

Interim report

Q1 2015



INCOME STATEMENT

BALANCE SHEET

NOTES

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KLP Kommunekreditt AS

Interim Financial Statements 1/2015

Main features in the first quarter:

- Maintaining healthy margins
- Weaker earnings compared to last year mainly due to financial losses from the liquidity portfolio and re-purchase of own debt
- No losses on lending

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, county administrations, central government or a bank 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 Q1 2015 were NOK 16.9 million. Operating expenses in the same period amounted to NOK 5.2 million. There have not been any losses or loss provisions made on loans. The Company has a pre-tax profit by quarter end of NOK 0.8 million. The corresponding profit in 2014 was NOK 18.8 million. The decrease is mainly due to losses on financial instruments this year.

Lending

The Company's loans to customers as at 31 March 2015 amounted to NOK 16.0 billion compared to NOK 16.6 billion as at 31 March 2014. 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. No new covered bond issues were made in Q1 2015. The Company occasionally restructures the debt portfolio with the purpose of increasing average maturity. Bond restructuring have caused total accounting losses of NOK 2.3 million by quarter end. 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 2015, the bond portfolio's market value was NOK 2.5 billion. The net loss associated with liquidity investments amounted to NOK 8.2 million in Q1 2015.

Capital adequacy

At the end of the first quarter 2015 core capital i.a.w. the capital adequacy rules was NOK 703.3 million. KLP Kommunekreditt AS had a core capital adequacy and capital adequacy ratio of 18.5 per cent at the end of the first quarter 2015. The minimum statutory requirement is 10.0 per cent core capital adequacy ratio and 13.5 per cent capital adequacy ratio.

Income Statement

KLP Kommunekreditt AS

Note	NOK thousands	Q1 2015	Q2 2014	2014
	Interest income	128 764	150 057	588 825
	Interest expense	-111 834	-129 505	-517 168
3	Net interest income	16 931	20 552	71 657
16	Net gain/ (loss) financial instruments	-10 883	3 587	-15 217
	Total other operating income	-10 883	3 587	-15 217
	Other operating expenses	-5 235	-5 354	-19 927
	Total operating expenses	-5 235	-5 354	-19 927
	Operating profit/loss before tax	813	18 785	36 514
	Tax ordinary income	-219	-5 072	-9 859
	Profit for the period	593	13 713	26 655
	Other comprehensive income	0	0	0
	Other comprehensive income for the period	0	0	0
	Comprehensive income for the period	593	13 713	26 655

Balance Sheet

KLP Kommunekreditt AS

Note	NOK thousands	31.03.2015	31.03.2014	31.12.2014
ASSETS				
	Loans to credit institutions	684 527	711 724	444 270
4	Loans to customers	15 951 097	16 559 484	16 338 260
14	Interest-bearing securities	2 454 244	2 797 776	3 076 037
	Financial derivatives	159 834	221 740	158 288
11	Other assets	5 137	16 740	5 498
	TOTAL ASSETS	19 254 838	20 307 463	20 022 354
LIABILITIES AND EQUITY				
LIABILITIES				
8	Debt to credit institutions	2 097 263	2 272 459	2 207 657
7	Debt securities issued	16 006 526	17 025 537	16 642 932
	Financial derivatives	399 832	275 252	420 971
	Deffered tax liabilities	5 554	6 860	16 718
12	Other Liabilities	40 654	10 545	3 982
12	Provision for accrued costs and liabilities	1 112	1 099	1 441
	TOTAL LIABILITIES	18 550 941	19 591 752	19 293 701
EQUITY				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Retained earnings	28 898	40 712	53 653
	TOTAL EQUITY	703 898	715 711	728 653
	TOTAL LIABILITIES AND EQUITY	19 254 838	20 307 463	20 022 354

Statement of changes in equity

KLP Kommunekreditt AS

NOK thousands	Share capital	Share premium	Retained earnings	Total equity
Equity 1 january 2015	362 500	312 500	53 653	728 653
Profit for the period	0	0	593	593
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	593	593
Group contribution received	0	0	4 837	4 837
Group contribution made	0	0	-30 185	-30 185
Total transactions with the owners	0	0	-25 348	-25 348
Equity 31 march 2015	362 500	312 500	28 898	703 898
Equity 1 january 2014	362 500	312 500	70 630	745 630
Profit 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
Group contribution received	0	0	8 500	8 500
Group contribution made	0	0	-52 132	-52 132
Total transactions with the owners	0	0	-43 632	-43 632
Equity 31 march 2014	362 500	312 500	40 712	715 711
Equity 1 january 2014	362 500	312 500	70 630	745 630
Profit for the period	0	0	26 655	26 655
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	26 655	26 655
Group contribution received	0	0	8 500	8 500
Group contribution made	0	0	-52 132	-52 132
Total transactions with the owners	0	0	-43 632	-43 632
Equity 31 december 2014	362 500	312 500	53 653	728 653

NOK thousands	Number of shares	Nominal value in whole NOK	Share premium	Total owners' equity
As at 1 January 2015	3 625 000	100	312 500	675 000
Changes 1 January - 31 march	-	-	0	0
As at 31 march 2015	3 625 000	100	312 500	675 000
Accumulated income				28 898
Owners' equity as at 31 march 2015				703 898

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

Statement of cash flow

KLP Kommunekreditt AS

NOK thousands	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014	2014
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	100 265	114 001	526 170
Net receipts/payments on loans to customers	351 920	290 378	559 178
Payments on operations	-5 212	-5 767	-19 964
Net receipts/payments on other operating activities	3 471	-4 298	12 038
Net interest investment accounts	1 278	1 257	12 116
Income tax paid	0	0	0
Net cash flow from operating activities	451 722	395 571	1 089 538
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-482 167	-316 243	-1 531 983
Receipts on sale of securities	1 094 581	316 356	1 254 965
Receipts of interest from securities	15 808	15 580	64 201
Net cash flow from investment activities	628 222	15 693	-212 817
FINANCING ACTIVITIES			
Net receipts/payments on loans from credit institutions	-742 771	-402 038	-676 233
Net payment of interest on loans	-93 886	-81 666	-527 994
Payment on group contribution	0	-63 906	-63 906
Net cash flows from financing activities	-836 657	-547 610	-1 268 133
Net cash flow during the period	243 287	-136 346	-391 413
Cash and cash equivalents at the start of the period	428 660	820 072	820 072
Cash and cash equivalents at the end of the period	671 947	683 726	428 660
Net receipts/ disbursements (-) of cash	243 287	136 346	-391 411

Notes to the accounts

KLP Kommunekreditt AS

Note 1 GENERAL INFORMATION

KLP Kommunekreditt AS was founded 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.

KLP Kommunekreditt AS is registered and domiciled in Norway. Its head office is at Beddingen 8 in Trondheim. 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 consolidated financial statements of KLP Kommunekreditt AS for the period 1 January 2015 - 31 March 2015.

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

There are no changes in the accounting rules in 2015, which has had an impact on the interim financial statements for the first quarter. The annual report for 2014 contains a more detailed description of accounting policies.

The annual financial statements are available at www.klp.no.

Note 3 NET INTEREST INCOME

NOK thousands	Q1 2015	Q1 2014	2014
Interest on loans to and receivables from credit institutions	1 718	3 508	12 116
Interest on loans to customers	112 045	130 812	513 766
Interest on securities	15 001	15 738	62 943
Total interest income	128 764	150 057	588 825
Interest on covered bonds	98 235	113 386	455 559
Interest on liabilities to KLP Banken AS	13 306	15 224	59 388
Premium/discount on covered bonds	292	895	2 221
Total interest costs	111 834	129 505	517 168
Net interest income	16 931	20 552	71 657

Note 4 LOANS TO CUSTOMERS

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Loans to cutomers before write-downs	15 503 880	16 223 426	15 866 437
Individual write-downs	0	0	0
Write-downs by group	0	0	0
Loans to cutomers after write-downs	15 503 880	16 223 426	15 866 437
Accured interest	102 060	119 495	90 280
Change in fair value due to interest rate changes (fair value hedging)	345 157	216 563	381 544
Loans to customers	15 951 097	16 559 484	16 338 260

All lending comprises loans to, or loans guaranteed by, Norwegian municipalities and county administrations, including loans to local government enterprises and intermunicipal 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	31.03.2015		31.03.2014		31.12.2014	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE						
Fixed-income securities	2 454 244	2 454 244	2 797 776	2 797 776	3 076 037	3 076 037
Financial derivatives	159 834	159 834	221 740	221 740	158 288	158 288
Total financial assets at fair value	2 614 078	2 614 078	3 019 516	3 019 516	3 234 325	3 234 325
FINANCIAL ASSETS AT FAIR VALUE HEDGING						
Loans to Norwegian local administrations	5 973 162	6 013 596	6 323 152	6 357 849	6 066 133	6 111 821
Total financial assets at fair value hedging	5 973 162	6 013 596	6 323 152	6 357 849	6 066 133	6 111 821
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	684 527	684 527	711 724	711 724	444 270	444 270
Loans to Norwegian local administrations	9 977 934	9 968 431	10 236 332	10 234 396	10 272 128	10 262 529
Total financial assets at amortized cost	10 662 462	10 652 959	10 948 055	10 946 120	10 716 398	10 706 799
Total financial assets	19 249 702	19 280 632	20 290 724	20 323 485	20 016 855	20 052 945
FINANCIAL LIABILITIES AT FAIR VALUE						
Financial derivatives	399 832	399 832	275 252	275 252	420 971	420 971
Total financial liabilities at fair value	399 832	399 832	275 252	275 252	420 971	420 971
LIABILITIES TO CREDIT INSTITUTIONS AT FAIR VALUE HEDGING						
Covered bonds issued	2 123 946	2 138 588	4 455 724	4 476 617	2 454 871	2 477 580
Total financial liabilities at fair value hedging	2 123 946	2 138 588	4 455 724	4 476 617	2 454 871	2 477 580
LIABILITIES TO CREDIT INSTITUTIONS AT AMORTIZED COST						
Liabilities to credit institutions	2 097 263	2 097 263	2 272 459	2 272 459	2 207 657	2 207 657
Covered bonds issued	13 882 580	13 914 751	12 569 814	12 638 707	14 188 062	14 251 127
Total financial liabilities at amortized cost	15 979 843	16 012 013	14 842 273	14 911 166	16 395 718	16 458 784
Total financial liabilities	18 503 621	18 550 433	19 573 248	19 663 035	19 271 560	19 357 335

Fair value of investments listed in an active market is based on the current sales price. A financial instrument is considered to be listed in an active market if the listed price is simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length. If the market for the security is not active, or the security is not listed on a stock market or similar, valuation techniques are used to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected 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 - other than government

Norwegian fixed-income securities, except government are priced directly on prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. In theoretical pricing a zero-coupon curve is used as well as yield spread curves 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.

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. 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 31.03.2015
ASSETS				
Interest-bearing securities	2 362 715	91 528	0	2 454 244
Financial derivatives	0	159 834	0	159 834
Total financial assets at fair value	2 362 715	251 362	0	2 614 078
LIABILITIES				
Financial derivatives	0	399 832	0	399 832
Total financial liabilities at fair value	0	399 832	0	399 832

NOK thousands	Level 1	Level 2	Level 3	Total 31.03.2014
ASSETS				
Interest-bearing securities	0	2 797 776	0	2 797 776
Financial derivatives	0	221 740	0	221 740
Total financial assets at fair value	0	3 019 516	0	3 019 516
LIABILITIES				
Financial derivatives	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 31.12.2014
ASSETS				
Interest-bearing securities	0	3 076 037	0	3 076 037
Financial derivatives	0	158 288	0	158 288
Total financial assets at fair value	0	3 234 325	0	3 234 325
LIABILITIES				
Financial derivatives	0	420 971	0	420 971
Total financial liabilities at fair value	0	420 971	0	420 971

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 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 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.

In Q1 2015 interest-bearing securities totaling NOK 2.282.295 are moved from level 2 to level 1 because pricing information from Nordic Bond Pricing AS is used to determine the fair value of these securities.

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS

NOK thousands ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	31.03.2015 Book value
N00010585185	1 300 000	NOK	Variable	15.09.10	15.09.15	976	1 300 976
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	10 114	760 114
N00010624778	215 000	NOK	Fixed	15.09.11	15.05.15	6 618	221 618
N00010642192	560 000	NOK	Variable	13.04.12	13.04.16	2 208	562 208
N00010662307	3 000 000	NOK	Variable	26.10.12	10.11.17	7 417	3 007 417
N00010663180	2 500 000	NOK	Variable	15.11.12	16.11.16	5 133	2 505 133
N00010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	19 541	1 019 541
N00010675978	1 500 000	NOK	Variable	15.05.13	15.05.18	3 135	1 503 135
N00010711419	1 000 000	NOK	Variable	15.05.14	15.05.17	1 882	1 001 882
N00010716780	2 000 000	NOK	Variable	26.08.14	10.12.18	1 882	2 001 882
N00010719974	2 000 000	NOK	Variable	17.09.14	20.12.19	927	2 000 927
Amortization / value adjustments							121 693
Total liabilities issuance of certificate loans and secured bonds							16 006 526

NOK thousands ISIN code	Nominal before repurchase	Currency	Repurchase	Rate	Purchase amount	Profit/loss	Date
REPURCHASE OF DEBT							
N00010624778	542 000	NOK	202 000	100,70	203 414	-1 414	14.01.15
N00010624778	340 000	NOK	125 000	100,46	125 576	-576	23.02.15
N00010642192	860 000	NOK	300 000	100,49	301 470	-1 470	24.02.15
Total repurchased	1 742 000		627 000		630 460	-3 460	

Linked to repurchase of debt, interest rate swaps were realized with a gain of NOK 1.1 million. The total effect on profit/loss of repurchased debt was therefore NOK -2.3 million.

NOK thousands ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	31.03.2014 Book value
N00010585185	4 300 000	NOK	Variable	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	Variable	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	Variable	17.02.12	17.02.15	762	434 262
N00010642192	1 000 000	NOK	Variable	13.04.12	13.04.16	4 420	1 004 420
N00010662307	3 000 000	NOK	Variable	26.10.12	10.11.17	8 792	3 008 792
N00010663180	2 500 000	NOK	Variable	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	Variable	15.05.13	15.05.18	2 449	1 002 449
Amortization / value adjustments							120 505
Total covered bonds issued							17 025 537

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS - CONT.

NOK thousands ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	31.12.2014 Book value
N00010585185	1 300 000	NOK	Variable	15.09.10	15.09.15	1 148	1 301 148
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	1 607	751 607
N00010624778	542 000	NOK	Fixed	15.09.11	15.05.15	12 006	554 006
N00010642192	860 000	NOK	Variable	13.04.12	13.04.16	3 899	863 899
N00010662307	3 000 000	NOK	Variable	26.10.12	10.11.17	8 797	3 008 797
N00010663180	2 500 000	NOK	Variable	15.11.12	16.11.16	6 281	2 506 281
N00010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	13 993	1 013 993
N00010675978	1 500 000	NOK	Variable	15.05.13	15.05.18	3 825	1 503 825
N00010711419	1 000 000	NOK	Variable	15.05.14	15.05.17	2 338	1 002 338
N00010716780	2 000 000	NOK	Variable	26.08.14	10.12.18	2 114	2 002 114
N00010719974	2 000 000	NOK	Variable	17.09.14	20.12.19	933	2 000 933
Amortization / value adjustments							133 991
Total covered bonds issued with preferential rights in public sector loans							16 642 932

NOK thousands ISIN code	Nominal before repurchase	Repurchase	Rate	Purchase amount	Profit/loss	Date
REPURCHASE OF DEBT						
N00010624778	2 500 000	1 441 000	101,66	1 464 916	-23 916	15.05.14
N00010585185	4 300 000	500 000	100,56	502 800	-2 800	25.06.14
N00010585185	3 800 000	1 331 500	100,50	1 338 184	-6 684	26.08.14
N00010585185	3 799 899	165 000	100,50	165 820	-820	28.08.14
N00010585185	3 799 799	570 500	100,46	573 124	-2 624	17.09.14
N00010585185	3 799 699	56 000	100,47	56 262	-262	26.09.14
N00010624778	1 059 000	45 000	101,20	45 540	-540	15.09.14
N00010624778	1 058 899	340 000	101,22	344 138	-4 138	17.09.14
N00010624778	1 058 798	62 000	101,15	62 713	-713	30.09.14
N00010585185	1 677 000	220 000	100,46	221 001	-1 001	03.10.14
N00010585185	1 457 000	116 000	100,45	116 524	-524	06.10.14
N00010585185	1 341 000	41 000	100,39	41 158	-158	20.11.14
N00010624778	612 000	70 000	100,90	70 629	-629	20.11.14
N00010642192	1 000 000	50 000	100,62	50 310	-310	10.10.14
N00010642192	950 000	45 000	100,57	45 257	-257	06.11.14
N00010642192	905 000	45 000	100,62	45 279	-279	07.11.14
Total repurchased	33 118 093	5 098 000		5 143 657	-45 657	

Linked to repurchase of debt, interest rate swaps were realized with a gain of NOK 24.2 million. The total effect on profit/loss of repurchased debt was therefore NOK -21.5 million.

Note 8 LIABILITIES TO CREDIT INSTITUTIONS

NOK thousands	Due date	Nominal	Accrued interest	31.03.2015 Book value
Debt to KLP Banken AS	15.06.15	2 095 000	2 263	2 097 263
Total liabilities to credit institutions				2 097 263

NOK thousands	Due date	Nominal	Accrued interest	31.03.2014 Book value
Debt to KLP Banken AS	16.06.14	2 270 000	2 459	2 272 459
Total liabilities to credit institutions				2 272 459

NOK thousands	Due date	Nominal	Accrued interest	31.12.2014 Book value
Debt to KLP Banken AS	16.03.15	2 155 000	2 646	2 157 646
Debt to KLP Banken AS	16.03.15	50 000	11	50 011
Total liabilities to credit institutions				2 207 657

Note 9 FINANCIAL ASSETS AND LIABILITIES SUBJECT TO NET SETTLEMENT

NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	31.03.2015 Related sums that are not presented net	
					Security in cash	Net recognised
ASSETS						
Financial derivatives	159 834	0	159 834	-159 834	0	0
Total	159 834	0	159 834	-159 834	0	0
LIABILITIES						
Financial derivatives	399 832	0	399 832	-159 834	0	239 998
Total	399 832	0	399 832	-159 834	0	239 998

NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	31.03.2014 Related sums that are not presented net	
					Security in cash	Net recognised
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	Book value	Financial instruments	31.12.2014 Related sums that are not presented net	
					Security in cash	Net recognised
ASSETS						
Financial derivatives	158 288	0	158 288	-158 288	0	0
Total	158 288	0	158 288	-158 288	0	0
LIABILITIES						
Financial derivatives	420 971	0	420 971	-158 288	0	262 683
Total	420 971	0	420 971	-158 288	0	262 683

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

Note 10 TRANSACTIONS WITH RELATED PARTIES

NOK thousands	Q1 2015	Q1 2014	2014
INCOME STATEMENT ITEMS			
KLP Banken AS, interest on borrowing	-13 306	-15 224	-59 388
KLP Banken AS, administrative services (at cost)	-3 545	-3 431	-12 715
KLP Kapitalforvaltning AS, fees for services provided	-109	-64	-314
Total	-16 961	-18 719	-72 418

NOK thousands	31.03.2015	31.03.2014	31.12.2014
FINANCIAL POSITION STATEMENT ITEMS			
KLP Banken AS, borrowing Group current liabilities	-2 097 263	-2 272 459	-2 207 657
KLP Banken AS, net internal liabilities	-14 084	-3 431	-3 647
KLP Banken AS, loan settlement	4 476	14 222	4 441
KLP Bankholding AS, net internal liabilities	-1 424	0	0
KLP, net internal liabilities	-24 807	0	0
KLP Kapitalforvaltning, net internal liabilities	-109	-64	-92
Total	-2 133 211	-2 261 732	-2 206 956

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 11 OTHER ASSETS

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Intercompany receivables	4 476	14 222	4 441
Prepaid expenses	661	652	1 057
Miscellaneous receivables	0	1 866	0
Total	5 137	16 740	5 498

Note 12 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Creditors	9	110	238
Intercompany payables	40 424	3 495	3 740
Other liabilities	221	6 940	4
Total other liabilities	40 654	10 545	3 982
VAT	2	135	220
Accrued expenses	1 111	964	1 220
Total accrued costs and liabilities	1 112	1 099	1 441

Note 13 CAPITAL ADEQUACY

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	28 305	26 999	53 653
Total owners' equity	703 305	701 999	728 653
Interim profit/loss	0	0	0
Deferred tax asset	0	0	0
Core capital/Tier 1 capital	703 305	701 999	728 653
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)	703 305	701 999	728 653
Capital requirement	304 004	318 064	307 281
Surplus of own funds (Tier 1 and Tier 2 capital)	399 301	383 935	421 372
ESTIMATE BASIS CREDIT RISK			
Institutions	169 900	234 389	121 611
Local and regional authorities	3 232 701	3 333 700	3 311 173
Covered bonds	234 240	279 778	285 843
Calculation basis credit risk	3 636 841	3 847 867	3 718 627
Credit risk	290 947	307 829	297 490
Operating risk	13 057	10 235	9 791
Total capital requirement assets	304 004	318 064	307 281
Core capital adequacy ratio	18.5 %	17.7 %	19.0 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	18.5 %	17.7 %	19.0 %

The overall requirements for core tier 1 capital and the capital base are 10 and 13.5 per cent as of 1 July 2014. From 30 June 2015 a counter-cyclical capital buffer of 1 per cent core tier 1 capital will be introduced.

Note 14 FIXED-INCOME SECURITIES

NOK thousands	31.03.2015		31.03.2014		31.12.2014	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	0	0	0	0	105 341	105 924
Bonds	2 431 769	2 454 244	2 761 822	2 797 776	2 935 748	2 970 113
Total fixed-income securities	2 431 769	2 454 244	2 761 822	2 797 776	3 041 089	3 076 037

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

Note 15 CONTINGENT LIABILITIES

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Credit facilities for lending not utilized	201 264	133 179	134 116
Loan promise	113 466	22 000	50 600
Total contingent liabilities	314 730	155 179	184 716

Note 16 NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS

NOK thousands	31.03.2015	31.03.2014	2014
Loss on repurchase of loan	-2 638	0	-21 453
Gain (loss) liquidity portfolio	-8 245	3 587	6 236
Total net gain/loss fin. Instruments	-10 883	3 587	-15 217

Key figures

Accumulated figures in NOK millions	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Pre-tax income	0.8	36.5	32.1	33.9	18.8
Net interest income	16.9	71.7	53.1	37.0	20.6
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost and depreciation	-5.2	-19.9	-13.3	-8.5	-5.4
Net realized/unrealized change fin. Instruments at fair value	-10.9	-15.2	-7.7	5.4	3.6
Lending with public sector guarantee	15 951.1	16 338.3	16 044.9	16 314.0	16 559.5
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	16 006.5	16 642.9	16 209.0	16 222.6	17 025.5
Other borrowing	2 097.3	2 207.7	2 357.6	2 133.3	2 272.5
Total assets	19 254.8	20 022.4	19 855.0	19 438.6	20 307.5
Average total assets	19 638.6	20 351.3	9 927.5	9 719.3	20 495.2
Equity	703.9	728.7	725.4	726.7	715.7
Interest net	0.09 %	0.35 %	0.53 %	0.18 %	0.10 %
Profit/loss from ordinary operation before taxes	0.00 %	0.18 %	0.32 %	0.17 %	0.09 %
Return on equity	0.12 %	5.01 %	4.43 %	4.73 %	2.52 %
Capital adequacy ratio	18.5 %	19.0 %	17.9 %	18.3 %	17.7 %



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