8)¹ million.

Income effects of financial instruments as at the first quarter amounts to a loss of NOK 5.6 (4.1) million. Operating expenses in the same period amounted to 4.6 (4.5) million. The Company has not had any credit losses last quarter, and very low loan loss provisions are recognized in the income statement. The Company had a pre-tax profit by quarter end of NOK 4.3 million. The corresponding profit in 2018 was NOK 10.2 million. The decrease in income is mainly due to reduced net interest income and increased loss on financial instruments.

LENDING

The Company's loans to customers as at 31 March 2019 amounted to NOK 16.7 (16.1) billion. The Company's lending is to municipalities, county administrations and local government enterprises.

BORROWING

The Company's borrowing comprises covered bonds as well as borrowing from its parent company. New covered bond issues this quarter amounted to NOK 1.5 billion while repurchase of own debt amounted to NOK 0.9 billion. All

covered bonds have AAA rating. The Company occasionally restructures the debt portfolio with the purpose of increasing average duration. This may cause both gain and loss. Bond restructuring have caused total accounting losses of NOK -6.8 (-5.2) million by quarter end.

LIQUIDITY INVESTMENTS

KLP Kommunekreditt AS has strict rules on what assets may be included in the securities holdings. In addition to loans to the public sector the securities holdings comprise secure bonds as well as deposits in other banks. The securities comprise certificates and bonds of high credit quality, principally investments in covered bonds with AAA rating. As at 31 March 2019, the bond portfolio's market value was NOK 1.5 billion. The net gain associated with market value changes in liquidity investments amounted to NOK 1.2 (1.2) million by quarter end.

RISK AND CAPITAL ADEQUACY

KLP Kommunekreditt AS has established a framework for risk management aimed at ensuring that risks are identified, analyzed and subject to management using policies, limits, procedures and instructions. The Company is to have a prudent risk profile and earnings are to be principally a result of the borrowing and lending activity as well as liquidity management. This means that the Company is to have low market risk. Interest and foreign exchange risk arising within the borrowing and lending activity are reduced using derivatives. The Company is to have sufficient long-term financing and limits have been established to ensure that that this objective is achieved. The credit risk in the Company is low and the Company's lending is limited to local government risk. Management of the Company's liquidity is conducted through investments in banks satisfying high credit quality requirements and in securities in accordance with Board-approved credit lines.

At the end of the first quarter 2019, core capital i.a.w. the capital adequacy rules was NOK 748.2 (719.3) million. Loans to municipalities and county administrations are risk-weighted 20 per cent in accordance with the authorities' capital adequacy regulations. KLP Kommunekreditt AS had a core capital adequacy and capital adequacy ratio of 19.7 (20.2) per cent at the end of the first quarter. The minimum statutory requirement is 15.5 per cent capital adequacy ratio. Leverage ratio was 3.9 (4.0) per cent, the minimum statutory requirement is 3.0 per cent.

¹Figures in parenthesis are from the corresponding period in 2018.

Income statement

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
	Interest income, amortised cost	91 850	85 993	351 048
	Interest income at fair value	29 316	65 103	155 446
3	Total interest income	121 167	151 096	506 494
	Interest expense, amortised cost	-76 482	-61 856	-269 163
	Interest expense at fair value	-30 187	-70 404	-171 790
3	Total interest costs	-106 669	-132 260	-440 953
3	Net interest income	14 497	18 837	65 541
17	Net gain/(loss) financial instruments	-5 551	-4 050	-12 484
	Total other operating income	-5 551	-4 050	-12 484
	Other operating expenses	-4 619	-4 549	-15 737
	Net loan losses	1	2	-5
	Total operating expenses	-4 618	-4 547	-15 742
	Operating profit/loss before tax	4 328	10 239	37 315
	Tax ordinary income	-952	-2 355	-8 364
	Profit for the period	3 376	7 884	28 951
	Other comprehensive income for the period	0	0	0
	Comprehensive income for the period	3 376	7 884	28 951

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	31.03.2019	31.03.2018	31.12.2018
ASSETS				
5	Loans to credit institutions	718 225	242 458	649 795
4,5	Loans to customers	16 659 827	16 090 880	16 758 620
5,6,15	Interest-bearing securities	1 545 342	1 540 120	727 246
5,6	Financial derivatives	69 516	91 274	62 461
12	Other assets	13 770	826	8 122
Total assets		19 006 680	17 965 558	18 206 245
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	380 212	275 160	430 208
5,7	Debt securities issued	17 277 380	16 803 721	16 909 271
5,6	Financial derivatives	98 574	152 257	105 403
	Deferred tax liabilities	4 810	1 563	4 810
13	Other liabilities	492 504	3 650	6 784
13	Provision for accrued costs and liabilities	55	505	0
Total liabilities		18 253 535	17 236 856	17 456 476
EQUITY				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Other owners' equity	74 769	45 818	74 769
	Unallocated profit/loss	3 376	7 884	0
Total owners' equity		753 145	728 702	749 769
Total liabilities and equity		19 006 680	17 965 558	18 206 245

Statement of changes in equity

KLP KOMMUNEKREDITT AS

2019 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2019	362 500	312 500	74 769	749 769
Profit for the period	0	0	3 376	3 376
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	3 376	3 376
Total transactions with the owners	0	0	0	0
Equity 31 March 2019	362 500	312 500	78 145	753 145

2018 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 31 December 2017	362 500	312 500	45 939	720 939
Changes in accounting principles (IFRS 9)	0	0	-122	-122
Equity 1 January 2018	362 500	312 500	45 818	720 818
Profit for the period	0	0	7 884	7 884
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	7 884	7 884
Group contribution received	0	0	44 491	44 491
Group contribution made	0	0	-44 491	-44 491
Total transactions with the owners	0	0	0	0
Equity 31 March 2018	362 500	312 500	53 702	728 702

2018 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 31 December 2017	362 500	312 500	45 939	720 939
Changes in accounting principles (IFRS 9)	0	0	-122	-122
Equity 1 January 2018	362 500	312 500	45 818	720 818
Income for the year	0	0	28 951	28 951
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	28 951	28 951
Group contribution received	0	0	44 491	44 491
Group contribution made	0	0	-44 491	-44 491
Total transactions with the owners	0	0	0	0
Equity 31 December 2018	362 500	312 500	74 769	749 769

Statement of cash flow

KLP KOMMUNEKREDITT AS

NOK THOUSANDS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
OPERATIONAL ACTIVITIES			
Payments received from customers - interest, commission & charges	71 286	74 566	354 411
Disbursements on loans customers & credit institutions	-198 187	-23 593	-1 818 593
Receipts on loans customers & credit institutions	298 138	204 775	1 231 153
Net receipts/disbursements on operations	-5 124	-4 736	-16 005
Net receipts/disbursements from operating activities	8 450	7 143	-7 568
Net interest investment accounts	138	45	5 020
Income tax paid	0	0	0
Net cash flow from operating activities	174 701	258 200	-251 582
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-403 207	-528 165	-1 079 547
Receipts on sale of securities	59 906	426 706	1 780 991
Receipts of interest from securities	3 257	4 024	20 726
Net cash flow from investment activities	-340 044	-97 435	722 170
FINANCING ACTIVITIES			
Receipts on loans from credit institutions	1 500 000	0	3 300 000
Disbursements on loans from credit institutions	-900 000	-213 000	1 765 000
Expense of interest of loans	-249 000	-119 000	-5 290 000
Net payment of interest on loans	-59 805	-55 640	-233 760
Payment on group contribution	0	-14 050	-14 086
Net cash flows from financing activities	241 195	-401 690	-317 846
Net cash flow during the period	75 852	-240 925	152 742
Cash and cash equivalents at the start of the period	631 394	478 652	478 652
Cash and cash equivalents at the end of the period	707 246	237 727	631 394
Net receipts/ disbursements of cash	75 852	-240 925	152 742

Notes to the accounts

KLP KOMMUNEKREDITT AS

NOTE 1 General information

KLP Kommunekreditt AS was formed on 25 August 2009. The company is a credit enterprise that provides or acquires public sector loans that are guaranteed by the Norwegian municipalities. Borrowers provide surety covering both repayments and interest.

The object of the Company is primarily to finance activities by issuing covered bonds with security in public sector guarantees loans. Parts of these loans are listed on Oslo Børs (Stock Exchange).

KLP Kommunekreditt AS is registered and domiciled in Norway. It's head office is at Beddingen 8 in Trondheim, and the company has a branch office in Dronning Eufemiasgate 10 in Oslo.

The company is a wholly-owned subsidiary of KLP Banken AS which is in turn wholly-owned by Kommunal Landspensjonskasse (KLP), through KLP Bankholding AS. KLP is a mutual insurance company.

NOTE 2 Accounting principles

The interim report includes the interim Financial Statements of KLP Kommunekreditt AS for the period 1 January 2019 – 31 March 2019, specifying the earnings trend in Q1. The interim Financial Statements has not been audited.

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

As of 1 January 2019 the company have implemented the accounting standard IFRS 16 Leases. The changeover to

IFRS 16 has not had a material impact on the company's accounts. For more information see the company's annual report for 2018. The annual report is available at klp.no.

Other accounting principles and calculations are the same in the interim financial statement as in the last annual report.

NOTE 3 Net interest income

NOK THOUSANDS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
Interest income on loans to customers, amortised cost	90 665	84 907	346 027
Interest income on loans to credit institutions, amortised cost	1 185	1 086	5 020
Interest income on bonds and certificates, fair value	3 820	5 720	19 349
Other interest income, fair value	25 497	59 384	136 097
Total interest income	121 167	151 096	506 494
Interest expenses on debt to KLP Banken AS, amortised cost	-1 039	-879	-4 871
Interest expenses on issued securities, amortised cost	-75 443	-60 977	-264 292
Other interest expenses, fair value	-30 187	-70 404	-171 790
Total interest costs	-106 669	-132 260	-440 953
Net interest income	14 497	18 837	65 541

NOTE 4 Loans to customers

NOK THOUSANDS	31.03.2019	31.03.2018	31.12.2018
Loans to cutomers before write-downs	16 537 396	15 944 661	16 646 683
Write-downs steps 1 and 2	-162	-156	-163
Loans to cutomers after write-downs	16 537 234	15 944 505	16 646 520
Accrued interest	76 697	76 041	57 317
Fair value hedging	56 520	84 452	65 732
Premium/discount	-10 624	-14 118	-10 949
Loans to customers	16 659 827	16 090 880	16 758 620

NOTE 5 Categories of financial instruments

NOK THOUSANDS	31.03.2019		31.03.2018		31.12.2018	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS						
Fixed-income securities	1 545 342	1 545 342	1 540 120	1 540 120	727 246	727 246
Financial derivatives	69 516	69 516	91 274	91 274	62 461	62 461
Total financial assets at fair value through profit and loss	1 614 858	1 614 858	1 631 394	1 631 394	789 708	789 708
FINANCIAL ASSETS FAIR VALUE HEDGING						
Lending to Norwegian municipalities	3 355 352	3 400 339	4 181 130	4 233 462	3 429 602	3 464 954
Total financial assets fair value hedging	3 355 352	3 400 339	4 181 130	4 233 462	3 429 602	3 464 954
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	718 225	718 225	242 458	242 458	649 795	649 795
Lending to Norwegian municipalities	13 304 475	13 294 232	11 909 750	11 909 729	13 329 019	13 316 652
Total financial assets at amortized cost	14 022 700	14 012 457	12 152 208	12 152 187	13 978 813	13 966 447
Total financial assets	18 992 910	19 027 654	17 964 732	18 017 043	18 198 123	18 221 109
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS						
Financial derivatives	98 574	98 574	152 257	152 257	105 403	105 403
Total financial liabilities at fair value through profit and loss	98 574	98 574	152 257	152 257	105 403	105 403
FINANCIAL LIABILITIES FAIR VALUE HEDGING						
Covered bonds issued	1 898 706	1 918 731	1 903 982	1 928 782	1 886 974	1 904 665
Total financial liabilities fair value hedging	1 898 706	1 918 731	1 903 982	1 928 782	1 886 974	1 904 665
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	380 212	380 212	275 160	275 160	430 208	430 208
Covered bonds issued	15 378 673	15 465 774	14 899 739	14 993 171	15 022 297	15 086 824
Total financial liabilities at amortized cost	15 758 886	15 845 986	15 174 899	15 268 331	15 452 506	15 517 033
Total financial liabilities	17 756 166	17 863 291	17 231 138	17 349 370	17 444 883	17 527 101

NOTE 5 Categories of financial instruments (continues)

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 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 generally priced using 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. They provide company-specific curves for Norwegian saving banks, municipalities and energy. Saving banks have various spread curves based on total assets. For companies where Nordic Bond Pricing do not

deliver spread curves, the Group use spread curves from three Norwegian banks. When spread curves are available from more than one of these banks, an equal-weighted average is used.

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

Fair value of lending 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 fixed rate loans is calculated by discounting contractual cash flows by the marked rate including a relevant risk margin on the reporting date. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

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 marked interest rates. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

Fair value of liabilities to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

Liabilities created on issuance of covered bonds

Fair value in this category is determined on the basis of internal valuation models based on external observable data. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

NOTE 6 Fair value hierarchy

31.03.2019 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	19 954	1 525 388	0	1 545 342
Financial derivatives	0	69 516	0	69 516
Total assets at fair value	19 954	1 594 904	0	1 614 858
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	98 574	0	98 574
Total financial liabilities at fair value	0	98 574	0	98 574

31.03.2018 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	19 979	1 520 141	0	1 540 120
Financial derivatives	0	91 274	0	91 274
Total assets at fair value	19 979	1 611 415	0	1 631 394
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	152 257	0	152 257
Total financial liabilities at fair value	0	152 257	0	152 257

31.12.2018 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	59 902	667 344	0	727 246
Financial derivatives	0	62 461	0	62 461
Total assets at fair value	59 902	729 805	0	789 708
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	105 403	0	105 403
Total financial liabilities at fair value	0	105 403	0	105 403

NOTE 6 Fair value hierarchy (continues)

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 have been no transfers between Level 1 and Level 2.

Note 5 discloses the fair value of financial assets and financial liabilities that are recognized at amortized cost and according to the rules on hedge accounting. Financial assets measured at amortized cost and hedge accounting comprise lending to and due to credit institutions, Norwegian municipalities and retail customers. The stated fair value of these assets is determined on terms qualifying for level 2. Financial liabilities recognized at amortized cost and hedge accounting consist of debt securities issued and deposits. The stated fair value of these liabilities is determined by methods qualifying for level 2.

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

NOK THOUSANDS	31.03.2019	31.03.2018	31.12.2018
Bond debt, nominal amount	18 343 000	17 733 000	17 743 000
Adjustments	38 424	34 746	35 990
Accrued interest	66 956	54 975	52 281
Own holdings, nominal amount	-1 171 000	-1 019 000	-922 000
Total debt securities issued	17 277 380	16 803 721	16 909 271

Interest rate on borrowings through the issuance of securities on the reporting date	1.68 %	1.35 %	1.58 %
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The interest rate is calculated as a weighted average of the act/360 basis. It includes interest rate effects and amortization costs.

NOK THOUSANDS	Balance sheet 31.12.2018	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.03.2019
Bond debt, nominal amount	17 743 000	1 500 000	-900 000	0	18 343 000
Adjustments	35 990	0	0	2 434	38 424
Accrued interest	52 281	0	0	14 675	66 956
Own holdings, nominal amount	-922 000	0	-249 000	0	-1 171 000
Total debt securities issued	16 909 271	1 500 000	-1 149 000	17 108	17 277 380

NOTE 8 Over-collateralisation

NOK THOUSANDS	31.03.2019	31.03.2018	31.12.2018
SECURITY POOL			
Loans to customers	16 705 349	16 143 523	16 792 892
Financial derivatives (net)	-29 074	-59 042	-42 930
Additional collateral ¹	2 702 976	2 427 615	1 898 505
Total security pool	19 379 251	18 512 096	18 648 467
Outstanding covered bonds incl. own funds and premium/discount	18 491 145	17 897 473	17 829 644
Coverage of the security pool	104.8%	103.4%	104.6%

¹ Additional collateral includes loans and receivables from credit institutions and bonds and certificates. Liquidity reserve are not included in additional collateral.

Section 11-7 of the Regulations on Financial Institutions lays down a requirement for over-collateralisation by at least 2 per cent of the value of the outstanding covered bonds.

NOTE 9 Liabilities to credit institutions

31.03.2019 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2020	230 000	135	230 135
Debt to KLP Banken AS	15.12.2020	100 000	48	100 048
Debt to KLP Banken AS	15.12.2020	50 000	29	50 029
Total liabilities to credit institutions				380 212
Interest rate on debt to credit institutions at the reporting date				1.24 %
The interest rate is calculated as a weighted average of the act/360 basis.				

31.03.2018 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	17.06.2019	275 000	160	275 160
Total liabilities to credit institutions				275 160
Interest rate on debt to credit institutions at the reporting date				1.23 %
The interest rate is calculated as a weighted average of the act/360 basis.				

31.12.2018 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2020	330 000	168	330 168
Debt to KLP Banken AS	15.12.2020	100 000	41	100 041
Total liabilities to credit institutions				430 208
Interest rate on debt to credit institutions at the reporting date				1.21 %

NOTE 10 Financial assets and liabilities subject to net settlement

31.03.2019 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/liabilites	Gross assets liabilites presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	69 516	0	69 516	-69 516	0	0
Total	69 516	0	69 516	-69 516	0	0
LIABILITIES						
Financial derivatives	98 574	0	98 574	-69 516	0	29 058
Total	98 574	0	98 574	-69 516	0	29 058

31.03.2018 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/liabilites	Gross assets liabilites presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	91 274	0	91 274	-91 274	0	0
Total	91 274	0	91 274	-91 274	0	0
LIABILITIES						
Finansielle derivater	152 257	0	152 257	-91 274	0	60 983
Total	152 257	0	152 257	-91 274	0	60 983

31.12.2018 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/liabilites	Gross assets liabilites presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	62 461	0	62 461	-62 461	0	0
Total	62 461	0	62 461	-62 461	0	0
LIABILITIES						
Finansielle derivater	105 403	0	105 403	-62 461	0	42 942
Total	105 403	0	105 403	-62 461	0	42 942

The purpose of the note is to show the potential effect of netting agreements at the KLP Kommunekreditt AS. The note shows derivative positions in the financial statement.

NOTE 11 Transactions with related parties

NOK THOUSANDS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
KLP Banken AS, interest on borrowing	1 039	879	4 871
KLP Banken AS, administrative services (at cost)	3 611	3 550	12 823
KLP Kapitalforvaltning AS, fees for services provided	25	45	120

NOK THOUSANDS	31.03.2019	31.03.2018	31.12.2018
BALANCES			
KLP Banken AS, debt to credit institutions	-380 212	-275 160	-430 208
KLP Banken AS, loan settlement	13 770	826	8 122
Net outstanding accounts to:			
KLP Banken AS	-1 039	-1 105	-1 672
KLP Kapitalforvaltning AS	-25	-45	-30

There are no direct salary cost in KLP Kommunekreditt AS. Personnel costs (administrative services) are allocated from KLP Banken AS.

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 12 Other assets

NOK THOUSANDS	31.03.2019	31.03.2018	31.12.2018
Intercompany receivables	13 770	826	8 122
Total other assets	13 770	826	8 122

NOTE 13 Other liabilities and provision for accrued costs

NOK THOUSANDS	31.03.2019	31.03.2018	31.12.2018
Creditors	75	146	0
Intercompany payables	1 064	1 150	1 702
Tax payable	5 081	0	5 081
Other liabilities	486 285	2 354	2
Total other liabilities	492 504	3 650	6 784
VAT	55	0	0
Accrued expenses	0	505	0
Total accrued costs and liabilities	55	505	0

NOTE 14 Capital adequacy

NOK THOUSANDS	31.03.2019	31.03.2018	31.12.2018
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	74 769	45 818	74 769
Total owners' equity	749 769	720 818	749 769
Interim profit/loss	0	0	0
Adjustments due to requirements for proper valuation	-1 545	-1 540	-727
Deferred tax asset	0	0	0
Core capital/Tier 1 capital	748 224	719 278	749 042
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)	748 224	719 278	749 042
Capital requirement	303 346	284 407	295 879
Surplus of own funds (Tier 1 and Tier 2 capital)	444 878	434 872	453 163
ESTIMATE BASIS CREDIT RISK:			
Institutions	160 302	66 911	144 076
Local and regional authorities	3 351 124	3 238 886	3 380 301
Covered bonds	152 539	141 659	66 734
Calculation basis credit risk	3 663 965	3 447 456	3 591 111
Credit risk	293 117	275 796	287 289
Operating risk	10 115	8 467	8 467
Credit valuation adjustment	114	144	123
Total capital requirement assets	303 346	284 407	295 879
Core capital adequacy ratio	19.7 %	20.2 %	20.3 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	19.7 %	20.2 %	20.3 %
Leverage ratio	3.9 %	4.0 %	4.0 %

CAPITAL REQUIREMENT PER 31.03.2019	Core capital/ Tier 1 capital	Supplementary capital/Tier 2 capital	Own funds
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	2.0 %	0.0 %	2.0 %
Current capital requirement incl. buffers	12.0 %	3.5 %	15.5 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

NOTE 15 Fixed-income securities

NOK THOUSANDS	31.03.2019		31.03.2018		31.12.2018	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	19 950	19 954	19 979	19 979	59 906	59 902
Bonds	1 523 143	1 525 388	1 506 507	1 520 141	666 822	667 344
Total fixed-income securities	1 543 093	1 545 342	1 526 486	1 540 120	726 728	727 246

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

NOTE 16 Contingent liabilities

NOK THOUSANDS	31.03.2019	31.03.2018	31.12.2018
Loan commitment	191 583	105 855	500 394
Total contingent liabilities	191 583	105 855	500 394

NOTE 17 Net gain/(loss) on financial instruments

NOK THOUSANDS	Q1 2019	Q1 2018	01.01.2018 -31.12.2018
Net gain/(loss) on fixed-income securities	1 226	1 177	-787
Net gain/(loss) financial derivatives and realized amortization linked to lending	0	-13	-13
Net gain/(loss) financial derivatives and realized repurchase of own debt	-6 777	-5 214	-11 684
Total net gain/(loss) on financial instruments	-5 551	-4 050	-12 484

NOTE 18 Loan loss provision

Changes in provisions for expected losses at 31 March 2019 are related to changes in lending volume. No other changes have been made to the assumptions or input to the model for calculating loss provisions. Refer to Note 18 and Note 2 to the annual report for more details of the model.

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
EXPECTED CREDIT LOSS (ECL) - LOANS TO CUSTOMERS, AMORTISED COST				
Opening balance ECL 01.01.2019	163	0	0	163
Transfers to stage 1	0	0	0	0
Transfers to stage 2	0	0	0	0
Transfers to stage 3	0	0	0	0
Net changes	0	0	0	0
New losses	0	0	0	0
Write-offs	-1	0	0	-1
Closing balance ECL 31.03.2019	162	0	0	162
Changes (01.01.2018-31.03.2019)	-1	0	0	-1

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
VALUE OF LENDING AND RECEIVABLES FOR CUSTOMERS RECOGNISED IN THE BALANCE SHEET - AMORTISED COST				
Gross lending 01.01.2019	16 704 000	0	0	16 704 000
Transfers to stage 1	0	0	0	0
Transfers to stage 2	0	0	0	0
Transfers to stage 3	0	0	0	0
Net changes	49 716	0	0	49 716
New lending	5 901	0	0	5 901
Write-offs	-145 524	0	0	-145 524
Gross lending 31.03.2019	16 614 093	0	0	16 614 093

Accrued interest is not included in the book value.

Quarterly earnings trend

NOK MILLIONS	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Interest income	121.2	153.3	93.5	92.6	151.1
Interest expense	-106.7	-138.7	-75.9	-78.1	-132.3
Net interest income	14.5	14.6	17.6	14.4	18.8
Net gain/ (loss) financial instruments	-5.6	-5.8	-1.1	-1.5	-4.1
Total other operating income	-5.6	-5.8	-1.1	-1.5	-4.1
Other operating expenses	-4.6	-4.4	-2.9	-3.9	-4.5
Total operating expenses	-4.6	-4.4	-2.9	-3.9	-4.5
Operating profit/loss before tax	4.3	4.4	13.6	9.0	10.2
Tax ordinary income	-1.0	-0.8	-3.1	-2.1	-2.4
Profit for the period	3.4	3.6	10.5	6.9	7.9

Key figures - accumulated

NOK MILLIONS	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Pre-tax income	4.3	37.3	32.9	19.3	10.2
Net interest income	14.5	65.5	50.9	33.3	18.8
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost and depreciation	-4.6	-15.7	-11.3	-8.4	-4.5
Net realized/unrealized change fin. Instruments at fair value	-5.6	-12.5	-6.7	-5.6	-4.1
Lending with public sector guarantee	16 659.8	16 758.6	16 206.1	16 282.2	16 090.9
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	17 277.4	16 909.3	16 510.8	16 360.3	16 803.7
Other borrowing	380.2	430.2	475.2	575.3	275.2
Total assets	19 006.7	18 206.2	17 879.7	17 819.9	17 965.6
Average total assets	18 606.5	18 272.5	18 109.2	18 079.3	18 152.1
Equity	753.1	749.8	746.1	735.6	728.7
Interest net	0.08 %	0.36 %	0.28 %	0.18 %	0.10 %
Profit/loss from ordinary operation before taxes	0.02 %	0.20 %	0.18 %	0.11 %	0.06 %
Return on equity	2.31 %	4.97 %	6.08 %	5.24 %	5.68 %
Capital adequacy ratio	19.7 %	20.3 %	20.0 %	20.0 %	20.2 %
Liquidity coverage ratio (LCR)	376 %	1592 %	598 %	771 %	338 %



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