



Interim report

KLP KOMMUNEKREDITT AS
Q4 2017




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Interim Financial Statements

KLP KOMMUNEKREDITT AS
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MAIN FEATURES BY FOURTH QUARTER END:

- Stable operating income and reduced operating costs
- Reduced earnings on financial instruments
- 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 2017 were NOK 82.1 million compared to NOK 68.0 million in 2016. Income effects of financial instruments as at fourth quarter amounts to a loss of NOK 5.0 million, compared to a profit of NOK 4.1 million last year. Operating expenses in the same period amounted to 17.3 million compared to NOK 18.9 million the year before. There have not been any losses or loss provisions made on loans. The Company has a pre-tax profit in 2017 of NOK 59.9 million. The corresponding profit in 2016 was NOK 53.2 million. The increase in net interest income and reduced operating costs has thus compensated the loss on financial instruments. The pre-tax profit for fourth quarter 2017 isolated was NOK 20.9 million compared to NOK 14.1 million for the same period last year.

LENDING

The Company's loans to customers as at 31 December 2017 amounted to NOK 16.3 billion compared to NOK 17.2 billion as at 31 December 2016, a 5 per cent decrease in loan volume. 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 issues in 2017 amounted to NOK 4.5 billion while re-purchase of own debt amounted to NOK 1.9 billion. All covered bonds have AAA rating. The Company occasio-

nally 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 9.2 million in 2017. The corresponding figure the year before was a loss of NOK 13.1 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 December 2017, the bond portfolio's market value was NOK 1.4 billion. The net gain associated with market value changes in liquidity investments amounted to NOK 4.1 million by 31 December 2017. Last year, a corresponding gain of NOK 15.3 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 fourth quarter 2017, core capital i.a.w. the capital adequacy rules was NOK 709.2 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 19.4 per cent at the end of the 2017. The minimum statutory requirement is 15.5 per cent capital adequacy ratio. Leverage ratio was 3.8 per cent, the minimum statutory requirement is 3 per cent.

Income statement

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	Q4 2017	Q4 2016	01.01.2017 -31.12.2017	01.01.2016 -31.12.2016
	Interest income	94 815	107 899	403 726	437 565
	Interest expense	-73 953	-93 779	-321 590	-369 530
3	Net interest income	20 861	14 120	82 135	68 035
16	Net gain/(loss) financial instruments	-3 038	-6 808	-5 006	4 070
	Total other operating income	-3 038	-6 808	-5 006	4 070
	Other operating expenses	-4 404	-6 101	-17 251	-18 906
	Total operating expenses	-4 404	-6 101	-17 251	-18 906
	Operating profit/loss before tax	13 419	1 211	59 878	53 198
	Tax ordinary income	-3 152	-248	-14 303	-13 245
	Profit for the period	10 267	963	45 575	39 953
	Other comprehensive income	0	0	0	0
	Other comprehensive income for the period	0	0	0	0
	Comprehensive income for the period	10 267	963	45 575	39 953

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	31.12.2017	31.12.2016
ASSETS			
	Loans to credit institutions	489 485	414 803
4	Loans to customers	16 321 451	17 245 853
14	Interest-bearing securities	1 436 406	1 723 589
	Financial derivatives	87 847	107 927
11	Other assets	3 503	24 060
Total assets		18 338 693	19 516 233
LIABILITIES AND EQUITY			
LIABILITIES			
8	Debt to credit institutions	275 170	1 170 823
7	Debt securities issued	17 148 732	17 342 542
	Financial derivatives	176 243	240 602
	Deffered tax liabilities	15 613	11 499
12	Other Liabilities	1 662	4 508
12	Provision for accrued costs and liabilities	332	4 395
Total liabilities		17 617 753	18 774 369
EQUITY			
	Share capital	362 500	362 500
	Share premium	312 500	312 500
	Other owners' eqyity	45 939	66 864
Total equity		720 939	741 864
Total liabilities and equity		18 338 693	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	45 575	45 575
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	45 575	45 575
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
Total transactions with the owners	0	0	-66 500	-66 500
Equity 31 December 2017	362 500	312 500	45 939	720 939

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
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 -31.12.2017	01.01.2016 -31.12.2016
OPERATING ACTIVITIES		
Payments received from customers - interest, commission & charges	383 175	386 298
Disbursements on loans customers & credit institutions	-788 790	-3 273 017
Receipts on loans customers & credit institutions	1 598 555	1 431 963
Payments on operations	-24 131	-14 295
Net receipts/payments on other operating activities	1 160	4 214
Net interest investment accounts	4 282	572
Income tax paid	0	0
Net cash flow from operating activities	1 174 251	-1 464 265
INVESTMENT ACTIVITIES		
Payments on the purchase of securities	-943 836	-1 754 141
Receipts on sale of securities	1 228 843	3 170 907
Receipts of interest from securities	23 698	48 395
Net cash flow from investment activities	308 705	1 465 162
FINANCING ACTIVITIES		
Receipts on loans from credit institutions	3 517 000	6 865 000
Disbursements on loans from credit institutions	-1 039 193	-1 724 669
Expense of interest of loans	-3 525 000	-4 859 000
Net payment of interest on loans	-283 233	-310 334
Dividend paid	-66 500	0
Payment on group contribution	-10 188	0
Net cash flows from financing activities	-1 407 114	-29 003
Net cash flow during the period	75 842	-28 106
Cash and cash equivalents at the start of the period	402 810	430 916
Cash and cash equivalents at the end of the period	478 652	402 810
Net receipts/ disbursements (-) of cash	75 842	-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. 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 2017 – 31 December 2017, specifying the earnings in the 4th quarter. The interim Financial Statements has 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 4th quarter. Attention is drawn to KLP Kommunekreditt's Annual Report for 2016 for detailed description of accounting principles.

01.01.2018, that is the day after the balance sheet date in this report (31.12.2017), the accounting standard IFRS 9 Financial Instruments came into force. A detailed description of the standard in Note 2 Accounting principles was provided in the annual report for 2016.

Consequences for KLP Kommunekreditt:

CLASSIFICATION AND MEASUREMENT

KLP Kommunekreditt has assessed the classification and measurement of assets and liabilities covered by the new standard. It has been concluded that lending activities

are mainly covered by the business model called "hold to collect". This means that the loans will be accounted for at amortized cost as a continuation of the same measurement methodology that has been used under IAS 39. Other financial instruments have been recognized at fair value through profit or loss. This will be continued under IFRS 9. The introduction of the new standard is therefore not expected to have a significant impact on the entity's classification and measurement of financial instruments.

IMPAIRMENT MODEL

IFRS 9 changes measurement of provisions for losses on financial assets. Under IAS 39, there must be a loss event before write-downs, while under IFRS 9, it is allocated for expected loss according to certain rules. At initial recognition, and in cases where credit risk has not increased significantly after initial recognition, the provision will correspond to credit losses expected to occur in the next 12 months (step 1). If credit risk has increased significantly, the provision will correspond to expected credit loss over the expected life of the asset (step 2). If a loss event occurs, an impairment loss is made which corresponds to the expected loss of commitment over the entire life cycle (step 3).

In KLP Kommunekreditt AS, the likelihood of credit losses in the loan portfolio is considered to be extremely low. This is based on history and experience of lending to the public sector, as well as the strong legislation that is attached to municipal borrowing and payment problems. The company's assessment is therefore that all public lending in KLP Kommunekreditt AS has low credit risk and is thus placed in step 1. For this portfolio, a simplified loss ratio method is used. The loss is set to 1 per cent of outstanding balance, and the expected loss is calculated for the next 12 months, based on this discounted by the loan interest rate.

The effect of implementing the new rules is calculated as a difference between the balance sheet loss provisions according to the old regulations per. 31 December 2017 and the value of loan provisions calculated according to the new rules on 1 January 2018. This effect will be recognized as a change in capitalized loan provisions with a counter item directly on equity so that the income statement is not affected. The company has good collateral in the loan portfolio and no capitalized loss in the balance sheet per. 31.12.2017. The transition to a new write-down model 01.01.2018 with a simplified loss ratio means an increase of NOK 0.2 million for loan lending in KLP Kommunekreditt AS on implementation 01.01.2018.

NOTE 3 Net interest income

NOK THOUSANDS	01.01.2017 -31.12.2017	01.01.2016 -31.12.2016
Interest on loans to and receivables from credit institutions	4 282	4 214
Interest on loans to customers	376 760	387 482
Interest on securities	22 683	45 869
Total interest income	403 726	437 565
Interest on covered bonds	316 910	332 186
Interest on liabilities to KLP Banken AS	7 303	37 215
Premium/discount on covered bonds	-2 622	129
Total interest costs	321 590	369 530
Net interest income	82 135	68 034

NOTE 4 Loans to customers

NOK THOUSANDS	31.12.2017	31.12.2016
Loans to cutomers before write-downs	16 116 995	16 987 099
Individual write-downs	0	0
Write-downs by group	0	0
Loans to cutomers after write-downs	16 116 995	16 987 099
Accrued interest	65 700	72 115
Change in fair value due to interest rate changes (fair value hedging)	138 756	186 640
Loans to customers	16 321 451	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	31.12.2017		31.12.2016	
	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING				
Fixed-income securities	1 436 406	1 436 406	1 723 589	1 723 589
Total financial assets at fair value held for trading	1 436 406	1 436 406	1 723 589	1 723 589
FINANCIAL ASSETS AT FAIR VALUE USED FOR TRADING				
Financial derivatives	87 847	87 847	107 927	107 927
Lending to Norwegian municipalities	4 355 849	4 396 440	5 164 845	5 186 458
Total financial assets at fair value used for hedging	4 443 696	4 484 287	5 272 772	5 294 385
FINANCIAL ASSETS AT AMORTIZED COST				
Loans to and receivables from credit institutions	489 485	489 485	414 803	414 803
Lending to Norwegian municipalities	11 965 602	11 961 754	12 081 008	12 071 700
Total financial assets at amortized cost	12 455 088	12 451 239	12 495 811	12 486 503
Total financial assets	18 335 190	18 371 932	19 492 172	19 504 477
FINANCIAL LIABILITIES AT FAIR VALUE HEDGING				
Covered bonds issued	1 921 041	1 945 028	1 744 658	1 748 349
Financial derivatives	176 243	176 243	240 602	240 602
Total financial liabilities at fair value used for hedging	2 097 284	2 121 271	1 985 260	1 988 951
FINANCIAL LIABILITIES AMORTIZED COST				
Liabilities to credit institutions	275 170	275 170	1 170 823	1 170 823
Covered bonds issued	15 227 691	15 314 224	15 597 884	15 980 849
Total financial liabilities at amortized cost	15 502 861	15 589 395	16 768 707	17 151 672
Total financial liabilities	17 600 145	17 710 666	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. 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 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 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

31.12.2017 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	19 985	1 416 421	0	1 436 406
Financial derivatives	0	87 847	0	87 847
Total assets at fair value	19 985	1 504 268	0	1 524 253
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	176 243	0	176 243
Total financial liabilities at fair value	0	176 243	0	176 243

31.12.2016 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	49 884	1 673 705	0	1 723 589
Financial derivatives	0	107 927	0	107 927
Total assets at fair value	49 884	1 781 632	0	1 831 516
LIABILITIES BOOKED AT FAIR VALUE				
Financial derivatives (liabilities)	0	240 602	0	240 602
Total financial liabilities at fair value	0	240 602	0	240 602

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. Financial assets measured at amortized cost 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 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	31.12.2017	31.12.2016
Bond debt, nominal amount	17 946 000	19 985 000
Adjustments	61 593	67 646
Accrued interest	41 139	44 896
Own holdings, nominal amount	-900 000	-2 755 000
Total debt securities issued	17 148 732	17 342 542

Interest rate on borrowings through the issuance of securities at the reporting date 1.24% 1.52%

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 31.12.2016	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.12.2017
Bond debt, nominal amount	19 985 000	4 500 000	-6 539 000	0	17 946 000
Adjustments	67 646	0	0	-6 053	61 593
Accrued interest	44 896	0	0	-3 757	41 139
Own holdings, nominal amount	-2 755 000	0	1 855 000	0	-900 000
Total debt securities issued	17 342 542	4 500 000	-4 684 000	-9 810	17 148 732

NOTE 8 Liabilities to credit institutions

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
Total liabilities to credit institutions				275 170

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.

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

31.12.2017 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
ASSETS						
Financial derivatives	87 847	0	87 847	-87 847	0	0
Total	87 847	0	87 847	-87 847	0	0
LIABILITIES						
Financial derivatives	176 243	0	176 243	-87 847	0	88 396
Total	176 243	0	176 243	-87 847	0	88 396

31.12.2016 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
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 -31.12.2017	01.01.2016 -31.12.2016
INCOME STATEMENT ITEMS		
KLP Banken AS, interest on borrowing	-7 303	-37 215
KLP Banken AS, administrative services (at cost)	-14 392	-12 830
KLP Kapitalforvaltning AS, fees for services provided	-211	-341

NOK THOUSANDS	31.12.2017	31.12.2016
FINANCIAL POSITION STATEMENT ITEMS		
KLP Banken AS, debt to credit institutions	-275 170	-1 170 823
KLP Banken AS, loan settlement	3 503	24 060
Net outstanding accounts to:		
KLP Banken AS	-1 296	-4 018
KLP Kapitalforvaltning AS	-261	-92

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	31.12.2017	31.12.2016
Intercompany receivables	3 503	24 060
Total	3 503	24 060

NOTE 12 Other liabilities and provision for accrued costs

NOK THOUSANDS	31.12.2017	31.12.2016
Creditors	102	394
Intercompany payables	1 558	4 110
Other liabilities	3	4
Total other liabilities	1 662	4 508
VAT	23	264
Accrued expenses	309	4 131
Total accrued costs and liabilities	332	4 395

NOTE 13 Capital adequacy

NOK THOUSANDS	31.12.2017	31.12.2016
Share capital and share premium fund	675 000	675 000
Other owners' equity	364	66 864
Total owners' equity	675 364	741 864
Interim Profit qualifying for tier 1 capital	35 310	0
Adjustments due to requirements for proper valuation	-1 436	0
Core capital/Tier 1 capital	709 238	741 864
Supplementary capital/Tier 2 capital	0	0
Supplementary capital/Tier 2 capital	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	709 238	741 864
Capital requirement	292 090	310 430
Surplus of own funds (Tier 1 and Tier 2 capital)	417 148	431 434
ESTIMATE BASIS CREDIT RISK:		
Institutions	116 167	117 712
Local and regional authorities	3 296 369	3 491 045
Covered bonds	131 301	156 780
Calculation basis credit risk	3 543 837	3 765 537
Credit risk	283 507	301 243
Operating risk	8 433	9 045
Credit valuation adjustment	150	142
Total capital requirement assets	292 090	310 430
Core capital adequacy ratio	19.4%	19.1%
Supplementary capital ratio	0.0%	0.0%
Capital adequacy ratio	19.4%	19.1%
Leverage ratio	3.8%	3.8%

CAPITAL REQUIREMENT PER 31.12.2017	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	2.0 %	0.0 %	2.0 %
Current capital requirement incl. buffers	12.0 %	3.5 %	15.5 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

NOTE 14 Fixed-income securities

NOK THOUSANDS	31.12.2017		31.12.2016	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	19 992	19 985	49 883	49 884
Bonds	1 403 325	1 416 421	1 659 544	1 673 705
Total fixed-income securities	1 423 317	1 436 406	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	31.12.2017	31.12.2016
Loan promise	113 972	206 936
Total contingent liabilities	113 972	206 936

NOTE 16 Net gain/(loss) on financial instruments

NOK THOUSANDS	01.01.2017 -31.12.2017	01.01.2016 -31.12.2016
Net gain/(loss) financial derivatives and realized repurchase of own debt	-9 236	-13 118
Net gain/(loss) on fixed-income securities	4 230	15 320
Net gain/(loss) financial derivatives and realized amortization linked to lending	0	1 867
Total net gain/(loss) financial instruments	-5 006	4 070

Quarterly earnings trend

NOK MILLIONS	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Interest income	94.8	101.0	103.1	104.8	107.9
Interest expense	-74.0	-79.2	-82.2	-86.3	-93.8
Net interest income	20.9	21.8	20.9	18.5	14.1
Net gain/ (loss) financial instruments	-3.0	-3.4	-1.0	2.4	-6.8
Total other operating income	-3.0	-3.4	-1.0	2.4	-6.8
Other operating expenses	-4.4	-3.7	-4.6	-4.5	-6.1
Total operating expenses	-4.4	-3.7	-4.6	-4.5	-6.1
Operating profit/loss before tax	13.4	14.7	15.4	16.4	1.2
Tax ordinary income	-3.2	-3.5	-3.7	-3.9	-0.3
Profit for the period	10.3	11.2	11.7	12.5	0.9

Key figures - accumulated

NOK MILLIONS	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Pre-tax income	59.9	46.5	31.8	16.4	53.2
Net interest income	82.1	61.3	39.5	18.6	68.0
Other operating income	-	-	-	-	-
Other operating cost and depreciation	-17.3	-12.8	-9.1	-4.5	-18.9
Net realized/unrealized change fin. Instruments at fair value	-5.0	-2.0	1.4	2.4	4.1
Lending with public sector guarantee	16 321.5	17 015.3	17 165.9	17 281.5	17 245.9
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	17 148.7	17 435.8	17 894.2	17 572.6	17 342.5
Other borrowing	275.2	425.2	425.3	525.4	1 170.8
Total assets	18 338.7	18 805.5	19 315.5	19 101.3	19 516.2
Average total assets	18 927.5	19 160.9	19 415.9	19 308.8	19 432.8
Equity	720.9	710.7	766.0	754.3	741.9
Interest net	0.43 %	0.32 %	0.20 %	0.10 %	0.35 %
Profit/loss from ordinary operation before taxes	0.32 %	0.24 %	0.16 %	0.08 %	0.27 %
Return on equity	8.07 %	8.09 %	8.30 %	8.56 %	7.72 %
Capital adequacy ratio	19.4%	19.0 %	19.9 %	19.4 %	19.1 %
Liquidity coverage ratio (LCR)	396 %	348 %	266 %	731 %	1 356 %



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