



Interim Financial Statements

KLP KOMMUNEKREDITT AS
4/2016



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KLP KOMMUNEKREDITT

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Interim Financial Statements

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MAIN FEATURES BY FOURTH QUARTER END:

- Lending volume growth and stable margins
- Improved earnings compared to last year mainly due to financial gains from the liquidity portfolio
- 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 issuing 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 2016 were NOK 68.0 million. The corresponding figure last year was 69.9 million. Operating expenses in the same period amounted to 18.9 million and 20.5 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 53.2 million. The corresponding profit in 2015 was NOK 19.6 million. The increase is mainly due to gains on financial instruments this year.

LENDING

The Company's loans to customers as at 31 December 2016 amounted to NOK 17.2 billion compared to NOK 15.6 billion as at 31 December 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. New covered bond and tap issues in 2016 amounted to NOK 7.1 billion while re-purchase of own debt amounted to NOK 4.9 billion. The Company occasionally restructures the debt

portfolio with the purpose of increasing average maturity. Bond restructuring have caused total accounting losses of NOK 13.1 million by quarter end. All covered bonds have an AAA rating.

LIQUIDITY INVESTMENTS

KLP Kommunekreditt AS has strict rules on what assets may be included in the securities holdings. In addition to loans to the public sector the securities holdings comprise secure bonds as well as deposits in other banks. The securities comprise of certificates and bonds of high credit quality, principally investments in covered bonds with AAA rating. As at 31 December 2016, the bond portfolio's market value was NOK 1.7 billion. The net gain associated with liquidity investments amounted to NOK 15.3 million by 31 December 2016. Last year, a corresponding loss of NOK 27.2 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 responsible long-term financing and limits have been established to ensure 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 fourth 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 18.0 per cent at the end of the fourth quarter 2016. The minimum statutory requirement is 15.0 per cent capital adequacy ratio.

Income statement

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	Q4 2016	Q4 2015	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
	Interest income	107 899	114 123	437 565	485 635
	Interest expense	-93 779	-96 320	-369 530	-415 784
3	Net interest income	14 120	17 803	68 035	69 850
16	Net gain/(loss) financial instruments	-6 808	-5 462	4 070	-29 742
	Total other operating income	-6 808	-5 462	4 070	-29 742
	Other operating expenses	-6 101	-6 557	-18 906	-20 502
	Total operating expenses	-6 101	-6 557	-18 906	-20 502
	Operating profit/loss before tax	1 210	5 784	53 198	19 606
	Tax ordinary income	-303	-1 662	-13 300	-5 433
	Profit for the period	908	4 122	39 899	14 173
	Other comprehensive income	0	0	0	0
	Other comprehensive income for the period	0	0	0	0
	Comprehensive income for the period	908	4 122	39 899	14 173

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	31.12.2016	31.12.2015
ASSETS			
	Loans to credit institutions	414 803	443 481
4	Loans to customers	17 245 853	15 646 269
14	Interest-bearing securities	1 723 589	3 133 684
	Deferred tax assets	1 746	1 746
	Financial derivatives	107 927	122 900
11	Other assets	24 060	1 251
Total assets		19 517 980	19 349 331
LIABILITIES AND EQUITY			
LIABILITIES			
8	Debt to credit institutions	1 170 823	2 181 927
7	Debt securities issued	17 342 542	16 114 897
	Financial derivatives	240 602	345 305
	Deffered tax liabilities	0	12 695
12	Other Liabilities	17 807	4 646
12	Provision for accrued costs and liabilities	4 395	646
Total liabilities		18 776 170	18 660 115
EQUITY			
	Share capital	362 500	362 500
	Share premium	312 500	312 500
	Retained earnings	66 809	14 216
Total equity		741 809	689 216
Total liabilities and equity		19 517 980	19 349 331

Statement of changes in equity

KLP KOMMUNEKREDITT AS

2016 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	39 899	39 899
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	39 899	39 899
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	66 809	741 809

2015 NOK THOUSANDS	Share capital	Share premium	Retained earnings	Total equity
Equity 1 January 2015	362 500	312 500	53 653	728 653
Profit for the period	0	0	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 KOMMUNEKREDITT AS

NOK THOUSANDS	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
OPERATING ACTIVITIES		
Payments received from customers - interest, commission & charges	386 298	450 013
Net receipts/payments on loans to customers	-1 841 054	505 434
Payments on operations	-14 295	-20 480
Net receipts/payments on other operating activities	4 214	3 046
Net interest investment accounts	572	6 703
Income tax paid	0	0
Net cash flow from operating activities	-1 464 265	944 716
INVESTMENT ACTIVITIES		
Payments on the purchase of securities	-1 754 141	-2 355 043
Receipts on sale of securities	3 170 907	2 266 105
Receipts of interest from securities	48 395	48 428
Net cash flow from investment activities	1 465 162	-40 510
FINANCING ACTIVITIES		
Net receipts/payments on loans from credit institutions	281 331	-466 261
Net payment of interest on loans	-310 334	-370 876
Dividend paid	0	-28 300
Payment on group contribution	0	-36 513
Net cash flows from financing activities	-29 003	-901 950
Net cash flow during the period	-28 106	2 256
Cash and cash equivalents at the start of the period	430 916	428 660
Cash and cash equivalents at the end of the period	402 810	430 916
Net receipts/ disbursements (-) of cash	-28 106	2 256

Notes to the financial statements

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 av these loans are listed on Oslo Børs (Stock Exchange).

KLP Kommunekreditt AS is registered and domiciled in Norway. It's 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 2016 – 31 December 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 4th quarter. Attention is drawn to KLP Kommunekreditt's Annual Report for 2015 for detailed description of accounting principles

NOTE 3 Net interest income

NOK THOUSANDS	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Interest on loans to and receivables from credit institutions	4 214	6 702
Interest on loans to customers	387 482	430 665
Interest on securities	45 869	48 267
Total interest income	437 565	485 634
Interest on covered bonds	332 186	368 152
Interest on liabilities to KLP Banken AS	37 215	48 269
Premium/discount on covered bonds	129	-636
Total interest costs	369 530	415 784
Net interest income	68 035	69 850

NOTE 4 Loans to customers

NOK THOUSANDS	31.12.2016	31.12.2015
Loans to cutomers before write-downs	16 987 099	15 262 113
Individual write-downs	0	0
Write-downs by group	0	0
Loans to cutomers after write-downs	16 987 099	15 262 113
Accured interest	72 115	70 931
Change in fair value due to interest rate changes (fair value hedging)	186 640	313 225
Loans to customers	17 245 853	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	31.12.2016		31.12.2015	
	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING				
Fixed-income securities	1 723 589	1 723 589	3 133 684	3 133 684
Total financial assets at fair value held for trading	1 723 589	1 723 589	3 133 684	3 133 684
FINANCIAL ASSETS AT FAIR VALUE USED FOR TRADING				
Financial derivatives	107 927	107 927	122 900	122 900
Lending to Norwegian municipalities	5 164 845	5 186 458	5 558 168	5 526 008
Total financial assets at fair value used for hedging	5 272 772	5 294 385	5 681 068	5 648 908
FINANCIAL ASSETS AT AMORTIZED COST				
Loans to and receivables from credit institutions	414 803	414 803	443 481	443 481
Lending to Norwegian municipalities	12 081 008	12 071 700	10 088 101	10 080 287
Total financial assets at amortized cost	12 495 811	12 486 503	10 531 582	10 523 768
Total financial assets	19 492 173	19 504 478	19 346 334	19 306 361
FINANCIAL LIABILITIES AT FAIR VALUE HEDGING				
Covered bonds issued	1 744 658	1 748 349	1 509 154	1 501 873
Financial derivatives	240 602	240 602	345 305	345 305
Total financial liabilities at fair value used for hedging	1 985 260	1 988 952	1 854 459	1 847 177
FINANCIAL LIABILITIES AMORTIZED COST				
Liabilities to credit institutions	1 170 823	1 170 823	2 181 927	2 181 927
Covered bonds issued	15 597 884	15 980 849	14 605 743	14 549 701
Total financial liabilities at amortized cost	16 768 708	17 151 672	16 787 670	16 731 628
Total financial liabilities	18 753 967	19 140 624	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 - government**

Bloomberg is used as a source for pricing Norwegian government bonds. It is Oslo Børs (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 priced directly on 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. Nordic Bond Pricing is the main source of spread curves.

NOTE 5 Categories of financial instruments - cont.**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 fixedrate 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

31.12.2016 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				
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				
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

31.12.2015 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
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.

31.12.2015 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
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	0	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 and certificates

NOK THOUSANDS	31.12.2016	31.12.2015
Bond debt, nominal amount	19 985 000	16 055 000
Adjustments	67 646	106 565
Accured interest	44 896	33 332
Own holdings, nominal amount	-2 755 000	-80 000
Total debt securities issued	17 342 542	16 114 897

Changes in debt securities issued

NOK THOUSANDS	Balance sheet 31.12.2016	Issued	Matured / Redeemed	Other adjustments	Balance sheet 31.12.2015
Bond debt, nominal amount	19 985 000	7 100 000	-3 170 000	0	16 055 000
Adjustments	67 646	0	0	-38 919	106 565
Accured interest	44 896	0	0	11 564	33 332
Own holdings, nominal amount	-2 755 000	0	-2 675 000	0	-80 000
Total debt securities issued	17 342 542	7 100 000	-5 845 000	-27 355	16 114 897

NOTE 8 Liabilities to credit institutions

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

31.12.2015 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.03.2018	2 100 000	1 885	2 101 885
Debt to KLP Banken AS	15.03.2018	80 000	42	80 042
Total liabilities to credit institutions				2 181 927

NOTE 9 Financial assets and liabilities subject net settlement

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	240 603	0	240 603	-107 927	0	132 675
Total	240 603	0	240 603	-107 927	0	132 675

31.12.2015 NOK THOUSANDS				Related sums that are not presented net		
	GROSS FINANCIAL ASSETS/ LIABILITES	GROSS ASSETS/ LIABILITIES PRESENTED NET	BOOK VALUEI	FINANCIAL INSTRUMENTS	SECURITY IN CASH	NET RECOGNISED VAULUE
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	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
INCOME STATEMENT ITEMS		
KLP Banken AS, interest on borrowing	-37 215	-48 269
KLP Banken AS, administrative services (at cost)	-12 830	-14 168
KLP Kapitalforvaltning AS, fees for services provided	-341	-321
Total	-50 386	-62 759

NOK THOUSANDS	31.12.2016	31.12.2015
FINANCIAL POSITION STATEMENT ITEMS		
KLP Banken AS, debt to credit institutions	-1 170 823	-2 181 927
KLP Banken AS, loan settlement	24 060	302
Net outstanding accounts to:		
KLP Banken AS	-4 018	-4 494
KLP Kapitalforvaltning AS	-92	-79
Total	-1 150 873	-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	31.12.2016	31.12.2015
Intercompany receivables	24 060	302
Prepaid expenses	0	949
Total	24 060	1 251

NOTE 12 Other liabilities and provision for accrued costs

NOK THOUSANDS	31.12.2016	31.12.2015
Creditors	394	69
Intercompany payables	4 110	4 573
Other liabilities	13 303	4
Total other liabilities	17 807	4 646
VAT	264	69
Accrued expenses	4 131	577
Total accrued costs and liabilities	4 395	646

NOTE 13 Capital adequacy

NOK THOUSANDS	31.12.2016	31.12.2015
Share capital and share premium fund	675 000	675 000
Other owners' equity	26 911	14 216
Total owners' equity	701 911	689 216
Interim profit/loss	0	0
Deferred tax asset	-1 746	-1 746
Core capital/Tier 1 capital	700 165	687 470
Supplementary capital/Tier 2 capital	0	0
Supplementary capital/Tier 2 capital	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	700 165	687 470
Capital requirement	310 430	306 812
Surplus of own funds (Tier 1 and Tier 2 capital)	389 735	380 658
ESTIMATE BASIS CREDIT RISK:		
Institutions	117 712	122 521
Local and regional authorities	3 491 045	3 320 023
Covered bonds	156 780	227 784
Calculation basis credit risk	3 765 537	3 670 328
Credit risk	301 243	293 626
Operating risk	9 045	13 186
Credit valuation adjustment	142	0
Total capital requirement assets	310 430	306 812
Core capital adequacy ratio	18.0 %	17.9 %
Supplementary capital ratio	0.0 %	0.0 %
Capital adequacy ratio	18.0 %	17.9 %
Leverage ratio	3.5 %	3.5 %

CAPITAL REQUIREMENT PER 31.12.2016	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	1.5 %	0.0 %	1.5 %
Current capital requirement incl. buffers	11.5 %	3.5 %	15.0 %

NOTE 14 Fixed-income securities

NOK THOUSANDS	31.12.2016		31.12.2015	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	49 883	49 884	745 587	747 238
Bonds	1 659 544	1 673 705	2 385 054	2 386 446
Total fixed-income securities	1 709 427	1 723 589	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	31.12.2016	31.12.2015
Loan promise	206 936	196 015
Total contingent liabilities	206 936	196 015

NOTE 16 Net gain/(loss) on financial instruments

NOK THOUSANDS	01.01.2016- 31.12.2016	01.01.2015- 31.12.2015
Net gain/(loss) financial derivatives and realized repurchase of own debt	-13 118	-5 051
Net gain/(loss) on fixed-income securities	15 320	-27 160
Net gain/(loss) financial derivatives and realized amortization linked to lending	1 867	2 470
Total net gain/(loss) financial instruments	4 070	-29 742

Quarterly earnings trend

NOK MILLIONS	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Interest income	107.9	109.9	109.0	110.7	114.1
Interest expense	-93.8	-92.7	-91.2	-91.9	-96.3
Net interest income	14.1	17.3	17.8	18.8	17.8
Net gain/ (loss) financial instruments	-6.8	2.5	5.1	3.3	-5.5
Total other operating income	-6.8	2.5	5.1	3.3	-5.5
Other operating expenses	-6.1	-3.7	-4.1	-4.9	-6.6
Total operating expenses	-6.1	-3.7	-4.1	-4.9	-6.6
Operating profit/loss before tax	1.2	16.0	18.8	17.2	5.8
Tax ordinary income	-0.3	-4.0	-4.7	-4.3	-1.7
Profit for the period	0.9	12.0	14.1	12.9	4.1

Key figures - accumulated

NOK MILLIONS	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Pre-tax income	53.2	52.0	36.0	17.2	19.6
Net interest income	68.0	53.9	36.7	18.9	69.9
Other operating income	-	-	-	-	-
Other operating cost and depreciation	-18.9	-12.8	-9.1	-4.9	-20.5
Net realized/unrealized change fin. Instruments at fair value	4.1	10.9	8.4	3.3	-29.7
Lending with public sector guarantee	17 245.9	17 336.3	16 047.5	15 782.9	15 646.3
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	17 342.5	17 737.7	16 833.0	15 249.4	16 114.9
Other borrowing	1 170.8	1 621.4	2 041.7	2 832.4	2 181.9
Total assets	19 518.0	20 426.4	19 971.9	19 183.7	19 349.3
Average total assets	19 433.7	19 887.9	19 660.6	19 266.5	19 685.8
Equity	741.8	740.9	728.9	714.8	689.2
Interest net	0.35%	0.27%	0.19%	0.10%	0.36%
Profit/loss from ordinary operation before taxes	0.27%	0.26%	0.18%	0.09%	0.10%
Return on equity	7.72%	10.06%	10.45%	9.98%	2.93%
Capital adequacy ratio	18.0 %	18.3 %	17.8 %	18.6 %	17.9 %
Liquidity coverage ratio (LCR)	1356%	270%	279%	579%	356%



KLP KOMMUNEKREDITT AS

Beddingen 8, 7042 Trondheim

VATIN: 994 526 944

VISITOR ADDRESS

Trondheim: Beddingen 8

Oslo: Dronning Eufemias gate 10

klpbanken.no

Tel: 05554

Fax: 73 53 38 39

klpkommunekreditt@klp.no