



Interim report

KLP BOLIGKREDITT AS
Q2 2017



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KLP BOLIGKREDITT

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Interim Financial Statements

KLP BOLIGKREDITT AS
Q2 2017

MAIN FEATURES IN THE FIRST HALF YEAR:

- Stable lending volumes
- Satisfactory earnings
- No losses on lending

OBJECTIVE AND OWNERSHIP

The Company's objective is to be the KLP Banken Group's vehicle for the issue of mortgage-covered bonds.

KLP Boligkreditt AS is a wholly owned subsidiary of KLP Banken AS. The KLP Banken Group is owned by Kommunal Landspensjonskasse (KLP). KLP Boligkreditt AS was established in 2013 and has its head office in Trondheim.

INCOME STATEMENT

Net interest and credit commission revenues in H1 2017 were NOK 20.0 million. Operating expenses in the same period amounted to NOK 15.7 million. The cost increase compared to last year amounts to NOK 2.2 million. The Company has not had losses or made loss provisions on loans. Pre-tax profit by quarter end was NOK 4.5 million.

LENDING/TOTAL ASSETS

The Company's loans to customers as at 30 June 2017 amounted to NOK 4.5 billion, up from NOK 4.2 billion at the same time last year. Loans for the sum of NOK 0.3 billion have been purchased from KLP Banken during H1. Installments and redemptions amounted to NOK 0.6 billion in the period. Total assets amounted to NOK 4.8 billion at the end of the quarter.

BORROWING

The Company's borrowing comprises of covered bonds as well as borrowing from its parent company. Internal debt was NOK 160 million as at quarter end. Outstanding bond debt was NOK 4.3 billion at the reporting date. During H1 new covered bond issues amounted to NOK 0.6 billion. Bond restructuring have caused total accounting gains of NOK 29 thousand by the end of H1. All covered bonds have an AAA rating.

LIQUIDITY INVESTMENTS

KLP Boligkreditt AS has strict rules on what assets may be included in the securities holdings. In addition to mortgage loans, 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 30 June 2017, the bond portfolio's market value was NOK 44.4 million. The net gain associated with liquidity investments amounted to NOK 0.2 million. The corresponding figure at the same time last year was NOK 0.4 million.

RISK AND CAPITAL ADEQUACY

The Company has established a framework for risk management aimed at ensuring that risks are identified, analysed 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, and 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 liens on housing and leisure property. 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 second quarter 2017, core capital i.a.w. the capital adequacy rules was NOK 283 million. Mortgage loans

are risk-weighted by 35 per cent in accordance with the authorities' capital adequacy regulations. KLP Boligkreditt AS had a core capital adequacy and capital adequacy ratio of 16.7 per cent at the end of the second quarter 2017, compared to 17.2 per cent the same time last year. The minimum statutory requirement is 15.0 per cent. Leverage ratio was 6.0 per cent.

FUTURE PROSPECT

KLP Boligkreditt AS is part of the financing structure of the KLP Banken Group and will be developed further through purchase of loans from KLP Banken or KLP. Business activities in the loan market will be primarily based on financing from issuance of mortgage-covered bonds.

Trondheim, 11. August 2017

Sverre Thornes

Leder
(Sign.)

Aage E. Schaanning

Nestleder
(Sign.)

Ingrid Aune

(Sign.)

Marit Barosen

(Sign.)

Christopher A. N. Steen

Administrerende direktør
(Sign.)

Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
	Interest income	27 588	24 830	54 453	51 839	104 511
	Interest expense	-17 021	-15 304	-34 463	-31 840	-67 703
3	Net interest income	10 567	9 526	19 990	19 999	36 808
14	Net gain/(loss) financial instruments	36	411	164	3 404	3 328
	Total other operating income	36	411	164	3 404	3 328
	Other operating expenses	-7 855	-5 645	-15 700	-13 512	-28 758
	Total operating expenses	-7 855	-5 645	-15 700	-13 512	-28 758
	Operating profit/loss before tax	2 748	4 292	4 454	9 891	11 379
	Tax ordinary income	-660	-1 073	-1 069	-2 473	-2 865
	Profit for the period	2 088	3 219	3 385	7 418	8 514
	Other comprehensive income	0	0	0	0	0
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	2 088	3 219	3 385	7 418	8 514

Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
ASSETS				
	Loans to credit institutions	242 071	210 922	115 181
4	Loans to customers	4 459 192	4 206 532	4 722 193
13	Interest-bearing securities	44 307	4 020	44 110
	Deferred tax assets	0	321	485
10	Other assets	4 426	6 808	3 777
Total assets		4 749 995	4 428 603	4 885 745
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
8	Debt to credit institutions	160 104	0	848 927
7	Debt securities issued	4 297 899	4 141 431	3 745 457
	Deferred tax liabilities	0	0	3 029
11	Other liabilities	8 046	7 738	8 204
11	Provision for accrued costs and liabilities	721	690	288
Total liabilities		4 466 770	4 149 859	4 605 905
EQUITY				
	Share capital	100 000	100 000	100 000
	Share premium	150 463	150 463	150 463
	Other owners' equity	32 762	28 281	29 377
Total owners' equity		283 225	278 744	279 840
Total liabilities and equity		4 749 995	4 428 603	4 885 745

Statement of changes in equity

KLP BOLIGKREDITT AS

2017 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2017	100 000	150 463	29 377	279 840
Profit for the period	0	0	3 385	3 385
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	3 385	3 385
Group contribution received	0	0	9 087	9 087
Group contribution made	0	0	-9 087	-9 087
Total transactions with the owners	0	0	0	0
Equity 30 June 2017	100 000	150 463	32 762	283 225

2016 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2016	100 000	150 463	15 497	265 960
Profit for the period	0	0	7 418	7 418
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	7 418	7 418
Group contribution received	0	0	19 873	19 873
Group contribution made	0	0	-14 507	-14 507
Total transactions with the owners	0	0	5 366	5 366
Equity 30 June 2016	100 000	150 463	28 281	278 744

2016 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2016	100 000	150 463	15 497	265 960
Profit for the period	0	0	8 514	8 514
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	8 514	8 514
Group contribution received	0	0	19 873	19 873
Group contribution made	0	0	-14 507	-14 507
Total transactions with the owners	0	0	5 366	5 366
Equity 31 December 2016	100 000	150 463	29 377	279 840

Statement of cash flow

KLP BOLIGKREDITT AS

NOK THOUSANDS	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	53 784	50 869	102 210
Net receipts/disbursements on loans customers & credit institutions	261 831	-468 622	-980 504
Net receipts/disbursements on operations	-15 830	-15 100	-28 086
Net receipts/disbursements from operating activities	-325	2 377	2 313
Net interest investment accounts	682	834	1 627
Income tax paid	0	0	0
Net cash flow from operating activities	300 142	-429 642	-902 440
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-4 058	-101 467	-142 403
Receipts on sale of securities	4 045	188 164	189 161
Receipts of interest from securities	334	913	902
Net cash flow from investment activities	321	87 610	47 660
FINANCING ACTIVITIES			
Disbursements on loans from credit institutions	-736 254	-541 882	-89 287
Receipts on loans from credit institutions	600 000	1 000 000	1 000 000
Net payment of interest on loans	-34 619	-25 765	-61 413
Group contribution paid	-3 029	0	0
Net cash flows from financing activities	-173 902	432 353	849 300
Net cash flow during the period	126 561	90 322	-5 480
Cash and cash equivalents at the start of the period	112 374	117 854	117 854
Cash and cash equivalents at the end of the period	238 935	208 176	112 374
Net receipts/ disbursements of cash	126 561	90 322	-5 480

STATEMENT PURSUANT TO SECTION § 5-6 OF THE SECURITIES TRADING ACT

KLP BOLIGKREDITT AS

We hereby confirm that the half yearly financial statement for the company for the period 1 January through 30 June to the best of our knowledge have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

To the best of our knowledge, the half-yearly report gives a true and fair overview of important events that occurred during the accounting period and their impact on the half-yearly financial statement, and a description of the principal risks and uncertainties facing the company over the next accounting period.

Trondheim, 11. August 2017

Sverre Thornes

Chair
(Sign.)

Aage E. Schaanning

Deputy Chair
(Sign.)

Ingrid Aune

(Sign.)

Marit Barosen

(Sign.)

Christopher A. Steen

Managing Director
(Sign.)

Notes to the accounts

KLP BOLIGKREDITT AS

NOTE 1 General information

KLP Boligkreditt AS was formed on 30 October 2013. The company is a housing credit enterprise, and finance the activity primary through issuing covered bonds (OMF).

KLP Boligkreditt 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 Boligkreditt AS for the period. 1 January 2017 – 30 June 2017. The interim Financial Statements have not been audited.

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

There are no changes in the accounting principles in 2017 that have been of significance for the interim Financial Statements following the second quarter. Attention is drawn to KLP Boligkreditt's Annual Report for 2016 for detailed description of accounting principles.

NOTE 3 Net interest income

NOK THOUSANDS	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Interest on loans to and receivables from credit institutions	687	838	1 627
Interest on loans to customers	53 442	50 294	102 106
Interest on securities	325	707	779
Total interest income	54 453	51 839	104 511
Interest on covered bonds	29 423	25 441	55 978
Interest on liabilities to KLP Banken	3 540	5 387	9 309
Premium/discount on covered bonds	1 500	1 011	2 415
Total interest costs	34 463	31 840	67 703
Net interest income	19 990	19 999	36 808

NOTE 4 Loans to customers

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
Loans to cutomers before write-downs	4 454 254	4 201 722	4 716 913
Individual write-downs	0	0	0
Write-downs by group	0	0	0
Loans to cutomers after write-downs	4 454 254	4 201 722	4 716 913
Accured interest	4 938	4 810	5 280
Change in fair value due to interest rate changes (fair value hedging)	0	0	0
Loans to customers	4 459 192	4 206 532	4 722 193

NOTE 5 Categories of financial instruments

NOK THOUSANDS	30.06.2017		30.06.2016		31.12.2016	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE						
Fixed-income securities	44 307	44 307	4 020	4 020	44 110	44 110
Total financial assets at fair value	44 307	44 307	4 020	4 020	44 110	44 110
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	242 071	242 071	210 922	210 922	115 181	115 181
Lending to the retail market	4 459 192	4 459 192	4 206 532	4 206 532	4 722 193	4 722 193
Total financial assets at amortized cost	4 701 263	4 701 263	4 417 454	4 417 454	4 837 374	4 837 374
Total financial assets	4 745 569	4 745 569	4 421 474	4 421 474	4 881 484	4 881 484
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	160 104	160 104	0	0	848 927	848 927
Covered bonds issued	4 297 899	4 319 963	4 141 431	4 116 444	3 745 457	3 747 200
Total financial liabilities at amortized cost	4 458 003	4 480 067	4 141 431	4 116 444	4 594 384	4 596 127
Total financial liabilities	4 458 003	4 480 067	4 141 431	4 116 444	4 594 384	4 596 127

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 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 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. 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.

Fair value of loans to retail costumers

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 covered bonds

Fair value in this category is determined on the basis of internal valuation models based on external observable data.

NOTE 6 Fair value hierarchy

30.06.2017 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	997	43 309	0	44 307
Financial derivatives	0	0	0	0
Total financial assets recognized at fair value	997	43 309	0	44 307
Financial assets recognized at fair value in Note 5:				
Loans to and receivables from credit institutions	0	242 071	0	242 071
Loans to and receivables from customers	0	4 459 192	0	4 459 192
Total financial assets at amortized cost	0	4 701 263	0	4 701 263
LIABILITIES				
Financial liabilities recognized at fair value in Note 5:				
Liabilities to credit institutions	0	160 104	0	160 104
Covered bonds issued	0	4 319 963	0	4 319 963
Total financial liabilities at amortized cost	0	4 480 067	0	4 480 067

30.06.2016 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
EIENDELER				
Financial assets recognized at fair value:				
Fixed-income securities	999	3 021	0	4 020
Total financial assets recognized at fair value	999	3 021	0	4 020
Financial assets recognized at fair value in Note 5:				
Loans to and receivables from credit institutions	0	210 922	0	210 922
Loans to and receivables from customers	0	4 206 532	0	4 206 532
Total financial assets at amortized cost	0	4 417 454	0	4 417 454
LIABILITIES				
Financial liabilities recognized at fair value in Note 5:				
Liabilities to credit institutions	0	0	0	0
Covered bonds issued	0	4 116 444	0	4 116 444
Total financial liabilities at amortized cost	0	4 116 444	0	4 116 444

NOTE 6 Fair value hierarchy – continues

31.12.2016 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	999	43 111	0	44 110
Total financial assets recognized at fair value	999	43 111	0	44 110
Financial assets recognized at fair value in Note 5:				
Loans to and receivables from credit institutions	0	115 181	0	115 181
Loans to and receivables from customers	0	4 722 193	0	4 722 193
Total financial assets at amortized cost	0	4 837 374	0	4 837 374
LIABILITIES				
Financial liabilities recognized at fair value in Note 5:				
Liabilities to credit institutions	0	848 927	0	848 927
Covered bonds issued	0	3 747 200	0	3 747 200
Total financial liabilities at amortized cost	0	4 596 127	0	4 596 127

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 not therefore 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	30.06.2017	30.06.2016	31.12.2016
Bond debt, nominal amount	4 300 000	4 300 000	4 300 000
Adjustments	-12 810	-9 151	-7 987
Accured interest	10 710	10 582	10 444
Own holdings, nominal amount	0	-160 000	-557 000
Total debt securities issued	4 297 899	4 141 431	3 745 457

Interest rate on borrowings through the issuance of securities at the reporting date. 1,52% 1,50% 1,66%

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 30.06.2017	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.12.2015
Bond debt, nominal amount	4 300 000	600 000	-600 000	0	4 300 000
Adjustments	-12 810	0	0	-4 823	-7 987
Accured interest	10 710	0	0	266	10 444
Own holdings, nominal amount	0	0	557 000	0	-557 000
Total debt securities issued	4 297 899	600 000	-43 000	-4 558	3 745 457

NOTE 8 Liabilities to credit institutions

30.06.2017 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.09.2018	160 000	104	160 104
Total liabilities to credit institutions				160 104

Interest rate on debt to credit institutions at the reporting date. 1,46%

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

30.06.2016 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS				0
Total liabilities to credit institutions				0

NOTE 8 Liabilities to credit institutions – continues

31.12.2016 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.03.2018	420 000	278	420 278
Debt to KLP Banken AS	15.03.2018	139 151	87	139 238
Debt to KLP Banken AS	15.03.2018	209 280	98	209 377
Debt to KLP Banken AS	15.03.2018	80 000	34	80 034
Total liabilities to credit institutions				848 927

Interest rate on debt to credit institutions at the reporting date.

1,40 %

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

NOTE 9 Transactions with related parties

NOK THOUSANDS	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
INCOME STATEMENT ITEMS			
KLP Banken AS, interest on borrowing	-3 540	-5 387	-9 309
KLP Banken AS, administrative services (at cost)	-14 823	-12 570	-26 794
KLP Kapitalforvaltning AS, fees for services provided	-23	-26	-34
KLP Group companies, subsidised interest employee loans	675	485	1 234
Total	-17 711	-17 498	-34 904

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
FINANCIAL POSTITION STATEMENT ITEMS			
KLP Banken AS, borrowing Group current liabilities	-160 104	0	-848 927
KLP Banken AS, net internal liabilities	4 123	6 603	3 295
Net outstanding accounts to:			
KLP Banken AS, loan settlement	-7 461	-5 265	-8 096
KLP	207	142	290
KLP Group companies, net other internal accounts	96	63	192
Total	-163 139	1 542	-853 246

There are no direct salary cost in KLP Boligkreditt 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 10 Other assets

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
Intercompany receivables	4 426	6 808	3 777
Total	4 426	6 808	3 777

NOTE 11 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
Creditors	0	0	108
Intercompany payables	7 461	5 265	8 096
Other liabilities	584	2 473	0
Total other liabilities	8 046	7 738	8 204
Accrued expenses	721	690	288
Total accrued costs and liabilities	721	690	288

NOTE 12 Capital adequacy

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
Share capital and share premium fund	250 463	250 463	250 463
Other owners' equity	29 377	20 863	29 377
Total owners' equity	279 840	271 326	279 840
Interim profit/loss	3 385	0	0
Deferred tax asset	-485	-321	-485
Core capital/Tier 1 capital	282 740	271 005	279 355
Supplementary capital/Tier 2 capital	0	0	0
Supplementary capital/Tier 2 capital	0	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	282 740	271 005	279 355
Capital requirement	135 651	125 810	141 426
Surplus of own funds (Tier 1 and Tier 2 capital)	147 089	145 195	137 929
Estimate basis credit risk:			
Institutions	49 520	43 560	24 148
Investments with mortgage security in real estate	1 560 717	1 471 960	1 652 477
Covered bonds	4 331	302	4 311
Calculation basis credit risk	1 614 568	1 515 822	1 680 936
Credit risk	129 165	121 266	134 475
Operating risk	6 486	4 544	6 951
Total capital requirement assets	135 651	125 810	141 426
Core capital adequacy ratio	16.7 %	17.2 %	15.8 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	16.7 %	17.2 %	15.8 %
Leverage ratio	6.0 %	6.1 %	5.7 %

NOTE 12 Capital adequacy — continues

CAPITAL REQUIREMENT PER 30.06.2017	Tier 1 capital	Tier 2 capital	Tier 1 and tier 2 capital
Minimum requirement excl. buffers	4.5%	3.5%	8.0%
Protective buffer	2.5%	0.0%	2.5%
Systemic risk buffer	3.0%	0.0%	3.0%
Counter-cyclical capital buffer	1.5%	0.0%	1.5%
Current capital requirement incl. buffers	11.5%	3.5%	15.0%

NOTE 13 Fixed-income securities

NOK THOUSANDS	30.06.2017		30.06.2016		31.12.2016	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	995	997	3 022	3 022	998	999
Bonds	42 957	43 309	999	998	42 987	43 111
Total fixed-income securities	43 952	44 307	4 021	4 020	43 985	44 110

NOTE 14 Net gain/(loss) on financial instruments

NOK THOUSANDS	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Net gain/(loss) on fixed-income securities	193	352	421
Net gain/(loss) financial derivatives and realized repurchase of own debt	-29	3 052	2 907
Total net gain/(loss) financial instruments	164	3 404	3 328

Quarterly earnings trend

NOK MILLIONS	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Interest income	276	269	268	259	24.8
Interest expense	-17.0	-17.4	-18.9	-16.9	-15.3
Net interest income	10.6	9.4	7.9	8.9	9.5
Net gain/ (loss) financial instruments	0.0	0.1	0.0	-0.1	0.4
Total other operating income	0.0	0.1	0.0	-0.1	0.4
Other operating expenses	-7.9	-7.8	-8.9	-6.4	-5.6
Total operating expenses	-7.9	-7.8	-8.9	-6.4	-5.6
Operating profit/loss before tax	-0.7	-0.4	0.3	-0.6	-1.1
Tax ordinary income	2.1	1.3	-0.8	1.9	3.2
Profit for the period	2.1	1.3	-0.8	1.9	3.2

Key figures accumulated

NOK MILLIONS	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Pre-tax income	4.5	1.7	11.4	12.4	9.9
Net interest income	20.0	9.4	36.8	28.9	20.0
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost and depreciation	-15.7	-7.8	-28.8	-19.9	-13.5
Net realized/unrealized change fin. instruments at fair value	0.2	0.1	3.3	3.3	3.4
Housing mortgage lending	4 459.2	4 588.3	4 722.2	4 546.3	4 206.5
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	4 297.9	3 745.2	3 745.5	3 942.0	4 141.4
Other borrowing	160.1	782.7	848.9	470.4	0.0
Total assets	4 750.0	4 816.9	4 885.7	4 703.1	4 428.6
Average total assets	4 817.9	4 851.3	4 422.4	4 331.1	4 193.9
Equity	283.2	281.1	279.8	280.6	278.7
Interest net	0.41%	0.19%	0.83%	0.67%	0.48%
Profit/loss from ordinary operation before taxes	0.09%	0.04%	0.26%	0.29%	0.24%
Return on equity	3.18%	2.43%	4.29%	6.22%	7.44%
Capital adequacy ratio	16.7%	16.2%	15.8%	16.7%	17.2%
Liquidity coverage ratio (LCR)	128 %	119 %	111 %	113 %	119 %

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