

Interim report

Q1 2014



[INCOME STATEMENT](#)

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KLP Kommunekreditt AS

Interim financial statements Q1 2014

Objective and ownership

The Company's objective is long-term financing of municipalities, county administrations and companies carrying out public sector assignments. Loans to companies are to be guaranteed by municipalities or county administrations, 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 financed by issue of covered bonds.

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 was established in 2009 and has its head office in Trondheim. The brand name KLP Kommunekreditt is used in marketing to customer groups in the public sector.

Income statement

Net interest and credit commission revenues in the first quarter of 2014 were NOK 20.6 million. Operating expenses amounted to NOK 5.4 million. The Company has not had losses or made loss provisions on loans. KLP Kommunekreditt has a pre-tax profit as at the end of the first quarter 2014 of NOK 18.8 million.

Lending

The Company's loans to customers as at 31 March 2014 amounted to NOK 16.6 billion against NOK 19.1 billion as at 31 March 2013. The Company's lending is to municipalities, county administrations and local government enterprises.

Borrowing

The Company's borrowing comprises of covered bonds as well as borrowing from its parent company. During the first quarter, tapping of existing covered bonds amounted to NOK 500 million. All covered bonds have an AAA rating.

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 of certificates and bonds of high credit quality, principally investments in covered bonds with AAA rating. As at 31 March 2014, the bond portfolio's nominal value was NOK 2.8 billion. The net gain associated with liquidity investments amounted to NOK 2.9 million in the first quarter.

Solvency

At the end of the the first quarter 2014, core capital i.a.w. the capital adequacy rules was NOK 702.0 million. Loans to municipalities and county administrations are risk-weighted by 20 per cent in accordance with the authorities' capital adequacy regulations. KLP Kommunekreditt AS had a core capital adequacy and capital adequacy ratio of 17.7 per cent at the end of the first quarter 2014. The minimum statutory requirement is 12.5 per cent.

Income Statement

KLP Kommunekreditt AS

| Note | NOK thousands | Q1 2014 | Q1 2013 | 2013 |
|------|--|---------------|---------------|----------------|
| | Interest income and similar income | 150 057 | 181 641 | 683 479 |
| | Cost of interests and similar costs | -129 505 | -158 381 | -591 167 |
| 3 | Net interests income | 20 552 | 23 259 | 92 313 |
| | Net gain (loss) on financial instruments | 3 587 | 3 471 | -7 960 |
| | Total net gain (loss) on financial instruments | 3 587 | 3 471 | -7 960 |
| | Other operating costs | -5 354 | -5 643 | -22 391 |
| | Total other operating costs | -5 354 | -5 643 | -22 391 |
| | Operating profit/loss before tax | 18 785 | 21 086 | 61 961 |
| | Tax on ordinary income | -5 072 | -5 904 | -17 048 |
| | Income | 13 713 | 15 182 | 44 913 |
| | Other comprehensive income | 0 | 0 | 0 |
| | Other comprehensive income for the period after tax | 0 | 0 | 0 |
| | COMPREHENSIVE INCOME FOR THE PERIOD | 13 713 | 15 182 | 44 913 |

Balance Sheet

KLP Kommunekreditt AS

| Note | NOK thousands | 31.03.2014 | 31.03.2013 | 31.12.2013 |
|---------------------------------------|---|-------------------|-------------------|-------------------|
| ASSETS | | | | |
| | Loans to and receivables from credit institutions | 711 724 | 454 469 | 847 720 |
| 4 | Loans to and receivables from customers | 16 559 484 | 19 139 121 | 16 833 430 |
| 14 | Interest-bearing securities | 2 797 776 | 2 945 017 | 2 794 080 |
| | Financial derivatives | 221 740 | 217 617 | 195 957 |
| 11 | Other assets | 16 740 | 35 419 | 11 834 |
| | TOTAL ASSETS | 20 307 463 | 22 791 643 | 20 683 021 |
| LIABILITIES AND OWNERS' EQUITY | | | | |
| LIABILITIES | | | | |
| 8 | Debt to credit institutions | 2 272 459 | 2 889 114 | 2 442 841 |
| 7 | Liabilities created on issuance of securities | 17 025 537 | 18 849 631 | 17 210 642 |
| | Financial derivatives | 275 252 | 314 931 | 248 472 |
| | Deferred tax | 6 860 | 15 990 | 27 133 |
| 12 | Other liabilities | 10 545 | 5 696 | 7 018 |
| 12 | Provision for accrued costs and liabilities | 1 099 | 381 | 1 285 |
| | TOTAL LIABILITIES | 19 591 752 | 22 075 743 | 19 937 390 |
| OWNERS' EQUITY | | | | |
| | Share capital | 362 500 | 362 500 | 362 500 |
| | Share premium fund | 312 500 | 312 500 | 312 500 |
| | Retained earnings | 26 999 | 25 717 | 70 630 |
| | Unallocated profit/loss | 13 713 | 15 182 | 0 |
| | TOTAL OWNERS' EQUITY | 715 711 | 715 900 | 745 630 |
| | TOTAL LIABILITIES AND OWNERS' EQUITY | 20 307 463 | 22 791 643 | 20 683 021 |

Statement of owners' equity

KLP Kommunekreditt AS

| 2014 NOK thousands | Share capital | Share premium fund | Retained earnings | Total owners' equity |
|--|----------------|--------------------|-------------------|----------------------|
| Owners' equity 1 January 2014 | 362 500 | 312 500 | 70 630 | 745 630 |
| Income for the period | 0 | 0 | 13 713 | 13 713 |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| Total comprehensive income for the period | 0 | 0 | 13 713 | 13 713 |
| Net group contributions received/made | 0 | 0 | -43 632 | -43 632 |
| Total transactions with the owners | 0 | 0 | -43 632 | -43 632 |
| Owners' equity 31 March 2014 | 362 500 | 312 500 | 40 711 | 715 711 |

| 2013 NOK thousands | Share capital | Share premium fund | Retained earnings | Total owners' equity |
|--|----------------|--------------------|-------------------|----------------------|
| Owners' equity 1 January 2013 | 362 500 | 312 500 | 25 717 | 700 717 |
| Income for the period | 0 | 0 | 15 182 | 15 182 |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| Total comprehensive income for the period | 0 | 0 | 15 182 | 15 182 |
| Total transactions with the owners | 0 | 0 | 0 | 0 |
| Owners' equity 31 March 2013 | 362 500 | 312 500 | 40 899 | 715 900 |

| NOK thousands | Number of shares | Nominal value in whole NOK | Share premium fund | Total owners' equity |
|---|------------------|----------------------------|--------------------|----------------------|
| As at 1 January 2014 | 3 625 000 | 100 | 312 500 | 675 000 |
| Changes 1 January - 31 March | - | - | 0 | 0 |
| As at 31 March 2014 | 3 625 000 | 100 | 312 500 | 675 000 |
| Accumulated income | | | | 40 711 |
| Owners' equity as at 31 March 2014 | | | | 715 711 |

There is one class of shares. All the shares are owned by KLP Banken AS.

Statement of cash flows

KLP Kommunekreditt AS

| NOK thousands | 01.01.2014- 31.03.2014 | 01.01.2013- 31.03.2013 | 2013 |
|---|---------------------------|---------------------------|-------------------|
| OPERATING ACTIVITIES | | | |
| Payments received from customers - interest, commission & charges | 114 001 | 127 405 | 608 425 |
| Net receipts/payments on loans to customers | 290 378 | 117 340 | 2 237 056 |
| Payments on operation | -5 767 | -6 372 | -23 160 |
| Net receipts/payments on other operating activities | 1 901 | -2 886 | -18 804 |
| Net interest investment accounts | 1 257 | 646 | 15 625 |
| Income tax paid | 0 | 0 | 0 |
| Net cash flow from operating activities | 401 770 | 236 133 | 2 819 143 |
| INVESTMENT ACTIVITIES | | | |
| Payments on purchase of securities | -316 243 | -602 143 | -1 351 007 |
| Receipts on sales of securities | 316 356 | 1 575 145 | 2 470 089 |
| Receipts of interest from securities | 15 580 | 24 744 | 76 292 |
| Net cash flow from investment activities | 15 693 | 997 745 | 1 195 374 |
| FINANCING ACTIVITIES | | | |
| Net receipts/payments on loans from credit institutions | -402 038 | -1 930 401 | -3 934 090 |
| Net payment of interest on loans | -81 666 | -121 571 | -543 905 |
| Net receipts/payments on other short-term items | -6 199 | 25 662 | 51 564 |
| Payment of group contribution | -63 906 | 0 | 0 |
| Net cash flow from financing activities | -553 809 | -2 026 310 | -4 426 431 |
| Net cash flow during the period | -136 346 | -792 432 | -411 915 |
| Cash and cash equivalents at the beginning of the period | 820 072 | 1 231 988 | 1 231 988 |
| Cash and cash equivalents at the end of the period | 683 726 | 439 556 | 820 072 |
| Net receipts/ disbursements of cash | -136 346 | -792 432 | -411 915 |
| RECONCILIATION | | | |
| Profit/loss before tax | 18 785 | 21 086 | 61 961 |
| Change in accounts payable | -492 | -138 | 465 |
| Items classified as investment or financing activities | 108 826 | 183 685 | 477 756 |
| Changes in other accrual items | 274 651 | 31 499 | 2 278 961 |
| Net cash flow from operating activities | 401 770 | 236 133 | 2 819 143 |

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 state, Norwegian county administrations or Norwegian municipalities. Borrowers provide ordinary 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.

KLP Kommunekreditt AS is registered and domiciled in Norway. The head office is located in Beddingen 8 in Trondheim. The Company is a wholly-owned subsidiary of KLP Banken AS, which is wholly owned by Kommunal Landspensjonskasse gjensidig forsikringselskap (KLP) through KLP Bankholding AS.

Note 2 ACCOUNTING PRINCIPLES

This is an interim report for the period 1 January 2013 – 31 March 2013.

KLP Kommunekreditt AS presents financial statements in accordance with the principles on interim reporting in IAS 34.

The financial statements for the first quarter 2014 are presented in accordance with the same accounting principles as the annual financial statements for 2013. This report is available at klp.no

The accounts for the first quarter has not been audited.

Note 3 NET INTEREST INCOME

| NOK thousands | Q1 2014 | Q1 2013 | 2013 |
|---|----------------|----------------|----------------|
| Interest on loans to and receivables from credit institutions | 3 508 | 3 829 | 15 625 |
| Interest on loans to customers | 130 812 | 154 872 | 594 593 |
| Interest on securities | 15 738 | 22 940 | 73 261 |
| Total interest income | 150 057 | 181 641 | 683 479 |
| Interest on debt to credit institutions (covered bonds) | 113 386 | 135 352 | 508 636 |
| Interest on debt to KLP Banken | 15 224 | 22 026 | 78 638 |
| Premium/discount on covered bonds | 895 | 1 004 | 3 893 |
| Total interest costs | 129 505 | 158 381 | 591 167 |
| Net interest income | 20 552 | 23 259 | 92 313 |

Note 4 LOANS TO CUSTOMERS

| NOK thousands | 31.03.2014 | 31.03.2013 | 31.12.2013 |
|--|-------------------|-------------------|-------------------|
| Loans to customers before write-downs | 16 223 426 | 18 737 765 | 16 526 349 |
| Individual write-downs | 0 | 0 | 0 |
| Write-downs by group | 0 | 0 | 0 |
| Loans to customers after individual write-downs | 16 223 426 | 18 737 765 | 16 526 349 |
| Accrued interest | 119 495 | 143 983 | 102 684 |
| Loans to customers, fair value hedging | 216 563 | 257 373 | 204 397 |
| Loans to customers | 16 559 484 | 19 139 121 | 16 833 430 |

All lending comprises loans to, or loans guaranteed by, Norwegian municipalities and county administrations, including loans to local government enterprises and inter-authority companies (public sector lending). Guarantees are of the ordinary surety type covering both repayments and interest.

Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

| NOK thousands | 31.03.2014 | | 31.03.2013 | | 31.12.2013 | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Capitalized value | Fair value | Capitalized value | Fair value | Capitalized value | Fair value |
| FINANCIAL ASSETS FAIR VALUE | | | | | | |
| Fixed income securities | 2 797 776 | 2 797 776 | 2 945 017 | 2 945 017 | 2 794 080 | 2 794 080 |
| Financial derivatives | 221 740 | 221 740 | 217 617 | 217 617 | 195 957 | 195 957 |
| Total financial assets fair value | 3 019 515 | 3 019 515 | 3 162 634 | 3 162 634 | 2 990 037 | 2 990 037 |
| FINANCIAL ASSETS FAIR VALUE HEDGING | | | | | | |
| Loans to Norwegian local administrations | 6 323 152 | 6 357 849 | 6 126 751 | 6 159 814 | 6 160 311 | 6 181 146 |
| Total financial assets fair value hedging | 6 323 152 | 6 357 849 | 6 126 751 | 6 159 814 | 6 160 311 | 6 181 146 |
| FINANCIAL ASSETS AMORTIZED COST | | | | | | |
| Loans to and receivables from credit institutions | 711 724 | 711 724 | 454 469 | 454 469 | 847 720 | 847 720 |
| Loans to Norwegian local administrations | 10 236 332 | 10 234 396 | 13 012 370 | 13 008 115 | 10 673 119 | 10 671 959 |
| Total financial assets amortized cost | 10 948 055 | 10 946 120 | 13 466 839 | 13 462 584 | 11 520 839 | 11 519 679 |
| Total financial assets | 20 290 723 | 20 323 485 | 22 756 224 | 22 785 032 | 20 671 187 | 20 690 862 |
| FINANCIAL LIABILITIES FAIR VALUE | | | | | | |
| Financial derivatives | 275 252 | 275 252 | 314 931 | 314 931 | 248 472 | 248 472 |
| Total financial liabilities fair value | 275 252 | 275 252 | 314 931 | 314 931 | 248 472 | 248 472 |
| DEBT TO CREDIT INSTITUTIONS FAIR VALUE HEDGING | | | | | | |
| Covered bonds issued | 4 455 724 | 4 476 617 | 3 464 422 | 3 480 468 | 4 224 558 | 4 439 762 |
| Total financial liabilities fair value hedging | 4 455 724 | 4 476 617 | 3 464 422 | 3 480 468 | 4 224 558 | 4 439 762 |
| DEBT TO FINANCIAL INSTITUTIONS AMORTIZED COST | | | | | | |
| Liabilities to credit institutions | 2 272 459 | 2 272 459 | 2 889 114 | 2 889 114 | 2 442 841 | 2 442 841 |
| Covered bonds issued | 12 569 814 | 12 638 707 | 15 385 210 | 15 458 354 | 12 986 084 | 12 851 673 |
| Total financial liabilities amortized cost | 14 842 273 | 14 911 166 | 18 274 324 | 18 347 468 | 15 428 925 | 15 294 514 |
| Total financial liabilities | 19 573 248 | 19 663 035 | 22 053 677 | 22 142 867 | 19 901 955 | 19 982 748 |

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, the Group uses valuation techniques 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:

Fixed-interest securities - other than government

All Norwegian fixed income securities except government are priced theoretically. A zero coupon curve is used as well as yield spread curves for the pricing. Reuters and Bloomberg are the sources of the curves.

Financial derivatives

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

Fair value of loans to Norwegian local government

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. 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 covered bonds

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 31.03.2014 |
|--|----------|------------------|----------|---------------------|
| ASSETS | | | | |
| Fixed income securities | 0 | 2 797 776 | 0 | 2 797 776 |
| Financial derivatives | 0 | 221 740 | 0 | 221 740 |
| Total financial assets valued at fair value | 0 | 3 019 516 | 0 | 3 019 516 |
| LIABILITIES | | | | |
| Financial derivatives liabilities | 0 | 275 252 | 0 | 275 252 |
| Total financial liabilities at fair value | 0 | 275 252 | 0 | 275 252 |

| NOK thousands | Level 1 | Level 2 | Level 3 | Total 31.03.2013 |
|--|----------|------------------|----------|---------------------|
| ASSETS | | | | |
| Fixed income securities | 0 | 2 945 017 | 0 | 2 945 017 |
| Financial derivatives | 0 | 217 617 | 0 | 217 617 |
| Total financial assets valued at fair value | 0 | 3 162 634 | 0 | 3 162 634 |
| LIABILITIES | | | | |
| Financial derivatives liabilities | 0 | 314 931 | 0 | 314 931 |
| Total financial liabilities at fair value | 0 | 314 931 | 0 | 314 931 |

| NOK thousands | Level 1 | Level 2 | Level 3 | Total 31.12.2013 |
|--|----------|------------------|----------|---------------------|
| ASSETS | | | | |
| Fixed income securities | 0 | 2 794 080 | 0 | 2 794 080 |
| Financial derivatives | 0 | 195 957 | 0 | 195 957 |
| Total financial assets valued at fair value | 0 | 2 990 037 | 0 | 2 990 037 |
| LIABILITIES | | | | |
| Financial derivatives liabilities | 0 | 248 472 | 0 | 248 472 |
| Total financial liabilities at fair value | 0 | 248 472 | 0 | 248 472 |

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 noted in an active market if noted 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 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 paths.

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 SECURITIES LIABILITIES – STOCK EXCHANGE LISTED COVERED BONDS

| NOK thousands ISIN code | Nominal | Currency | Interest | Issued | Due date | Accrued interest | 31.03.2014 Booked value |
|-----------------------------------|-----------|----------|----------|----------|----------|---------------------|----------------------------|
| Covered bonds | | | | | | | |
| N00010585185 | 4 300 000 | NOK | Floating | 15.09.10 | 15.09.15 | 3 798 | 4 303 798 |
| N00010592900 | 750 000 | NOK | Fixed | 15.12.10 | 15.12.20 | 10 114 | 760 114 |
| N00010609795 | 287 000 | NOK | Floating | 20.05.11 | 20.05.14 | 625 | 287 625 |
| N00010624778 | 2 500 000 | NOK | Fixed | 15.09.11 | 15.05.15 | 76 952 | 2 576 952 |
| XS0747335494 | 500 000 | SEK | Floating | 17.02.12 | 17.02.15 | 762 | 434 262 |
| N00010642192 | 1 000 000 | NOK | Floating | 13.04.12 | 13.04.16 | 4 420 | 1 004 420 |
| N00010662307 | 3 000 000 | NOK | Floating | 26.10.12 | 10.11.17 | 8 792 | 3 008 792 |
| N00010663180 | 2 500 000 | NOK | Floating | 15.11.12 | 16.11.16 | 6 032 | 2 506 032 |
| N00010675952 | 1 000 000 | NOK | Fixed | 02.05.13 | 19.05.17 | 20 589 | 1 020 589 |
| N00010675978 | 1 000 000 | NOK | Floating | 15.05.13 | 15.05.18 | 2 449 | 1 002 449 |
| Amortization / value adjustments | | | | | | | 120 505 |
| Total covered bonds issued | | | | | | | 17 025 537 |

| NOK thousands ISIN code | Nominal | Currency | Interest | Issued | Due date | Accrued interest | 31.03.2013 Booked value |
|-----------------------------------|-----------|----------|----------|----------|----------|---------------------|----------------------------|
| Covered bonds | | | | | | | |
| N00010585185 | 4 300 000 | NOK | Floating | 15.09.10 | 15.09.15 | 4 548 | 4 304 548 |
| N00010592892 | 1 053 000 | NOK | Floating | 10.12.10 | 10.12.13 | 1 333 | 1 054 333 |
| N00010592900 | 750 000 | NOK | Fixed | 15.12.10 | 15.12.20 | 10 114 | 760 114 |
| N00010609795 | 3 560 000 | NOK | Floating | 20.05.11 | 20.05.14 | 8 465 | 3 568 465 |
| N00010624778 | 2 500 000 | NOK | Fixed | 15.09.11 | 15.05.15 | 76 952 | 2 576 952 |
| XS0747335494 | 500 000 | SEK | Floating | 17.02.12 | 17.02.15 | 848 | 434 348 |
| N00010642192 | 1 000 000 | NOK | Floating | 13.04.12 | 13.04.16 | 4 855 | 1 004 855 |
| N00010662307 | 3 000 000 | NOK | Floating | 26.10.12 | 10.11.17 | 9 555 | 3 009 555 |
| N00010663180 | 2 000 000 | NOK | Floating | 15.11.12 | 16.11.16 | 5 157 | 2 005 156 |
| Amortization / value adjustments | | | | | | | 131 305 |
| Total covered bonds issued | | | | | | | 18 849 631 |

| NOK thousands ISIN code | Nominal | Currency | Interest | Issued | Due date | Accrued interest | 31.12.2013 Booked value |
|-----------------------------------|-----------|----------|----------|----------|----------|---------------------|----------------------------|
| Covered bonds | | | | | | | |
| 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 |

Note 8 DEBT TO CREDIT INSTITUTIONS

| NOK thousands | Due date | Nominal | Accrued interest | 31.03.2014 Booked value |
|--|------------|-----------|------------------|----------------------------|
| Loan KLP Banken | 16.06.2014 | 2 270 000 | 2 459 | 2 272 459 |
| Total debt to credit institutions | | | | 2 272 459 |

| NOK thousands | Due date | Nominal | Accrued interest | 31.03.2013 Booked value |
|--|------------|-----------|------------------|----------------------------|
| Loan KLP Banken | 17.06.2013 | 2 885 000 | 4 114 | 2 889 114 |
| Total debt to credit institutions | | | | 2 889 114 |

| NOK thousands | Due date | Nominal | Accrued interest | 31.12.2013 Booked value |
|--|------------|-----------|------------------|----------------------------|
| Loan KLP Banken | 17.03.2014 | 2 440 000 | 2 841 | 2 442 841 |
| Total debt to credit institutions | | | | 2 442 841 |

Note 9 PRESENTATION OF ASSETS AND LIABILITIES SUBJECT TO NET SETTLEMENT

| NOK thousands | Gross financial assets/liabilities | Gross assets/liabilities presented net | Booked value | 31.03.2014 Related amounts not presented net | | |
|-----------------------|---------------------------------------|--|-----------------|---|---------------------|----------------|
| | | | | Financial instruments | Security in cash | Net amount |
| ASSETS | | | | | | |
| Financial derivatives | 221 740 | 0 | 221 740 | -148 076 | 0 | 73 664 |
| Total | 221 740 | 0 | 221 740 | -148 076 | 0 | 73 664 |
| LIABILITIES | | | | | | |
| Financial derivatives | 275 252 | 0 | 275 252 | -148 076 | 0 | 127 176 |
| Total | 275 252 | 0 | 275 252 | -148 076 | 0 | 127 176 |

| NOK thousands | Gross financial assets/liabilities | Gross assets/liabilities presented net | Booked value | 31.03.2013 Related amounts not presented net | | |
|-----------------------|---------------------------------------|--|-----------------|---|---------------------|----------------|
| | | | | Financial instruments | Security in cash | Net amount |
| ASSETS | | | | | | |
| Financial derivatives | 217 617 | 0 | 217 617 | -152 513 | 0 | 65 104 |
| Total | 217 617 | 0 | 217 617 | -152 513 | 0 | 65 104 |
| LIABILITIES | | | | | | |
| Financial derivatives | 314 931 | 0 | 314 931 | -152 513 | 0 | 162 418 |
| Total | 314 931 | 0 | 314 931 | -152 513 | 0 | 162 418 |

| NOK thousands | Gross financial assets/liabilities | Gross assets/liabilities presented net | Booked value | 31.12.2013 Related amounts not presented net | | |
|-----------------------|---------------------------------------|--|-----------------|---|---------------------|----------------|
| | | | | Financial instruments | Security in cash | Net amount |
| ASSETS | | | | | | |
| Financial derivatives | 195 957 | 0 | 195 957 | -121 285 | 0 | 74 672 |
| Total | 195 957 | 0 | 195 957 | -121 285 | 0 | 74 672 |
| LIABILITIES | | | | | | |
| Financial derivatives | 248 472 | 0 | 248 472 | -121 285 | 0 | 127 187 |
| Total | 248 472 | 0 | 248 472 | -121 285 | 0 | 127 187 |

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

Note 10 TRANSACTIONS WITH RELATED PARTIES

| NOK thousands | Q1 2014 | Q1 2013 | 2013 |
|---|----------------|----------------|----------------|
| INCOME STATEMENT ITEMS | | | |
| KLP Banken AS, interest on borrowing | -15 224 | -22 026 | -78 638 |
| KLP Banken AS, administrative services (at cost) | -3 431 | -4 432 | -16 018 |
| KLP Kapitalforvaltning AS, fees for services provided | -64 | -98 | -337 |
| TOTAL | -18 719 | -26 556 | -94 993 |

| NOK thousands | 31.03.2014 | 31.03.2013 | 31.12.2013 |
|---|-------------------|-------------------|-------------------|
| FINANCIAL POSITION STATEMENT ITEMS | | | |
| KLP Banken AS, borrowing Group current liabilities | -2 272 459 | -2 889 114 | -2 442 841 |
| KLP Banken AS, net internal liabilities | -3 431 | -4 432 | -3 547 |
| KLP Banken AS, bank clearing system | 14 222 | 33 925 | 8 023 |
| KLP, net internal liabilities | 0 | 0 | -1 |
| KLP Kapitalforvaltning AS, net internal receivables | -64 | -98 | -96 |
| TOTAL | -2 261 732 | -2 859 719 | -2 438 462 |

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

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

Note 11 OTHER ASSETS

| NOK thousands | 31.03.2014 | 31.03.2013 | 31.12.2013 |
|---------------------------|---------------|---------------|---------------|
| Intercompany receivables | 14 222 | 33 925 | 8 023 |
| Prepaid expenses | 652 | 330 | 1 043 |
| Other receivables | 1 866 | 1 164 | 2 768 |
| Total other assets | 16 740 | 35 419 | 11 834 |

Note 12 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

| NOK thousands | 31.03.2014 | 31.03.2013 | 31.12.2013 |
|--|---------------|--------------|--------------|
| Creditors | 110 | 0 | 602 |
| Intercompany liabilities | 3 495 | 4 530 | 3 644 |
| Other liabilities | 6 940 | 1 166 | 2 772 |
| Total other liabilities | 10 545 | 5 696 | 7 018 |
| VAT | 135 | 38 | 138 |
| Accrued costs | 964 | 343 | 1 146 |
| Total accrued costs and liabilities | 1 099 | 381 | 1 285 |

Note 13 CAPITAL ADEQUACY

| NOK thousands | 31.03.2014 | 31.03.2013 | 31.12.2013 |
|--|-----------------------|-----------------------|----------------------------------|
| Share capital and share premium fund | 675 000 | 675 000 | 675 000 |
| Other owners' equity | 26 999 | 25 717 | 70 630 |
| Owners' equity | 701 999 | 700 717 | 745 630 |
| Interim profit/loss | 0 | 0 | 0 |
| Deferred tax asset | 0 | 0 | 0 |
| Core capital | 701 999 | 700 717 | 745 630 |
| Supplementary capital | 0 | 0 | 0 |
| Supplementary capital | 0 | 0 | 0 |
| Total eligible Tier 1 and 2 capital | 701 999 | 700 717 | 745 630 |
| Capital requirement | 318 064 | 352 713 | 319 683 |
| Surplus of Tier 1 and 2 capital | 383 935 | 348 004 | 425 947 |
| CALCULATION BASIS CREDIT RISK | | | |
| Institutions | 234 389 | 166 604 | 250 294 |
| Local and regional authorities | 3 333 700 | 3 869 503 | 3 388 172 |
| Covered bonds | 279 778 | 294 640 | 279 408 |
| Calculation basis credit risk | 3 847 867 | 4 330 747 | 3 917 874 |
| Credit risk | 307 829 | 346 460 | 313 430 |
| Operating risk | 10 235 | 6 253 | 6 253 |
| Total capital requirement assets | 318 064 | 352 713 | 319 683 |
| Core capital adequacy ratio | 17,7 % | 15,9 % | 18,7 % |
| Supplementary capital ratio | 0,0 % | 0,0 % | 0,0 % |
| Capital adequacy ratio | 17,7 % | 15,9 % | 18,7 % |
| | Tier 1 capital | Tier 2 capital | Tier 1 and Tier 2 capital |
| Minimum requirement excl. buffers | 4,5 % | 3,5 % | 8,0 % |
| Protective buffers (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 % |

Basel II regulations have been used in calculating capital adequacy.

Note 14 FIXED INCOME SECURITIES

| NOK thousands | 31.03.2014 | | 31.03.2013 | | 31.12.2013 | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | Acquisition cost | Market value | Acquisition cost | Market value | Acquisition cost | Market value |
| Certificates | 0 | 0 | 100 048 | 100 537 | 0 | 0 |
| Bonds | 2 761 822 | 2 797 776 | 2 798 784 | 2 844 480 | 2 757 669 | 2 794 080 |
| Total interest-bearing securities | 2 761 822 | 2 797 776 | 2 898 832 | 2 945 017 | 2 757 669 | 2 794 080 |

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

Note 15 CONTINGENT LIABILITIES

| NOK thousands | 31.03.2014 | 31.03.2013 | 31.12.2013 |
|--|----------------|----------------|----------------|
| Credit facilities for lending not utilised | 0 | 0 | 0 |
| Promised loans | 155 179 | 121 679 | 130 779 |
| Total contingent liabilities | 155 179 | 121 679 | 130 779 |

Note 16 KEY FIGURES

| Accumulated figures in NOK millions | Q1 2014 | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 |
|---|------------|------------|------------|------------|------------|
| Pre-tax income | 18,8 | 62,0 | 50,5 | 34,8 | 21,1 |
| Net interest income | 20,6 | 92,3 | 70,4 | 48,4 | 23,3 |
| Other operating income | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Other operating costs and depreciation | -5,4 | -22,4 | -16,3 | -10,0 | -5,6 |
| Net realized/unrealized change fin. instruments at fair value | 3,6 | -8,0 | -3,7 | -3,6 | 3,5 |
| Lending with public sector guarantee | 16 559,5 | 16 833,4 | 17 892,8 | 18 676,6 | 19 139,1 |
| Defaulted loans | - | - | - | - | - |
| Borrowing on issuance of securities | 17 025,5 | 17 210,6 | 18 135,1 | 18 652,5 | 18 849,6 |
| Other borrowing | 2 272,5 | 2 442,8 | 2 527,8 | 2 628,0 | 2 889,1 |
| Total assets | 20 307,5 | 20 683,0 | 21 704,5 | 22 325,7 | 22 791,6 |
| Average total assets | 20 495,2 | 22 657,7 | 23 168,4 | 23 479,0 | 23 712,0 |
| Owners' equity | 715,7 | 745,3 | 737,1 | 725,7 | 715,9 |
| Interest net | 0,10 % | 0,41 % | 0,30 % | 0,21 % | 0,10 % |
| Income from ordinary operation before tax | 0,09 % | 0,27 % | 0,22 % | 0,15 % | 0,09 % |
| Income from ordin. operations excl. f.v.assessm'nt before tax | 0,07 % | 0,31 % | 0,23 % | 0,16 % | 0,07 % |
| Return on owners' equity before tax | 2,52 % | 8,84 % | 7,21 % | 4,97 % | 3,01 % |
| Capital adequacy ratio | 17,7 % | 18,7 % | 16,6 % | 16,0 % | 15,9 % |



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