

KLP



Interim report

KLP KOMMUNEKREDITT AS
Q1 2017



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KLP KOMMUNEKREDITT

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Interim Financial Statements

KLP KOMMUNEKREDITT AS
Q1 2017

MAIN FEATURES BY FIRST QUARTER END:

- Stable margins and lending volume
- Earnings in line with Q1 last year
- 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 or central government under Section 50 of the Norwegian Local Government Act. Guarantees are to be of the ordinary surety type covering both repayments and interest. The lending business is primarily financed by issued 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 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 were NOK 18.6 million. The corresponding figure last year was 18.9 million. Operating expenses in the same period amounted to 4.5 million and 4.9 million last year. There have not been any losses or loss provisions made in the loan portfolio. The Company has a pre-tax profit by quarter end of NOK 16.4 million. The corresponding profit in 2016 was NOK 17.2 million. The decrease is mainly due to lower unrealized profits on financial instruments this year.

LENDING

The Company's loans to customers as at 31 March 2017 amounted to NOK 17.3 billion compared to NOK 15.8 billion as at 31 March 2016. 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. New covered bonds issued in the first quarter of 2017 amounted to NOK 0.5 billion while re-purchase of own debt amounted to NOK 0.3 billion. All covered bonds have an AAA-rating. The Company occasionally restructures the debt portfolio with the purpose of

increasing average maturity. Bond restructuring have caused total accounting losses of NOK 0.4 million by quarter end.

LIQUIDITY INVESTMENTS

KLP Kommunekreditt AS has strict rules on what assets may be included in the securities holdings. In addition to loans to the public sector the securities holdings comprise secure bonds as well as deposits in other banks. The securities comprise of certificates and bonds of high credit quality, principally investments in covered bonds with AAA-rating. As at 31 March 2017, the bond portfolios market value was NOK 1.7 billion. The net gain associated with liquidity investments amounted to NOK 2.8 million at quarter end. Last year, a corresponding gain of NOK 4.5 million was brought to book.

RISK AND CAPITAL ADEQUACY

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

At the end of the first quarter 2017, core capital i.a.w. the capital adequacy rules was NOK 741.9 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 19.4 per cent at the end of the first quarter 2017. The minimum statutory requirement is 15.0 per cent capital adequacy ratio.

Income statement

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	Q1 2017	Q1 2016	01.01.2016-31.12.2016
	Interest income	104 845	110 729	437 565
	Interest expense	-86 276	-91 877	-369 530
3	Net interest income	18 569	18 852	68 034
16	Net gain/(loss) financial instruments	2 390	3 329	4 070
	Total other operating income	2 390	3 329	4 070
	Other operating expenses	-4 533	-4 940	-18 906
	Total operating expenses	-4 533	-4 940	-18 906
	Operating profit/loss before tax	16 426	17 241	53 198
	Tax ordinary income	-3 942	-4 310	-13 245
	Profit for the period	12 484	12 931	39 953
	Other comprehensive income	0	0	0
	Other comprehensive income for the period	0	0	0
	Comprehensive income for the period	12 484	12 931	39 953

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	31.03.2017	31.03.2016	31.12.2016
ASSETS				
	Loans to credit institutions	450 153	256 570	414 803
4	Loans to customers	17 281 528	15 782 898	17 245 853
14	Interest-bearing securities	1 258 116	2 989 536	1 723 589
	Deferred tax assets	0	1 746	0
	Financial derivatives	109 785	148 088	107 927
11	Other assets	1 694	4 887	24 060
Total assets		19 101 276	19 183 725	19 516 233
LIABILITIES AND EQUITY				
LIABILITIES				
8	Debt to credit institutions	525 364	2 832 406	1 170 823
7	Debt securities issued	17 572 566	15 249 380	17 342 542
	Financial derivatives	236 125	378 453	240 602
	Deferred tax liabilities	1 310	0	11 499
12	Other Liabilities	10 393	7 767	4 508
12	Provision for accrued costs and liabilities	1 168	877	4 395
Total liabilities		18 346 927	18 468 883	18 774 369
EQUITY				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Other owners' equity	79 348	39 842	66 864
Total equity		754 348	714 842	741 864
Total liabilities and equity		19 101 276	19 183 725	19 516 233

Statement of changes in equity

KLP KOMMUNEKREDITT AS

2017 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2017	362 500	312 500	66 864	741 864
Profit for the period	0	0	12 484	12 484
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	12 484	12 484
Group contribution received	0	0	30 565	30 565
Group contribution made	0	0	-30 565	-30 565
Total transactions with the owners	0	0	0	0
Equity 31 March 2017	362 500	312 500	79 348	754 348

2016 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' 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

2016 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2016	362 500	312 500	14 216	689 216
Profit for the period	0	0	39 953	39 953
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	39 953	39 953
Dividend paid	0	0	0	0
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 December 2016	362 500	312 500	66 864	741 864

Statement of cash flow

KLP KOMMUNEKREDITT AS

NOK THOUSANDS	01.01.2017- 31.03.2017	01.01.2016- 31.03.2016	01.01.2016- 31.12.2016
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	86 346	84 172	386 298
Net receipts/payments on loans to customers	-15 798	-118 948	-1 841 054
Payments on operations	-8 688	-5 529	-14 295
Net receipts/payments on other operating activities	2 009	2 649	4 214
Net interest investment accounts	69	770	572
Income tax paid	0	0	0
Net cash flow from operating activities	63 938	-36 885	-1 464 265
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-174 382	-201 437	-1 754 141
Receipts on sale of securities	642 349	353 745	3 170 907
Receipts of interest from securities	6 338	9 725	48 395
Net cash flow from investment activities	474 305	162 033	1 465 162
FINANCING ACTIVITIES			
Disbursements on loans from credit institutions	-924 912	-844 867	-6 818 669
Receipts on loans from credit institutions	500 000	600 000	7 100 000
Net payment of interest on loans	-66 689	-65 031	-310 334
Payment on group contribution	-10 188	0	0
Net cash flows from financing activities	-501 789	-309 898	-29 003
Net cash flow during the period	36 454	-184 750	-28 106
Cash and cash equivalents at the start of the period	402 810	430 916	430 916
Cash and cash equivalents at the end of the period	439 264	246 166	402 810
Net receipts/ disbursements of cash	36 454	-184 750	-28 106

Notes to the accounts

KLP KOMMUNEKREDITT AS

NOTE 1 General information

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

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

KLP Kommunekreditt AS is registered and domiciled in Norway. 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 interim Financial Statements of KLP Kommunekreditt AS for the period 1 January 2017 – 31 March 2017. 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 2017 that have been of significance for the interim Financial Statements following the first quarter. Attention is drawn to KLP Kommunekreditt's Annual Report for 2016 for detailed description of accounting principles.

NOTE 3 Net interest income

NOK THOUSANDS	01.01.2017- 31.03.2017	01.01.2016- 31.03.2016	01.01.2016- 31.12.2016
Interest on loans to and receivables from credit institutions	974	1 258	4 214
Interest on loans to customers	97 668	96 395	387 482
Interest on securities	6 203	13 076	45 869
Total interest income	104 845	110 729	437 565
Interest on covered bonds	83 312	81 297	332 186
Interest on liabilities to KLP Banken AS	3 331	10 608	37 215
Premium/discount on covered bonds	-368	-28	129
Total interest costs	86 276	91 877	369 530
Net interest income	18 569	18 852	68 034

NOTE 4 Loans to customers

NOK THOUSANDS	31.03.2017	31.03.2016	31.12.2016
Loans to customers before write-downs	17 020 004	15 362 729	16 987 099
Individual write-downs	0	0	0
Write-downs by group	0	0	0
Loans to customers after write-downs	17 020 004	15 362 729	16 987 099
Accrued interest	83 437	83 155	72 115
Change in fair value due to interest rate changes (fair value hedging)	178 086	337 015	186 640
Loans to customers	17 281 528	15 782 898	17 245 853

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	31.03.2017		31.03.2016		31.12.2016	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING						
Fixed-income securities	1 258 116	1 258 116	2 989 536	2 989 536	1 723 589	1 723 589
Total financial assets at fair value held for trading	1 258 116	1 258 116	2 989 536	2 989 536	1 723 589	1 723 589
FINANCIAL ASSETS AT FAIR VALUE USED FOR TRADING						
Financial derivatives	109 785	109 785	148 088	148 088	107 927	107 927
Lending to Norwegian municipalities	5 036 906	5 072 230	4 812 870	5 085 569	5 164 845	5 186 458
Total financial assets at fair value used for hedging	5 146 691	5 182 015	4 960 958	5 233 657	5 272 772	5 294 385
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	450 153	450 153	256 570	256 570	414 803	414 803
Lending to Norwegian municipalities	12 244 622	12 236 906	10 970 028	10 939 282	12 081 008	12 071 700
Total financial assets at amortized cost	12 694 775	12 687 059	11 226 598	11 195 852	12 495 811	12 486 503
Total financial assets	19 099 582	19 127 190	19 177 092	19 419 044	19 492 172	19 504 477
FINANCIAL LIABILITIES AT FAIR VALUE HEDGING						
Covered bonds issued	2 036 915	2 053 852	2 136 115	2 134 830	1 744 658	1 748 349
Financial derivatives	236 125	236 125	378 453	378 453	240 602	240 602
Total financial liabilities at fair value used for hedging	2 273 040	2 289 977	2 514 568	2 513 283	1 985 260	1 988 951
FINANCIAL LIABILITIES AMORTIZED COST						
Liabilities to credit institutions	525 364	525 364	2 832 406	2 832 406	1 170 823	1 170 823
Covered bonds issued	15 535 652	15 600 233	13 113 266	13 087 548	15 597 884	15 980 849
Total financial liabilities at amortized cost	16 061 016	16 125 598	15 945 672	15 919 954	16 768 707	17 151 672
Total financial liabilities	18 334 056	18 415 575	18 460 239	18 433 236	18 753 967	19 140 623

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for on normal market terms and conditions. A financial instrument is considered to be listed in an active market if the listed price is simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length. If the market for the security is not active, or the security is not listed on a stock market or similar, valuation techniques are used to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected yield curves and yield spread curves. As far as possible the estimates are based on externally observable market data and rarely on company-specific information.

THE DIFFERENT FINANCIAL INSTRUMENTS ARE THUS PRICED IN THE FOLLOWING WAY:

Fixed-income securities - government

Bloomberg is used as a source for pricing Norwegian government bonds. It is Oslo Børs (Oslo Stock Exchange) that provides the price (via Bloomberg). The prices are compared with the prices from Reuters to reveal any errors.

Fixed-income securities - other than government

Norwegian fixed-income securities except government are generally priced using prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond.

NOTE 5 Categories of financial instruments - cont.

Nordic Bond Pricing is the main source of spread curves. They provide company-specific curves for Norwegian saving banks, municipalities and energy. Saving banks have various spread curves based on total assets. For companies where Nordic Bond Pricing do not deliver spread curves, the Group uses spread curves from three Norwegian banks. When spread curves are available from more than one of these banks, an equal-weighted average is used.

Financial derivatives

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

Fair value of loans to Norwegian local administrations.

Fair value of lending without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates. Fair value of fixed rate loans is

calculated by discounting contractual cash flows by the marked rate including a relevant risk margin on the reporting date.

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

31.03.2017 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	49 956	1 208 160	0	1 258 116
Financial derivatives	0	109 785	0	109 785
Total financial assets recognized at fair value	49 956	1 317 945	0	1 367 901
Financial assets recognized at fair value in Note 5:				
Lending to Norwegian municipalities	0	5 072 230	0	5 072 230
Total financial assets at fair value used for hedging	0	5 072 230	0	5 072 230
Loans to and receivables from credit institutions				
Lending to Norwegian municipalities	0	12 236 906	0	12 236 906
Total financial assets at amortized cost	0	12 687 059	0	12 687 059
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	236 125	0	236 125
Total financial derivatives recognized at fair value	0	236 125	0	236 125
Financial liabilities recognized at fair value in Note 5:				
Covered bonds issued	0	2 053 852	0	2 053 852
Total financial liabilities at fair value used for hedging	0	2 053 852	0	2 053 852
Liabilities to credit institutions				
Covered bonds issued	0	15 600 233	0	15 600 233
Total financial liabilities at amortized cost	0	16 125 598	0	16 125 598
31.03.2016 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
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

NOTE 6 Fair value hierarchy - cont.

31.03.2016 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
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	0	2 832 406	0	2 832 406
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
31.12.2016 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	49 884	1 673 705	0	1 723 589
Financial derivatives	0	107 927	0	107 927
Total financial assets recognized at fair value	49 884	1 781 632	0	1 831 516
Financial assets recognized at fair value in Note 5:				
Lending to Norwegian municipalities	0	5 186 458	0	5 186 458
Total financial assets at fair value used for hedging	0	5 186 458	0	5 186 458
Loans to and receivables from credit institutions	0	414 803	0	414 803
Lending to Norwegian municipalities	0	12 071 700	0	12 071 700
Total financial assets at amortized cost	0	12 486 503	0	12 486 503
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	240 602	0	240 602
Total financial derivatives recognized at fair value	0	240 602	0	240 602
Financial liabilities recognized at fair value in Note 5:				
Covered bonds issued	0	1 748 349	0	1 748 349
Total financial liabilities at fair value used for hedging	0	1 748 349	0	1 748 349
Liabilities to credit institutions	0	1 170 823	0	1 170 823
Covered bonds issued	0	15 980 849	0	15 980 849
Total financial liabilities at amortized cost	0	17 151 672	0	17 151 672

NOTE 6 Fair value hierarchy - cont.

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 and certificates

NOK THOUSANDS	31.03.2017	31.03.2016	31.12.2016
Bond debt, nominal amount	18 949 000	15 520 000	19 985 000
Adjustments	66 691	119 975	67 646
Accured interest	52 875	44 405	44 896
Own holdings, nominal amount	-1 496 000	-435 000	-2 755 000
Total debt securities issued	17 572 566	15 249 380	17 342 542

Interest rate on borrowings through the issuance of securities at the reporting date

1,45% 1,42% 1,52%

The interest rate is calculated as a weighted average of the act/360 basis. It includes interest rate effects and amortization costs.

Changes in debt securities issued

NOK THOUSANDS	Balance sheet 31.03.2017	Issued	Matured / Redeemed	Other adjust- ments	Balance sheet 31.12.2016
Bond debt, nominal amount	18 949 000	500 000	-1 536 000	0	19 985 000
Adjustments	66 691	0	0	-955	67 646
Accured interest	52 875	0	0	7 979	44 896
Own holdings, nominal amount	-1 496 000	0	1 259 000	0	-2 755 000
Total debt securities issued	17 572 566	500 000	-277 000	7 024	17 342 542

NOTE 8 Liabilities to credit institutions

31.03.2017 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.06.2018	525 000	364	525 364
Total liabilities to credit institutions				525 364

Interest rate on debt to credit institutions at the reporting date

1,47%

The interest rate is calculated as a weighted average of the act/360 basis.

31.03.2016 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	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

Interest rate on debt to credit institutions at the reporting date

1,93%

The interest rate is calculated as a weighted average of the act/360 basis.

31.12.2016 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.03.2018	990 000	697	990 697
Debt to KLP Banken AS	15.03.2018	180 000	127	180 127
Total liabilities to credit institutions				1 170 823

Interest rate on debt to credit institutions at the reporting date

1,49%

The interest rate is calculated as a weighted average of the act/360 basis.

NOTE 9 Financial assets and liabilities subject to net settlement

31.03.2017 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/liabilites	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised vaulue
ASSETS						
Financial derivatives	109 785	0	109 785	-109 785	0	0
Total	109 785	0	109 785	-109 785	0	0
LIABILITIES						
Financial derivatives	236 125	0	236 125	-109 785	0	126 340
Total	236 125	0	236 125	-109 785	0	126 340

31.03.2016 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/liabilites	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised vaulue
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

31.12.2016 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/liabilites	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised vaulue
ASSETS						
Financial derivatives	107 927	0	107 927	-107 927	0	0
Total	107 927	0	107 927	-107 927	0	0
LIABILITIES						
Financial derivatives	240 602	0	240 602	-107 927	0	132 675
Total	240 602	0	240 602	-107 927	0	132 675

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	01.01.2017- 31.03.2017	01.01.2016- 31.03.2016	01.01.2016- 31.12.2016
INCOME STATEMENT ITEMS			
KLP Banken AS, interest on borrowing	-3 331	-10 608	-37 215
KLP Banken AS, administrative services (at cost)	-3 485	-3 351	-12 830
KLP Kapitalforvaltning AS, fees for services provided	-83	-87	-341
Total	-6 899	-14 045	-50 386

NOK THOUSANDS	31.03.2017	31.03.2016	31.12.2016
FINANCIAL POSITION STATEMENT ITEMS			
KLP Banken AS, debt to credit institutions	-525 364	-2 832 406	-1 170 823
KLP Banken AS, loan settlement	1 694	4 294	24 060
Net outstanding accounts to:			
KLP Banken AS	-3 485	-3 351	-4 018
KLP Kapitalforvaltning AS	-83	-87	-92
Total	-527 238	-2 831 550	-1 150 873

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	31.03.2017	31.03.2016	31.12.2016
Intercompany receivables	1 694	4 294	24 060
Prepaid expenses	0	593	0
Total	1 694	4 887	24 060

NOTE 12 Other liabilities and provision for accrued costs

NOK THOUSANDS	31.03.2017	31.03.2016	31.12.2016
Creditors	0	17	394
Intercompany payables	3 568	3 437	4 110
Other liabilities	6 825	4 313	4
Total other liabilities	10 393	7 767	4 508
VAT	0	18	264
Accrued expenses	1 168	859	4 131
Total accrued costs and liabilities	1 168	877	4 395

NOTE 13 Capital adequacy

NOK THOUSANDS	31.03.2017	31.03.2016	31.12.2016
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	66 864	26 911	66 864
Total owners' equity	741 864	701 911	741 864
Interim profit/loss	0	0	0
Deferred tax asset	0	-1 746	0
Core capital/Tier 1 capital	741 864	700 165	741 864
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)	741 864	700 165	741 864
Capital requirement	305 812	301 476	310 430
Surplus of own funds (Tier 1 and Tier 2 capital)	436 052	398 689	431 434
ESTIMATE BASIS CREDIT RISK:			
Institutions	111 750	92 772	117 712
Central government	0	21 941	0
Local and regional authorities	3 493 100	3 330 261	3 491 045
Covered bonds	110 161	207 925	156 780
Calculation basis credit risk	3 715 011	3 652 899	3 765 537
Credit risk	297 201	292 232	301 243
Operating risk	8 433	9 045	9 045
Credit valuation adjustment	179	199	142
Total capital requirement assets	305 812	301 476	310 430
Core capital adequacy ratio	19.4 %	18.6 %	19.1 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	19.4 %	18.6 %	19.1 %
Leverage ratio	3.8 %	3.6 %	3.8 %

CAPITAL REQUIREMENT PER 31.03.2017	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	1.5 %	0.0 %	1.5 %
Current capital requirement incl. buffers	11.5 %	3.5 %	15.0 %

NOTE 14 Fixed-income securities

NOK THOUSANDS	31.03.2017		31.03.2016		31.12.2016	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	49 883	49 956	745 587	750 917	49 883	49 884
Bonds	1 192 583	1 208 160	2 229 800	2 238 618	1 659 544	1 673 705
Total fixed-income securities	1 242 466	1 258 116	2 975 387	2 989 536	1 709 427	1 723 589

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

NOTE 15 Contingent liabilities

NOK THOUSANDS	31.03.2017	31.03.2016	31.12.2016
Loan promise	149 083	234 977	206 936
Total contingent liabilities	149 083	234 977	206 936

NOTE 16 Net gain/(loss) on financial instruments

NOK THOUSANDS	01.01.2017- 31.03.2017	01.01.2016- 31.03.2016	01.01.2016- 31.12.2016
Net gain/(loss) financial derivatives and realized repurchase of own debt	-438	-1 220	-13 118
Net gain/(loss) on fixed-income securities	2 828	4 549	15 320
Net gain/(loss) financial derivatives and realized amortization linked to lending	0	0	1 867
Total net gain/(loss) financial instruments	2 390	3 329	4 070

Quarterly earnings trend

NOK MILLIONS	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Interest income	104.8	107.9	109.9	109.0	110.7
Interest expense	-86.3	-93.8	-92.7	-91.2	-91.9
Net interest income	18.6	14.1	17.3	17.8	18.8
Net gain/ (loss) financial instruments	2.4	-6.8	2.5	5.1	3.3
Total other operating income	2.4	-6.8	2.5	5.1	3.3
Other operating expenses	-4.5	-6.1	-3.7	-4.1	-4.9
Total operating expenses	-4.5	-6.1	-3.7	-4.1	-4.9
Operating profit/loss before tax	16.4	1.2	16.0	18.8	17.2
Tax ordinary income	-3.9	-0.3	-4.0	-4.7	-4.3
Profit for the period	12.5	0.9	12.0	14.1	12.9

Key figures - accumulated

NOK MILLIONS	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016
Pre-tax income	16.4	53.2	52.0	36.0	17.2
Net interest income	18.6	68.0	53.9	36.7	18.9
Other operating income	-	-	-	-	-
Other operating cost and depreciation	-4.5	-18.9	-12.8	-9.1	-4.9
Net realized/unrealized change fin. Instruments at fair value	2.4	4.1	10.9	8.4	3.3
Lending with public sector guarantee	17 281.5	17 245.9	17 336.3	16 047.5	15 782.9
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	17 572.6	17 342.5	17 737.7	16 833.0	15 249.4
Other borrowing	525.4	1 170.8	1 621.4	2 041.7	2 832.4
Total assets	19 101.3	19 516.2	20 426.4	19 971.9	19 183.7
Average total assets	19 308.8	19 432.8	19 887.9	19 660.6	19 266.5
Equity	754.3	741.9	740.9	728.9	714.8
Interest net	0.10 %	0.35 %	0.27 %	0.19 %	0.10 %
Profit/loss from ordinary operation before taxes	0.09 %	0.27 %	0.26 %	0.18 %	0.09 %
Return on equity	8.86 %	7.72 %	10.06 %	10.45 %	9.98 %
Capital adequacy ratio	19.4 %	19.1 %	18.3 %	17.8 %	18.6 %
Liquidity coverage ratio (LCR)	731 %	1356 %	270 %	279 %	579 %



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