



# Interim Financial Statements

KLP KOMMUNEKREDITT AS  
Q1 2018



# Table of contents

KLP KOMMUNEKREDITT AS

INTERIM FINANCIAL STATEMENTS	3
STATEMENTS	1
INTERIM FINANCIAL STATEMENTS	3
INCOME STATEMENT	4
BALANCE SHEET	5
STATEMENT OF CHANGES IN EQUITY	6
STATEMENT OF CASH FLOW	7
NOTES TO THE ACCOUNTS	8
— <b>Note 1</b> General information	8
— <b>Note 3</b> Net interest income	9
— <b>Note 4</b> Loans to customers	9
— <b>Note 5</b> Categories of financial instruments	10
— <b>Note 6</b> Fair value hierarchy	12
— <b>Note 7</b> Securities liabilities - stock exchange listed covered bonds and certificates	13
— <b>Note 8</b> Liabilities to credit institutions	13
— <b>Note 9</b> Financial assets and liabilities subject to net settlement	14
— <b>Note 10</b> Transactions with related parties	15
— <b>Note 11</b> Other assets	15
— <b>Note 12</b> Other liabilities and provision for accrued costs	15
— <b>Note 13</b> Capital adequacy	16
— <b>Note 14</b> Fixed-income securities	17
— <b>Note 15</b> Contingent liabilities	17
— <b>Note 16</b> Net gain/(loss) on financial instruments	17
— <b>Note 17</b> Losses on lending	17
— Quarterly earnings trend	18
— Key figures - accumulated	18

# Interim Financial Statements

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## MAIN FEATURES BY FIRST QUARTER END:

- Stable operating income and reduced operating costs
- Repurchase of own issues causes decrease in profits
- 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 the central government under Section 50 of the Norwegian Local Government Act. Guarantees are to be of the ordinary surety type covering both repayments and interest. The lending business is principally funded with covered bonds issued.

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

## INCOME STATEMENT

Net interest and credit commission revenues in the first quarter were NOK 18.8 million compared to NOK 18.6 million in 2017. Income effects of financial instruments as at the first quarter amounts to a loss of NOK 4.1 million, compared to a profit of NOK 2.4 million last year. Operating expenses in the same period amounted to 4.5 million compared to NOK 4.5 million the year before. The Company has not had any credit losses last quarter, but due to the transition to IFRS 9 loan loss provisions of NOK 2000 were recognized in the income statement. The Company has a pre-tax profit by quarter end of NOK 10.2 million. The corresponding profit in 2017 was NOK 16.4 million. The decrease in profits is mainly due to the loss on financial instruments caused by repurchase of own issues.

## LENDING

The Company's loans to customers as at 31 March 2018 amounted to NOK 16.1 billion compared to NOK 17.3 billion as at 31 March 2017. 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. There are no new covered bond issues in the first quarter, while repurchase of own debt amounted to NOK 1.1 billion. All covered bonds have AAA rating. The Company occasionally

restructures the debt portfolio with the purpose of increasing average maturity. This may cause both gain and loss. Bond restructuring have caused total accounting losses of NOK 5.2 million by quarter end. The corresponding figure the year before was a loss of NOK 0.4 million.

## 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 2018, the bond portfolio's market value was NOK 1.5 billion. The net gain associated with market value changes in liquidity investments amounted to NOK 1.2 million by quarter end. Last year, a corresponding gain of NOK 2.8 million was brought to book.

## RISK AND CAPITAL ADEQUACY

KLP Kommunekreditt AS 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 responsible 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 high credit quality requirements and in securities in accordance with Board-approved credit lines.

At the end of the first quarter 2018, core capital i.a.w. the capital adequacy rules was NOK 719.3 million. Loans to municipalities and county administrations are risk-weighted 20 per cent in accordance with the authorities' capital adequacy regulations. KLP Kommunekreditt AS had a core capital adequacy and capital adequacy ratio of 20.2 per cent at the end of the first quarter. The minimum statutory requirement is 15.5 per cent capital adequacy ratio. Leverage ratio was 4.0 per cent, the minimum statutory requirement is 3 per cent.

# Income statement

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	Q1 2018	Q1 2017	01.01.2017 -31.12.2017
	Interest income	91 713	104 845	403 726
	Interest expense	-72 876	-86 276	-321 590
<b>3</b>	<b>Net interest income</b>	<b>18 837</b>	<b>18 569</b>	<b>82 135</b>
16	Net gain/(loss) financial instruments	-4 050	2 390	-5 006
	<b>Total other operating income</b>	<b>-4 050</b>	<b>2 390</b>	<b>-5 006</b>
	Other operating expenses	-4 549	-4 533	-17 251
	Net loan losses	2	0	0
	<b>Total operating expenses</b>	<b>-4 547</b>	<b>-4 533</b>	<b>-17 251</b>
	<b>Operating profit/loss before tax</b>	<b>10 239</b>	<b>16 426</b>	<b>59 878</b>
	Tax ordinary income	-2 355	-3 942	-14 303
	<b>Profit for the period</b>	<b>7 884</b>	<b>12 484</b>	<b>45 575</b>
	Other comprehensive income	0	0	0
	<b>Other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Comprehensive income for the period</b>	<b>7 884</b>	<b>12 484</b>	<b>45 575</b>

# Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
<b>ASSETS</b>				
	Loans to credit institutions	242 458	450 153	489 485
4	Loans to customers	16 090 880	17 281 528	16 321 451
14	Interest-bearing securities	1 540 120	1 258 116	1 436 406
	Financial derivatives	91 274	109 785	87 847
11	Other assets	826	1 694	3 503
<b>Total assets</b>		<b>17 965 558</b>	<b>19 101 276</b>	<b>18 338 692</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
8	Debt to credit institutions	275 160	525 364	275 170
7	Debt securities issued	16 803 721	17 572 566	17 148 732
	Financial derivatives	152 257	236 125	176 243
	Deferred tax liabilities	1 563	1 310	1 563
12	Other Liabilities	3 650	10 393	15 712
12	Provision for accrued costs and liabilities	505	1 168	332
<b>Total liabilities</b>		<b>17 236 855</b>	<b>18 346 927</b>	<b>17 617 753</b>
<b>EQUITY</b>				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Other owners' equity	45 818	66 864	45 939
	Unallocated profit/loss	7 884	12 484	0
<b>Total equity</b>		<b>728 702</b>	<b>754 348</b>	<b>720 939</b>
<b>Total liabilities and equity</b>		<b>17 965 558</b>	<b>19 101 276</b>	<b>18 338 692</b>

# Statement of changes in equity

## KLP KOMMUNEKREDITT AS

2018 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners equity
Equity 31 December 2017	362 500	312 500	45 939	720 939
Changes in accounting principles (IFRS 9)	0	0	-121	-121
<b>Equity 1 January 2018</b>	<b>362 500</b>	<b>312 500</b>	<b>45 818</b>	<b>720 818</b>
Profit for the period	0	0	7 884	7 884
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>7 884</b>	<b>7 884</b>
Group contribution received	0	0	44 491	44 491
Group contribution made	0	0	-44 491	-44 491
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity 31 March 2018</b>	<b>362 500</b>	<b>312 500</b>	<b>53 702</b>	<b>728 702</b>

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
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>12 484</b>	<b>12 484</b>
Group contribution received	0	0	30 565	30 565
Group contribution made	0	0	-30 565	-30 565
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity 31 March 2017</b>	<b>362 500</b>	<b>312 500</b>	<b>79 348</b>	<b>754 348</b>

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	45 575	45 575
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>45 575</b>	<b>45 575</b>
Dividend paid	0	0	-66 500	-66 500
Group contribution received	0	0	30 565	30 565
Group contribution made	0	0	-30 565	-30 565
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>-66 500</b>	<b>-66 500</b>
<b>Equity 31 December 2017</b>	<b>362 500</b>	<b>312 500</b>	<b>45 939</b>	<b>720 939</b>

# Statement of cash flow

KLP KOMMUNEKREDITT AS

NOK THOUSANDS	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017
<b>OPERATING ACTIVITIES</b>			
Payments received from customers - interest, commission & charges	74 566	86 346	383 175
Disbursements on loans customers & credit institutions	-23 593	-221 255	-788 790
Receipts on loans customers & credit institutions	204 775	205 457	1 598 555
Payments on operations	-4 736	-8 688	-24 131
Net receipts/payments on other operating activities	7 143	2 009	1 160
Net interest investment accounts	45	69	4 282
Income tax paid	0	0	0
<b>Net cash flow from operating activities</b>	<b>258 200</b>	<b>63 938</b>	<b>1 174 251</b>
<b>INVESTMENT ACTIVITIES</b>			
Payments on the purchase of securities	-528 165	-174 382	-943 836
Receipts on sale of securities	426 706	642 349	1 228 843
Receipts of interest from securities	4 024	6 338	23 698
<b>Net cash flow from investment activities</b>	<b>-97 435</b>	<b>474 305</b>	<b>308 705</b>
<b>FINANCING ACTIVITIES</b>			
Receipts on loans from credit institutions	537 000	482 000	3 517 000
Disbursements on loans from credit institutions	-2 399	-647 912	-1 039 193
Expense of interest of loans	-869 000	-259 000	-3 525 000
Net payment of interest on loans	-53 241	-66 689	-283 233
Dividend paid	0	0	-66 500
Payment on group contribution	-14 050	-10 188	-10 188
<b>Net cash flows from financing activities</b>	<b>-401 690</b>	<b>-501 789</b>	<b>-1 407 114</b>
<b>Net cash flow during the period</b>	<b>-240 925</b>	<b>36 454</b>	<b>75 842</b>
Cash and cash equivalents at the start of the period	478 652	402 810	402 810
Cash and cash equivalents at the end of the period	237 727	439 264	478 652
<b>Net receipts/ disbursements (-) of cash</b>	<b>-240 925</b>	<b>36 454</b>	<b>75 842</b>

# 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, and the company has a branch office in Dronning Eufemiasgate 10 in Oslo.

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

### NOTE 2 Accounting principles

The interim report includes the interim Financial Statements of KLP Kommunekreditt AS for the period 1 January 2018 – 31 March 2018. The interim Financial Statements has not been audited.

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

Apart from the introduction of IFRS 9, as described below, the accounting policies of KLP Kommunekreditt used in the interim financial statements are consistent with the annual accounts for 2017.

The company applied the IFRS 9 Financial Instruments Act on January 1, 2018. In KLP Kommunekreditt's annual report for 2017, the consequences of the implementation have been described, and it is referred to this for further information. The annual report is available at [klp.no](http://klp.no). IFRS 9 does not require recasting of comparative figures from previous periods, and the entity has thus chosen not to revise these.



**NOTE 3** Net interest income

NOK THOUSANDS	Q1 2018	
	Profit and Loss	Other comprehensive income
Interest on financial assets to amortised cost and fair value through profit and loss (hedging)	85 993	0
Interest on financial assets for fair value through profit and loss	5 720	0
<b>Total interest income</b>	<b>91 713</b>	<b>0</b>
Interest on financial assets to amortised cost and fair value through profit and loss (hedging)	-61 856	0
Interest on financial assets for fair value through profit and loss	-11 020	0
<b>Total interest costs</b>	<b>-72 876</b>	<b>0</b>
<b>Net interest income</b>	<b>18 837</b>	<b>0</b>

**NOTE 4** Loans to customers

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
Loans to customers before write-downs	15 930 543	17 020 004	16 116 995
Provisions and write-downs	-156	0	0
<b>Loans to customers after write-downs</b>	<b>15 930 387</b>	<b>17 020 004</b>	<b>16 116 995</b>
Accrued interest	76 041	83 437	65 700
Change in fair value due to interest rate changes (fair value hedging)	84 452	178 086	138 756
<b>Loans to customers</b>	<b>16 090 880</b>	<b>17 281 528</b>	<b>16 321 451</b>

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	31.03.2018		01.01.2018	
	Capitalized value	Fair value	Capitalized value	Fair value
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS</b>				
Fixed-income securities	1 540 120	1 540 120	1 436 406	1 436 406
Financial derivatives	91 274	91 274	87 847	87 847
<b>Total financial assets at fair value through profit and loss</b>	<b>1 631 394</b>	<b>1 631 394</b>	<b>1 524 253</b>	<b>1 524 253</b>
<b>FINANCIAL ASSETS FAIR VALUE HEDGING</b>				
Lending to Norwegian municipalities	4 181 130	4 233 462	4 355 849	4 396 440
<b>Total financial assets fair value hedging</b>	<b>4 181 130</b>	<b>4 233 462</b>	<b>4 355 849</b>	<b>4 396 440</b>
<b>FINANCIAL ASSETS AT AMORTIZED COST</b>				
Loans to and receivables from credit institutions	242 458	242 458	489 485	489 485
Lending to Norwegian municipalities	11 909 750	11 909 729	11 965 445	11 961 596
<b>Total financial assets at amortized cost</b>	<b>12 152 208</b>	<b>12 152 187</b>	<b>12 454 930</b>	<b>12 451 081</b>
<b>Total financial assets</b>	<b>17 964 732</b>	<b>18 017 043</b>	<b>18 335 032</b>	<b>18 371 774</b>
<b>FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS</b>				
Financial derivatives	152 257	152 257	176 243	176 243
<b>Total financial liabilities at fair value through profit and loss</b>	<b>152 257</b>	<b>152 257</b>	<b>176 243</b>	<b>176 243</b>
<b>FINANCIAL LIABILITIES FAIR VALUE HEDGING</b>				
Covered bonds issued	1 903 982	1 928 782	1 921 041	1 945 028
<b>Total financial liabilities fair value hedging</b>	<b>1 903 982</b>	<b>1 928 782</b>	<b>1 921 041</b>	<b>1 945 028</b>
<b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>				
Liabilities to credit institutions	275 160	275 160	275 170	275 170
Covered bonds issued	14 899 739	14 993 171	15 227 691	15 314 224
<b>Total financial liabilities at amortized cost</b>	<b>15 174 899</b>	<b>15 268 331</b>	<b>15 502 861</b>	<b>15 589 394</b>
<b>Total financial liabilities</b>	<b>17 231 138</b>	<b>17 349 370</b>	<b>17 600 145</b>	<b>17 710 665</b>

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. In 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

**NOTE 5** Categories of financial instruments continues

credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the mainsource of spread curves. They provide company-specific curves for Norwegian saving banks, municipalities and energy. Saving banks have various spread curves based on total assets. For companies where Nordic Bond Pricing do not deliver spread curves, the Group use spread curves from three Norwegian banks. When spread curves are available from more than one of these banks, an equal-weighted average is used.

**Financial derivatives**

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

**Fair value of loans to Norwegian local administrations.**

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

market interest rates. Fair value of fixed rate loans is calculated by discounting contractual cash flows by the marked rate including a relevant risk margin on the reporting date.

**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

31.03.2018 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	19 979	1 520 141	0	1 540 120
Financial derivatives	0	91 274	0	91 274
<b>Total assets at fair value</b>	<b>19 979</b>	<b>1 611 415</b>	<b>0</b>	<b>1 631 394</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives (liabilities)	0	152 257	0	152 257
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>152 257</b>	<b>0</b>	<b>152 257</b>
31.03.2017 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	49 956	1 208 160	0	1 258 116
Financial derivatives	0	109 785	0	109 785
<b>Total assets at fair value</b>	<b>49 956</b>	<b>1 317 945</b>	<b>0</b>	<b>1 367 901</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives (liabilities)	0	236 125	0	236 125
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>236 125</b>	<b>0</b>	<b>236 125</b>
31.12.2017 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	19 985	1 416 421	0	1 436 406
Financial derivatives	0	87 847	0	87 847
<b>Total assets at fair value</b>	<b>19 985</b>	<b>1 504 268</b>	<b>0</b>	<b>1 524 253</b>
<b>LIABILITIES BOOKED AT FAIR VALUE</b>				
Financial derivatives (liabilities)	0	176 243	0	176 243
<b>Total financial liabilities at fair value</b>	<b>0</b>	<b>176 243</b>	<b>0</b>	<b>176 243</b>

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

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

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
Bond debt, nominal amount	17 733 000	18 949 000	17 946 000
Adjustments	34 746	66 691	61 593
Accrued interest	54 975	52 875	41 139
Own holdings, nominal amount	-1 019 000	-1 496 000	-900 000
<b>Total debt securities issued</b>	<b>16 803 721</b>	<b>17 572 566</b>	<b>17 148 732</b>

Interest rate on borrowings through the issuance of securities at the reporting date: 1.35% 1.45% 1.24%

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

NOK THOUSANDS	Balance sheet 31.12.2017	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.03.2018
Bond debt, nominal amount	17 946 000	0	-213 000	0	17 733 000
Adjustments	61 593	0	0	-26 847	34 746
Accrued interest	41 139	0	0	13 836	54 975
Own holdings, nominal amount	-900 000	0	-119 000	0	-1 019 000
<b>Total debt securities issued</b>	<b>17 148 732</b>	<b>0</b>	<b>-332 000</b>	<b>-13 011</b>	<b>16 803 721</b>

**NOTE 8** Liabilities to credit institutions

31.03.2018 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	17.06.2019	275 000	160	275 160
<b>Total liabilities to credit institutions</b>				<b>275 160</b>

Interest rate on debt to credit institutions at the reporting date: 1.23%

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

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

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.

31.12.2017 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.03.2019	275 000	170	275 170
<b>Total liabilities to credit institutions</b>				<b>275 170</b>

Interest rate on debt to credit institutions at the reporting date: 1.31%

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

**NOTE 9** Financial assets and liabilities subject to net settlement

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

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

31.12.2017 NOK THOUSANDS	Gross financial assets/liabilities	Gross assets/ liabilities presented net	Book value	Related sums that are not presented net		
				Financial instruments	Security in cash	Net recognised value
<b>ASSETS</b>						
Financial derivatives	87 847	0	87 847	-87 847	0	0
<b>Total</b>	<b>87 847</b>	<b>0</b>	<b>87 847</b>	<b>-87 847</b>	<b>0</b>	<b>0</b>
<b>LIABILITIES</b>						
Financial derivatives	176 243	0	176 243	-87 847	0	88 396
<b>Total</b>	<b>176 243</b>	<b>0</b>	<b>176 243</b>	<b>-87 847</b>	<b>0</b>	<b>88 396</b>

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	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017
KLP Banken AS, interest on borrowing	879	3 331	7 303
KLP Banken AS, administrative services (at cost)	3 550	3 485	14 392
KLP Kapitalforvaltning AS, fees for services provided	45	83	211

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
<b>BALANCES</b>			
KLP Banken AS, debt to credit institutions	-275 160	-525 364	-275 170
KLP Banken AS, loan settlement	826	1 694	3 503
Net outstanding accounts to:			
KLP Banken AS	-1 105	-3 485	-1 296
KLP Kapitalforvaltning AS	-45	-83	-261

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	31.03.2018	31.03.2017	31.12.2017
Intercompany receivables	826	1 694	3 503
<b>Total</b>	<b>826</b>	<b>1 694</b>	<b>3 503</b>

**NOTE 12** Other liabilities and provision for accrued costs

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
Creditors	146	0	102
Intercompany payables	1 150	3 568	1 558
Tax payable	0	0	14 050
Other liabilities	2 354	6 825	3
<b>Total other liabilities</b>	<b>3 650</b>	<b>10 393</b>	<b>15 712</b>
VAT	0	0	23
Accrued expenses	505	1 168	309
<b>Total accrued costs and liabilities</b>	<b>505</b>	<b>1 168</b>	<b>332</b>

**NOTE 13** Capital adequacy

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	45 818	66 864	45 939
<b>Total owners' equity</b>	<b>720 818</b>	<b>741 864</b>	<b>720 939</b>
Interim Profit qualifying for tier 1 capital	0	0	0
Adjustments due to requirements for proper valuation	-1 540	0	-1 436
Deferred tax asset	0	0	0
<b>Core capital/Tier 1 capital</b>	<b>719 278</b>	<b>741 864</b>	<b>719 503</b>
Supplementary capital/Tier 2 capital	0	0	0
<b>Supplementary capital/Tier 2 capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total eligible own funds (Tier 1 and Tier 2 capital)	719 278	741 864	719 503
Capital requirement	284 407	305 813	292 090
<b>Surplus of own funds (Tier 1 and Tier 2 capital)</b>	<b>434 871</b>	<b>436 051</b>	<b>427 413</b>
<b>ESTIMATE BASIS CREDIT RISK:</b>			
Institutions	66 911	111 750	116 167
Local and regional authorities	3 238 886	3 493 100	3 296 369
Covered bonds	141 659	110 161	131 301
<b>Calculation basis credit risk</b>	<b>3 447 456</b>	<b>3 715 011</b>	<b>3 543 837</b>
Credit risk	275 796	297 201	283 507
Operating risk	8 467	8 433	8 433
Credit valuation adjustment	144	179	150
<b>Total capital requirement assets</b>	<b>284 407</b>	<b>305 813</b>	<b>292 090</b>
Core capital adequacy ratio	20.2 %	19.4 %	19.7 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
<b>Capital adequacy ratio</b>	<b>20.2 %</b>	<b>19.4 %</b>	<b>19.7 %</b>
<b>Leverage ratio</b>	<b>4.0 %</b>	<b>3.8 %</b>	<b>3.9 %</b>

CAPITAL REQUIREMENT PER 31.03.2018	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	2.0 %	0.0 %	2.0 %
<b>Current capital requirement incl. buffers</b>	<b>12.0 %</b>	<b>3.5 %</b>	<b>15.5 %</b>
<b>Capital requirement leverage ratio</b>	<b>3.0 %</b>	<b>0.0 %</b>	<b>3.0 %</b>



**NOTE 14** Fixed-income securities

NOK THOUSANDS	31.03.2018		31.03.2017		31.12.2017	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	19 979	19 979	49 883	49 956	19 992	19 985
Bonds	1 506 507	1 520 141	1 192 583	1 208 160	1 403 325	1 416 421
<b>Total fixed-income securities</b>	<b>1 526 486</b>	<b>1 540 120</b>	<b>1 242 466</b>	<b>1 258 116</b>	<b>1 423 317</b>	<b>1 436 406</b>

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

**NOTE 15** Contingent liabilities

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
Loan promise	105 855	149 083	113 972
<b>Total contingent liabilities</b>	<b>105 855</b>	<b>149 083</b>	<b>113 972</b>

**NOTE 16** Net gain/(loss) on financial instruments

NOK THOUSANDS	Q1 2018	
	Profit and Loss	Other comprehensive income
Net gain/(loss) on financial assets at fair value through profit and loss	24 295	0
Net gain/(loss) on financial assets and liabilities, hedge accounting	-23 131	0
Net gain/(loss) assets at amortised cost	-5 214	0
<b>Total</b>	<b>-4 050</b>	<b>0</b>

**NOTE 17** Losses on lending

NOK THOUSANDS	12-month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL credit-impaired	Total
	Expected credit loss step 1	Expected credit loss step 2	Expected credit loss step 3	Total
Opening balance 01.01.2018	154	0	0	154
Transfers to step 1	0	0	0	0
Transfers to step 2	0	0	0	0
Transfers to step 3	0	0	0	0
Net changes	-1	0	0	-1
New losses	6	0	0	6
Derecognised loss	-3	0	0	-3
<b>Closing balance 31.03.2018</b>	<b>156</b>	<b>0</b>	<b>0</b>	<b>156</b>

## Quarterly earnings trend

NOK MILLIONS	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Interest income	91.7	94.8	101.0	103.1	104.8
Interest expense	-72.9	-74.0	-79.2	-82.2	-86.3
<b>Net interest income</b>	<b>18.8</b>	<b>20.8</b>	<b>21.8</b>	<b>20.9</b>	<b>18.5</b>
Net gain/ (loss) financial instruments	-4.1	-3.0	-3.4	-1.0	2.4
<b>Total other operating income</b>	<b>-4.1</b>	<b>-3.0</b>	<b>-3.4</b>	<b>-1.0</b>	<b>2.4</b>
Other operating expenses	-4.5	-4.4	-3.7	-4.6	-4.5
<b>Total operating expenses</b>	<b>-4.5</b>	<b>-4.4</b>	<b>-3.7</b>	<b>-4.6</b>	<b>-4.5</b>
<b>Operating profit/loss before tax</b>	<b>10.2</b>	<b>13.4</b>	<b>14.7</b>	<b>15.4</b>	<b>16.4</b>
Tax ordinary income	-2.4	-3.2	-3.5	-3.7	-3.9
<b>Profit for the period</b>	<b>7.9</b>	<b>10.3</b>	<b>11.2</b>	<b>11.7</b>	<b>12.5</b>

## Key figures - accumulated

NOK MILLIONS	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Pre-tax income	10.2	59.9	46.5	31.8	16.4
Net interest income	18.8	82.1	61.3	39.5	18.6
Other operating income	-	-	-	-	-
Other operating cost and depreciation	-4.5	-17.3	-12.8	-9.1	-4.5
Net realized/unrealized change fin. Instruments at fair value	-4.1	-5.0	-2.0	1.4	2.4
Lending with public sector guarantee	16 090.9	16 321.5	17 015.3	17 165.9	17 281.5
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	16 803.7	17 148.7	17 435.8	17 894.2	17 572.6
Other borrowing	275.2	275.2	425.2	425.3	525.4
Total assets	17 965.6	18 338.7	18 805.5	19 315.5	19 101.3
Average total assets	18 152.1	18 927.5	19 160.9	19 415.9	19 308.8
Equity	728.7	720.9	710.7	766.0	754.3
Interest net	0.10 %	0.43 %	0.32 %	0.20 %	0.10 %
Profit/loss from ordinary operation before taxes	0.06 %	0.32 %	0.24 %	0.16 %	0.08 %
Return on equity	5.68 %	8.07 %	8.09 %	8.30 %	8.56 %
Capital adequacy ratio	20.2 %	19.7 %	19.0 %	19.9 %	19.4 %
Liquidity coverage ratio (LCR)	338 %	396 %	348 %	266 %	731 %



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