

Interim report

Q1 2016



[INCOME STATEMENT](#)

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KLP Kommunekreditt -

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KLP Kommunekreditt AS

Interim Financial Statements 1/2016

Main features by first quarter end:

- Maintaining healthy margins
- Stronger earnings compared to last year mainly due to financial gains from the liquidity portfolio. Last year, significant losses were brought to book in the same period.
- 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 the first quarter 2016 were NOK 18.9 million. The corresponding figure last year was 16.9 million. Operating expenses in the same period amounted to NOK 4.9 million and 5.2 million last year. There have not been any losses or loss provisions made on loans. The Company has a pre-tax profit by quarter end of NOK 17.2 million. The corresponding profit in 2015 was NOK 0.8 million. The increase is mainly due to gains on financial instruments this year.

Lending

The Company's loans to customers as at 31 March 2016 amounted to NOK 15.8 billion compared to NOK 16.0 billion as at 31 March 2015. 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. Covered bonds totalling NOK 0.6 billion were issued in the first quarter. The Company occasionally restructures the debt portfolio with the purpose of adjusting average maturity. Bond restructuring have caused total accounting costs of NOK 1.2 million by the reporting date. 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. KLP Kommunekreditt AS shall have a liquidity buffer to cover all covered bonds maturing within the next 12 months. The securities comprise of certificates and bonds of high credit quality, principally investments in covered bonds with AAA rating. As at 31 March 2016, the bond portfolio's market value was NOK 3.0 billion. The net gain associated with liquidity investments amounted to NOK 4,5 million in 2016.

Capital adequacy

At the end of the first quarter 2016, core capital i.a.w. the capital adequacy rules was NOK 700.2 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 18.6 per cent at the end of the first quarter 2016. The minimum statutory requirement is 11.0 per cent core capital adequacy ratio and 14.5 per cent capital adequacy ratio.

Income statement

KLP Kommunekreditt AS

Note	NOK thousands	Q1 2016	Q1 2015	2015
	Interest income	110 729	128 764	485 635
	Interest expense	-91 877	-111 834	-415 784
3	Net interest income	18 853	16 930	69 850
16	Net gain/(loss) financial instruments	3 329	-10 883	-29 742
	Total other operating income	3 329	-10 883	-29 742
	Other operating expenses	-4 940	-5 235	-20 502
	Total operating expenses	-4 940	-5 235	-20 502
	Operating profit/loss before tax	17 242	812	19 606
	Tax ordinary income	-4 310	-219	-5 433
	Profit for the period	12 931	593	14 173
	Other comprehensive income	0	0	0
	Other comprehensive income for the period	0	0	0
	COMPREHENSIVE INCOME FOR THE PERIOD	12 931	593	14 173

Balance sheet

KLP Kommunekreditt AS

Note	NOK thousands	31.03.2016	31.03.2015	31.12.2015
ASSETS				
	Loans to credit institutions	256 570	684 527	443 481
4	Loans to customers	15 782 898	15 951 097	15 646 269
14	Interest-bearing securities	2 989 536	2 454 244	3 133 684
	Deferred tax assets	1 746	0	1 746
	Financial derivatives	148 088	159 834	122 900
11	Other assets	4 887	5 137	1 251
	TOTAL ASSETS	19 183 725	19 254 839	19 349 331
LIABILITIES AND EQUITY				
LIABILITIES				
8	Debt to credit institutions	2 832 406	2 097 263	2 181 927
7	Debt securities issued	15 249 380	16 006 526	16 114 897
	Financial derivatives	378 453	399 832	345 305
	Deffered tax liabilities	0	5 554	12 695
12	Other Liabilities	7 767	40 654	4 646
12	Provision for accrued costs and liabilities	877	1 112	646
	TOTAL LIABILITIES	18 468 883	18 550 941	18 660 115
EQUITY				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Retained earnings	39 842	28 898	14 216
	TOTAL EQUITY	714 842	703 898	689 216
	TOTAL LIABILITIES AND EQUITY	19 183 725	19 254 839	19 349 331

Statement of changes in equity

KLP Kommunekreditt AS

NOK thousands	Share capital	Share premium	Retained earnings	Total equity
Equity 1 January 2016	362 500	312 500	14 216	689 216
Profit for the period	0	0	12 931	12 931
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	12 931	12 931
Group contribution received	0	0	47 018	47 018
Group contribution made	0	0	-34 323	-34 323
Total transactions with the owners	0	0	12 695	12 695
Equity 31 March 2016	362 500	312 500	39 842	714 842
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 2015	362 500	312 500	53 653	728 653
Profit for the period	0	0	14 173	14 173
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	14 173	14 173
Dividend paid	0	0	-28 300	-28 300
Group contribution received	0	0	4 980	4 980
Group contribution made	0	0	-30 290	-30 290
Total transactions with the owners	0	0	-53 610	-53 610
Equity 31 December 2015	362 500	312 500	14 216	689 216

Statement of cash flow

KLP Kommunekredit AS

NOK thousands	01.01.2016 -31.03.2016	01.01.2015 -31.03.2015	2015
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	84 172	100 265	450 013
Net receipts / payments on loans to customers	-118 948	351 920	505 434
Payments on operations	-5 529	-5 212	-20 480
Net receipts/payments on other operating activities	2 649	3 471	3 046
Net interest investment accounts	770	1 278	6 703
Income tax paid	0	0	0
Net cash flow from operating activities	-36 885	451 722	944 716
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-201 437	-482 167	-2 355 043
Receipts on sale of securities	353 745	1 094 581	2 266 105
Receipts of interest from securities	9 725	15 808	48 428
Net cash flow from investment activities	162 033	628 222	-40 510
FINANCING ACTIVITIES			
Net receipts / payments on loans from credit institutions	-244 867	-742 771	-466 261
Net payment of interest on loans	-65 031	-93 886	-370 876
Dividend paid	0	0	-28 300
Payment on group contribution	0	0	-36 513
Net cash flows from financing activities	-309 898	-836 657	-901 950
Net cash flow during the period	-184 750	243 287	2 256
Cash and cash equivalents at the start of the period	430 916	428 660	428 660
Cash and cash equivalents at the end of the period	246 166	671 947	430 916
Net receipts / disbursements (-) of cash	-184 750	243 287	2 256

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 whose object is to provide and acquire 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 business is primarily financed by issuing covered bonds (obligasjoner med fortrinnsrett - OMF) with security in public sector guaranteed loans. Some of these are listed on Oslo Børs (Stock Exchange).

KLP Kommunekreditt AS is registered and domiciled in Norway. KLP Kommunekreditt AS has its head office at Beddingen 8 in Trondheim and the Company has departmental offices in Oslo. The Company is a wholly-owned subsidiary of KLP Banken AS, which is in turn wholly owned by Kommunal Landspensjonskasse (KLP) through the holding company, 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 2016 - 31 March 2016. The interim financial statements have not been audited.

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

There are no changes in the accounting principles in 2016 that have been of significance for the interim financial statements following the first quarter. Attention is drawn to KLP Kommunekreditt's annual report for 2015 for detailed description of accounting principles.

The annual report is available at klp.no.

Note 3 NET INTEREST INCOME

NOK thousands	Q1 2016	Q1 2015	2015
Interest on loans to and receivables from credit institutions	1 258	1 718	6 702
Interest on loans to customers	96 395	112 045	430 665
Interest on securities	13 076	15 001	48 267
Total interest income	110 729	128 764	485 634
Interest on covered bonds	81 297	98 235	368 152
Interest on liabilities to KLP Banken AS	10 608	13 306	48 269
Premium/discount on covered bonds	-28	292	-636
Total interest costs	91 877	111 834	415 784
Net interest income	18 853	16 930	69 850

Note 4 LOANS TO CUSTOMERS

NOK thousands	31.03.2016	31.03.2015	31.12.2015
Loans to cutomers before write-downs	15 362 729	15 503 880	15 262 113
Individual write-downs	0	0	0
Write-downs by group	0	0	0
Loans to cutomers after write-downs	15 362 729	15 503 880	15 262 113
Accured interest	83 155	102 060	70 931
Change in fair value due to interest rate changes (fair value hedging)	337 015	345 157	313 225
Loans to customers	15 782 898	15 951 097	15 646 269

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

Note 5 CATEGORIES OF FINANCIAL INSTRUMENTS

NOK thousands	31.03.2016		31.03.2015		31.12.2015	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING						
Fixed-income securities	2 989 536	2 989 536	2 454 244	2 454 244	3 133 684	3 133 684
Total financial assets at fair value held for trading	2 989 536	2 989 536	2 454 244	2 454 244	3 133 684	3 133 684
FINANCIAL ASSETS AT FAIR VALUE USED FOR HEDGING						
Financial derivatives	148 088	148 088	159 834	159 834	122 900	122 900
Lending to Norwegian municipalities	4 812 870	5 085 569	5 973 162	6 013 596	5 558 168	5 526 008
Total financial assets at fair value used for hedging	4 960 958	5 233 657	6 132 996	6 173 430	5 681 068	5 648 908
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	256 570	256 570	684 527	684 527	443 481	443 481
Lending to Norwegian municipalities	10 970 028	10 939 282	9 977 934	9 968 431	10 088 101	10 080 287
Total financial assets at amortized cost	11 226 598	11 195 852	10 662 461	10 652 958	10 531 582	10 523 768
Total financial assets	19 177 092	19 419 044	19 249 701	19 280 632	19 346 334	19 306 361
FINANCIAL LIABILITIES AT FAIR VALUE HEDGING						
Covered bonds issued	2 136 115	2 134 830	2 123 946	2 138 588	1 509 154	1 501 873
Financial derivatives	378 453	378 453	399 832	399 832	345 305	345 305
Total financial liabilities at fair value used for hedging	2 514 567	2 513 283	2 523 778	2 538 420	1 854 459	1 847 177
FINANCIAL LIABILITIES AMORTIZED COST						
Liabilities to credit institutions	2 832 406	2 832 406	2 097 263	2 097 263	2 181 927	2 181 927
Covered bonds issued	13 113 266	13 087 548	13 882 580	13 914 751	14 605 743	14 549 701
Total financial liabilities at amortized cost	15 945 672	15 919 954	15 979 843	16 012 014	16 787 670	16 731 628
Total financial liabilities	18 460 239	18 433 236	18 503 621	18 550 434	18 642 128	18 578 805

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 - 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. The yield curve spreads are received from Norwegian Fund and Asset Management Association. These are based on yield curve spreads collected from several different market operators and converted to an average curve.

Financial derivatives

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

Fair value of loans to Norwegian local administrations.

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 31.03.2016
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	0	2 989 536	0	2 989 536
Financial derivatives	0	148 088	0	148 088
Total financial assets recognized at fair value	0	3 137 624	0	3 137 624
Financial assets recognized at fair value in Note 5:				
Lending to Norwegian municipalities	0	5 085 569	0	5 085 569
Total financial assets at fair value used for hedging	0	5 085 569	0	5 085 569
Loans to and receivables from credit institutions				
Lending to Norwegian municipalities	0	10 939 282	0	10 939 282
Total financial assets at amortized cost	0	11 195 852	0	11 195 852
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	378 453	0	378 453
Total financial derivatives recognized at fair value	0	378 453	0	378 453
Financial liabilities recognized at fair value in Note 5:				
Covered bonds issued	0	2 134 830	0	2 134 830
Total financial liabilities at fair value used for hedging	0	2 134 830	0	2 134 830
Liabilities to credit institutions				
Covered bonds issued	0	13 087 548	0	13 087 548
Total financial liabilities at amortized cost	0	15 919 954	0	15 919 954

NOK thousands	Level 1	Level 2	Level 3	Total 31.03.2015
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	0	2 454 244	0	2 454 244
Financial derivatives	0	159 834	0	159 834
Total financial assets recognized at fair value	0	2 614 078	0	2 614 078
Financial assets recognized at fair value in Note 5:				
Lending to Norwegian municipalities	0	6 013 596	0	6 013 596
Total financial assets at fair value used for hedging	0	6 013 596	0	6 013 596
Loans to and receivables from credit institutions				
Lending to Norwegian municipalities	0	9 968 431	0	9 968 431
Total financial assets at amortized cost	0	10 652 958	0	10 652 958

Note 6 FAIR VALUE HIERARCHY – CONT.

NOK thousands	Level 1	Level 2	Level 3	Total 31.03.2015
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	399 832	0	399 832
Total financial derivatives recognized at fair value	0	399 832	0	399 832
Financial liabilities recognized at fair value in Note 5:				
Covered bonds issued	0	2 138 588	0	2 138 588
Total financial liabilities at fair value used for hedging	0	2 138 588	0	2 138 588
Liabilities to credit institutions				
Covered bonds issued	0	13 914 751	0	13 914 751
Total financial liabilities at amortized cost	0	16 012 014	0	16 012 014

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2015
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	0	3 133 684	0	3 133 684
Financial derivatives	0	122 900	0	122 900
Total financial assets recognized at fair value	0	3 256 584	0	3 256 584
Financial assets recognized at fair value in Note 5:				
Lending to Norwegian municipalities	0	5 526 008	0	5 526 008
Total financial assets at fair value used for hedging	0	5 526 008	0	5 526 008
Loans to and receivables from credit institutions				
Lending to Norwegian municipalities	0	10 080 287	0	10 080 287
Total financial assets at amortized cost	0	10 523 768	0	10 523 768

Note 6 FAIR VALUE HIERARCHY – CONT.

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2015
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	345 305	0	345 305
Total financial derivatives recognized at fair value	0	345 305	0	345 305
Financial liabilities recognized at fair value in Note 5:				
Covered bonds issued	0	1 501 873	0	1 501 873
Total financial liabilities at fair value used for hedging	0	1 501 873	0	1 501 873
Liabilities to credit institutions	0	2 181 927		2 181 927
Covered bonds issued	0	14 549 701	0	14 549 701
Total financial liabilities at amortized cost	0	16 731 628	0	16 731 628

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 has been no movement between the levels.

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS

NOK thousands	31.03.2016	31.03.2015	31.12.2015
Bond debt, nominal amount	15 520 000	15 825 000	16 055 000
Adjustments	119 975	121 693	106 565
Accured interest	44 405	59 833	33 332
Own holdings, nominal amount	-435 000	0	-80 000
Total debt securities issued	15 249 380	16 006 526	16 114 897

CHANGES IN DEBT SECURITIES ISSUED

NOK thousands	Balance sheet 31.03.2016	Issued	Matured/ redeemed	Other adjustments	Balance sheet 31.12.2015
Bond debt, nominal amount	15 520 000	600 000	-1 135 000	0	16 055 000
Adjustments	119 975	0	0	13 410	106 565
Accured interest	44 405	0	0	11 073	33 332
Own holdings, nominal amount	-435 000	0	-355 000	0	-80 000
Total debt securities issued	15 249 380	600 000	-1 490 000	24 483	16 114 897

Note 8 LIABILITIES TO CREDIT INSTITUTIONS

NOK thousands	Due date	Nominal	Accrued interest	31.03.2016 Book value
Debt to KLP Banken AS	15.06.2016	2 100 000	1 914	2 101 914
Debt to KLP Banken AS	15.06.2016	230 000	36	230 036
Debt to KLP Banken AS	15.06.2016	500 000	456	500 456
Total liabilities to credit institutions				2 832 406

NOK thousands	Due date	Nominal	Accrued interest	31.03.2015 Book value
Debt to KLP Banken AS	15.06.2015	2 095 000	2 263	2 097 263
Total liabilities to credit institutions				2 097 263

NOK thousands	Due date	Nominal	Accrued interest	31.12.2015 Book value
Debt to KLP Banken AS	15.03.2016	2 100 000	1 885	2 101 885
Debt to KLP Banken AS	15.03.2016	80 000	42	80 042
Total liabilities to credit institutions				2 181 927

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	Security in cash	31.03.2016
						Related sums that are not presented net Net recognised value
ASSETS						
Financial derivatives	148 088	0	148 088	-148 088	0	0
Total	148 088	0	148 088	-148 088	0	0
LIABILITIES						
Financial derivatives	378 453	0	378 453	-148 088	0	230 365
Total	378 453	0	378 453	-148 088	0	230 365
31.03.2015						
NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Related sums that are not presented net Net recognised value
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
31.12.2015						
NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Related sums that are not presented net Net recognised value
ASSETS						
Financial derivatives	122 900	0	122 900	-122 900	0	0
Total	122 900	0	122 900	-122 900	0	0
LIABILITIES						
Financial derivatives	345 305	0	345 305	-122 900	0	222 405
Total	345 305	0	345 305	-122 900	0	222 405

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 position statement.

Note 10 TRANSACTIONS WITH RELATED PARTIES

NOK thousands	Q1 2016	Q1 2015	2015
INCOME STATEMENT ITEMS			
KLP Banken AS, interest on borrowing	-10 608	-13 306	-48 269
KLP Banken AS, administrative services (at cost)	-3 351	-3 545	-14 168
KLP Kapitalforvaltning AS, fees for services provided	-87	-109	-321
Total	-14 045	-16 960	-62 759

NOK thousands	31.03.2016	31.03.2015	31.12.2015
FINANCIAL POSITION STATEMENT ITEMS			
KLP Banken AS, debt to credit institutions	-2 832 406	-2 097 263	-2 181 927
KLP Banken AS, loan settlement	4 294	4 476	302
Net outstanding accounts to:			
KLP Banken AS	-3 351	-14 084	-4 494
KLP Bankholding AS	0	-1 424	0
KLP	0	-24 807	0
KLP Kapitalforvaltning AS	-87	-109	-79
Total	-2 831 550	-2 133 211	-2 186 198

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	31.03.2016	31.03.2015	31.12.2015
Intercompany receivables	4 294	4 476	302
Prepaid expenses	593	661	949
Total	4 887	5 137	1 251

Note 12 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	31.03.2016	31.03.2015	31.12.2015
Creditors	17	9	69
Intercompany payables	3 437	40 424	4 573
Other liabilities	4 312	221	4
Total other liabilities	7 767	40 654	4 646
VAT	18	2	69
Accrued expenses	859	1 110	577
Total accrued costs and liabilities	877	1 112	646

Note 13 CAPITAL ADEQUACY

NOK thousands	31.03.2016	31.03.2015	31.12.2015
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	26 911	28 305	14 216
Total owners' equity	701 911	703 305	689 216
Interim profit/loss	0	0	0
Deferred tax assets	-1 746	0	-1 746
Core capital / Tier 1 capital	700 165	703 305	687 470
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)	700 165	703 305	687 470
Capital requirement	301 476	304 004	306 812
Surplus of own funds (Tier 1 and Tier 2 capital)	398 689	399 301	380 658
Estimate basis credit risk:			
Institutions	92 772	169 900	122 521
Central government	21 941	0	0
Local and regional authorities	3 330 261	3 232 701	3 320 023
Covered bonds	207 925	234 240	227 784
Calculation basis credit risk	3 652 899	3 636 841	3 670 328
Credit risk	292 232	290 947	293 626
Operating risk	9 045	13 057	13 186
Credit valuation adjustment	199	0	0
Total capital requirement assets	301 476	304 004	306 812
Core capital adequacy ratio	18.6 %	18.5 %	17.9 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	18.6 %	18.5 %	17.9 %
Leverage ratio	3.6 %		3.5 %

Capital requirement per 31.03.2016	Tier 1 capital	Tier 2 capital	Tier 1 and Tier 2 capital
Minimum requirement excl. buffers	4.5 %	3.5 %	8.0 %
Protective buffer	2.5 %	0.0 %	2.5 %
Systemic risk buffer	3.0 %	0.0 %	3.0 %
Counter-cyclical capital buffer	1.0 %	0.0 %	1.0 %
Current capital requirement incl. buffers	11.0 %	3.5 %	14.5 %

Note 14 FIXED-INCOME SECURITIES

NOK thousands	31.03.2016		31.03.2015		31.12.2015	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	745 587	750 917	0	0	745 587	747 238
Bonds	2 229 800	2 238 618	2 431 769	2 454 244	2 385 054	2 386 446
Total fixed-income securities	2 975 387	2 989 536	2 431 769	2 454 244	3 130 641	3 133 684

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

Note 15 CONTINGENT LIABILITIES

NOK thousands	31.03.2016	31.03.2015	31.12.2015
Loan promise	234 977	113 466	196 015
Total contingent liabilities	234 977	113 466	196 015

Note 16 NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS

NOK thousands	Q1 2016	Q1 2015	2015
Net gain/(loss) financial derivatives and realized repurchase of own debt	-1 220	-2 640	-5 051
Net gain/(loss) on fixed-income securities	4 549	-8 245	-27 160
Net gain/(loss) financial derivatives and realized amortization linked to lending	0	1	2 470
Total net gain/(loss) financial instruments	3 329	-10 883	-29 742

QUARTERLY EARNINGS TREND

NOK millions	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Interest income	110.7	114.1	119.4	123.4	128.8
Interest expense	-91.9	-96.3	-102.2	-105.4	-111.8
Net interest income	18.9	17.8	17.2	17.9	16.9
Net gain/(loss) financial instruments	3.3	-5.5	-10.7	-2.7	-10.9
Total other operating income	3.3	-5.5	-10.7	-2.7	-10.9
Other operating expenses	-4.9	-6.6	-4.5	-4.2	-5.2
Total operating expenses	-4.9	-6.6	-4.5	-4.2	-5.2
Operating profit/(loss) before tax	17.2	5.8	1.9	11.1	0.8
Tax ordinary income	-4.3	-1.7	-0.5	-3.0	-0.2
Profit for the period	12.9	4.1	1.4	8.1	0.6

KEY FIGURES

Accumulated figures in NOK millions	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Pre-tax income	17.2	19.6	13.8	11.9	0.8
Net interest income	18.9	69.9	52.0	34.8	16.9
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost and depreciation	-4.9	-20.5	-13.9	-9.4	-5.2
Net realized/unrealized change fin. instruments at fair value	3.3	-29.7	-24.3	-13.6	-10.9
Lending with public sector guarantee	15 782.9	15 646.3	15 807.7	15 591.0	15 951.1
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	15 249.4	16 114.9	14 600.8	15 321.5	16 006.5
Other borrowing	2 832.4	2 181.9	2 021.8	2 207.2	2 097.3
Total assets	19 183.7	19 349.3	17 722.2	18 548.8	19 254.8
Average total assets	19 266.5	19 685.8	18 872.3	19 285.6	19 638.6
Equity	714.8	689.2	685.1	683.7	703.9
Interest net	0.10 %	0.36 %	0.28 %	0.18 %	0.09 %
Profit/loss from ordinary operation before taxes	0.09 %	0.10 %	0.07 %	0.06 %	0.00 %
Return on equity	2.41 %	2.84 %	2.02 %	1.74 %	0.11 %
Capital adequacy ratio	18.6 %	17.9 %	18.8 %	18.6 %	18.5 %
Liquidity coverage ratio (LCR)	579 %	356 %	447 %	0 %	0 %



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