

KLP



Interim report

KLP BOLIGKREDITT AS
Q2 2018

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Interim Financial Statement

KLP BOLIGKREDITT AS

Main features in the first half year:

- Operating profit before tax amounted to NOK 5.9 million
- The lending balance has increased 49 per cent since year end
- 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 2018 were NOK 25.8 million, up from NOK 20.0 million at the same time last year. The increase in revenues is mainly due to the growth in loans to customers. Operating expenses in the same period amounted to NOK 21.1 million. The cost increase compared to last year amounts to NOK 5.4 million (34 per cent). The Company has not had any credit losses the first half year, but due to the transition to IFRS 9 loan loss provisions of NOK 6000 were recognized in the income statement. Pre-tax profit by quarter end was NOK 5.9 million.

LENDING/TOTAL ASSETS

The Company's loans to customers as at 30 June 2018 amounted to NOK 7.6 billion, up from NOK 4.5 billion at the same time last year. Loans for the sum of NOK 3.8 billion have been purchased from KLP Banken during H1. Installments and redemptions amounted to NOK 1.2 billion in the period. Total assets amounted to NOK 7.7 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 1.5 million as at quarter end. Outstanding bond debt was NOK 5.7 billion at the reporting date. During H1 new covered bond issues amounted to NOK 1.8 billion. Bond restructuring have caused total accounting gains of NOK 1.2 million 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 2018, the bond portfolio's market value was NOK 5.0 million. Realized and unrealized gains associated with liquidity investments have not had any significant effect on the result for H1.

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 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 2018, core capital i.a.w. the capital adequacy rules was NOK 500.5 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 18.1 per cent at the end of the second quarter 2018, compared to 16.7 per cent the same time last year. The minimum statutory requirement is 15.5 per cent. Leverage ratio was 6.5 per cent.

FUTURE PROSPECT

KLP Boligkreditt AS is part of the financing structure of the KLP Banken Group, through the issue of mortgage backed covered bonds.

Moving forward, mortgage loans will be purchased from KLP Banken AS or KLP, and will be included in the sureties used to secure existing and new borrowing issues. The Board of Directors believes that there is potential to further develop the Company and that KLP Boligkreditt AS will be able to finance a growing share of KLP Banken's mortgage loans, including developing new forms of financing that will contribute to sustainability and the environment. This will help to reduce the bank group's borrowing costs. KLP Boligkreditt AS aims to be a major contributor to the financing of home loans to employees of KLP's owners.

Trondheim, 10. August 2018

Sverre Thornes

Chair
(Sign.)

Aage E. Schaanning

Deputy Chair
(Sign.)

Ingrid Aune

(Sign.)

Marit Barosen

(Sign.)

Christopher A. Steen

Managing Director
(Sign.)

Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q2 2018	Q2 2017	01.01.2018 -30.06.2018	01.01.2017 -30.06.2017	01.01.2017 -31.12.2017
	Interest income	36 351	27 588	66 773	54 453	113 366
	Interest expense	-23 705	-17 021	-40 978	-34 463	-66 915
3	Net interest income	12 646	10 567	25 794	19 990	46 451
14	Net gain/(loss) financial instruments	303	36	1 193	164	148
	Total other operating income	303	36	1 193	164	148
	Other operating expenses	-10 978	-7 855	-21 055	-15 700	-33 090
	Net loan losses	-5	0	-6	0	0
	Total operating expenses	-10 983	-7 855	-21 061	-15 700	-33 090
	Operating profit/loss before tax	1 965	2 748	5 927	4 454	13 509
	Tax ordinary income	-452	-660	-1 363	-1 069	-3 288
	Profit for the period	1 513	2 088	4 563	3 385	10 220
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	1 513	2 088	4 563	3 385	10 220

Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	30.06.2018	30.06.2017	31.12.2017
ASSETS				
	Loans to credit institutions	147 411	242 071	123 488
4	Loans to customers	7 559 823	4 459 192	5 057 203
13	Interest-bearing securities	5 021	44 307	5 020
	Deffered tax assets	0	0	1 064
10	Other assets	8 573	4 426	930
	Total assets	7 720 828	4 749 995	5 187 705
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
8	Debt to credit institutions	1 506 328	160 104	500 345
7	Debt securities issued	5 702 930	4 297 899	4 298 444
11	Other liabilities	4 673	8 046	6 824
11	Provision for accrued costs and liabilities	774	721	532
	Total liabilities	7 214 705	4 466 770	4 806 145
EQUITY				
	Share capital	220 000	100 000	160 000
	Share premium	270 463	150 463	210 463
	Other owners' equity	11 097	29 377	11 097
	Unallocated profit/loss	4 563	3 385	0
	Total owners' equity	506 123	283 225	381 560
	Total liabilities and equity	7 720 828	4 749 995	5 187 705

Statement of changes in equity

KLP BOLIGKREDITT AS

2018 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 31 December 2017	160 000	210 463	11 097	381 560
Changes in accounting principles (IFRS 9)	0	0	0	0
Equity 1 January 2018	160 000	210 463	11 097	381 560
Profit for the period	0	0	4 563	4 563
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	4 563	4 563
Group contribution received	0	0	12 249	12 249
Group contribution made	0	0	-12 249	-12 249
Paid-up equity in the period	60 000	60 000	0	120 000
Total transactions with the owners	60 000	60 000	0	120 000
Equity 30 June 2018	220 000	270 463	15 660	506 123
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
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	10 220	10 220
Other comprehensive income	0	0	0	0
Equity 1 January 2017	0	0	10 220	10 220
Profit for the period	0	0	-28 500	-28 500
Other comprehensive income	0	0	9 087	9 087
Total comprehensive income for the period	0	0	-9 087	-9 087
Paid-up equity in the period	60 000	60 000	0	120 000
Total transactions with the owners	60 000	60 000	-28 500	91 500
Equity 31 December 2017	160 000	210 463	11 097	381 560

Statement of cash flow

KLP BOLIGKREDITT AS

NOK THOUSANDS	01.01.2018 -30.06.2018	01.01.2017 -30.06.2017	01.01.2017 -31.12.2017
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	64 859	53 784	111 110
Disbursements on loans customers & credit institutions	-3 826 953	-656 718	-2 207 037
Receipts on loans customers & credit institutions	1 318 029	918 549	1 875 248
Net receipts/disbursements on operations	-19 392	-15 830	-38 001
Net receipts/disbursements from operating activities	-36	-325	-4 677
Net interest investment accounts	540	682	1 440
Income tax paid	0	0	0
Net cash flow from operating activities	-2 462 953	300 142	-261 917
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-3 986	-4 058	-4 801
Receipts on sale of securities	3 991	4 045	43 985
Receipts of interest from securities	19	334	433
Net cash flow from investment activities	24	321	39 617
FINANCING ACTIVITIES			
Receipts on loans from credit institutions	3 205 401	600 000	557 000
Disbursements on loans from credit institutions	-799 763	-736 254	-351 515
Net payment of interest on loans	-34 966	-34 619	-68 024
Change in owners' equity	120 000	0	120 000
Group contribution paid	-3 868	-3 029	-3 029
Dividends paid	0	0	-28 500
Net cash flows from financing activities	2 486 804	-173 902	225 932
Net cash flow during the period	23 875	126 561	3 632
Cash and cash equivalents at the start of the period	116 006	112 374	112 374
Cash and cash equivalents at the end of the period	139 881	238 935	116 006
Net receipts/ disbursements of cash	23 875	126 561	3 632

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, 10. August 2018

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. Its head office is at Beddingen 8 in Trondheim, with

a branch office in Dronning Eufemiasgate 10, 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 Boligkreditt AS for the period 1 January 2018 – 30 June 2018, specifying the earnings trend in Q2. The interim Financial Statements has not been audited.

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

The company applied the IFRS 9 Financial Instruments Act on January 1, 2018. In KLP Boligkreditt'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. IFRS 9 does not require recasting of comparative figures from previous periods, and the entity has thus chosen not to revise these.

The other accounting principles used in this interim report are consistent with those used in the annual report for 2017, and we refer to the annual report for a detailed description of these.

NOTE 3 Net interest income

NOK THOUSANDS	Q2 2018		01.01.2018 -30.06.2018	
	Profit and Loss	Other comprehensive income	Profit and Loss	Other comprehensive income
Interest on financial assets to amortised cost and fair value through profit and loss	36 340	0	66 752	0
Interest on financial assets for fair value through profit and loss	11	0	20	0
Total interest income	36 351	0	66 773	0
Interest on liabilities to amortised cost and fair value through profit and loss	-23 705	0	-40 978	0
Interest on liabilities for fair value through profit and loss	0	0	0	0
Total interest costs	-23 705	0	-40 978	0
Net interest income	12 646	0	25 794	0

NOTE 4 Loans to customers

NOK THOUSANDS	30.06.2018	30.06.2017	31.12.2017
Loans to cutomers before write-downs	7 552 741	4 454 254	5 051 457
Provisions and write-downs	-6	0	0
Loans to cutomers after write-downs	7 552 735	4 454 254	5 051 457
Accrued interest	7 088	4 938	5 746
Loans to customers	7 559 823	4 459 192	5 057 203

NOTE 5 Categories of financial instruments

NOK THOUSANDS	30.06.2018		01.01.2018	
	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS FAIR VALUE				
Fixed-income securities	5 021	5 021	5 020	5 020
Total financial assets fair value	5 021	5 021	5 020	5 020
FINANCIAL ASSETS AT AMORTIZED COST				
Loans to and receivables from credit institutions	147 411	147 411	123 488	123 488
Lending to the retail market	7 559 823	7 559 823	5 056 979	5 056 979
Total financial assets at amortized cost	7 707 234	7 707 234	5 180 467	5 180 467
Total financial assets	7 712 255	7 712 255	5 185 487	5 185 487
FINANCIAL LIABILITIES AT AMORTIZED COST				
Liabilities to credit institutions	1 506 328	1 506 328	500 345	500 345
Covered bonds issued	5 702 930	5 746 024	4 298 444	4 328 684
Total financial liabilities at amortized cost	7 209 258	7 252 352	4 798 789	4 829 028
Total financial liabilities	7 209 258	7 252 352	4 798 789	4 829 028

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. 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 market 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

30.06.2018 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	1 997	3 023	0	5 021
Total assets at fair value	1 997	3 023	0	5 021

30.06.2017 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	997	43 309	0	44 306
Total assets at fair value	997	43 309	0	44 306

31.12.2017 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	1 999	3 021	0	5 020
Total assets at fair value	1 999	3 021	0	5 020

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 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	30.06.2018	30.06.2017	31.12.2017
Bond debt, nominal amount	6 100 000	4 300 000	4 300 000
Adjustments	-10 829	-12 810	-11 071
Accured interest	13 758	10 709	9 515
Own holdings, nominal amount	-400 000	0	0
Total debt securities issued	5 702 930	4 297 899	4 298 444

Interest rate on borrowings through the issuance of securities on the reporting date 1.62 % 1.52 % 1.36 %

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 30.06.2018
Bond debt, nominal amount	4 300 000	1 800 000	0	0	6 100 000
Adjustments	-11 071	0	0	242	-10 829
Accured interest	9 515	0	0	4 243	13 758
Own holdings, nominal amount	0	0	-400 000	0	-400 000
Total debt securities issued	4 298 444	1 800 000	-400 000	4 486	5 702 930

NOTE 8 Liabilities to credit institutions

30.06.2018 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	16.09.2019	80 000	54	80 054
Debt to KLP Banken AS	16.09.2019	297 833	191	298 025
Debt to KLP Banken AS	16.09.2019	830 000	502	830 502
Debt to KLP Banken AS	16.09.2019	297 568	180	297 747
Total liabilities to credit institutions				1 506 328

Interest rate on debt to credit institutions at the reporting date 1.36 %

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

NOTE 8 Liabilities to credit institutions – continues

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				1.43 %
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	500 000	345	500 345
Total liabilities to credit institutions				500 345
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.				

NOTE 9 Transactions with related parties

NOK THOUSANDS	30.06.2018	30.06.2017	31.12.2017
KLP Banken AS, interest on borrowing	2 872	3 540	5 431
KLP Banken AS, administrative services (at cost)	19 920	14 823	31 178
KLP Kapitalforvaltning AS, fees for services provided	20	23	31
KLP Group companies, subsidised interest employee loans	803	675	1 437
KLP Banken AS, purchase of loans	3 826 953	656 718	2 207 037

NOTE 9 Transactions with related parties - continues

NOK THOUSANDS	30.06.2018	30.06.2017	31.12.2017
BALANCES			
KLP Banken AS, borrowing Group current liabilities	1 506 328	160 104	-500 345
KLP Banken AS, net internal liabilities	8 184	4 123	538
Net outstanding accounts to:			
KLP Banken AS, loan settlement	-4 307	7 461	-2 956
KLP	250	207	253
KLP Group companies, net other internal accounts	138	96	139

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	30.06.2018	30.06.2017	31.12.2017
Intercompany receivables	8 573	4 426	930
Total other assets	8 573	4 426	930

NOTE 11 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.06.2018	30.06.2017	31.12.2017
Creditors	68	0	0
Intercompany payables	4 307	7 461	2 956
Tax payable	0	0	3 868
Other liabilities	299	585	0
Total other liabilities	4 673	8 046	6 824
VAT	0	0	223
Accrued expenses	774	721	309
Total accrued costs and liabilities	774	721	532

NOTE 12 Capital adequacy

NOK THOUSANDS	30.06.2018	30.06.2017	31.12.2017
Share capital and share premium fund	490 463	250 463	370 463
Other owners' equity	11 097	29 377	11 097
Total owners' equity	501 560	279 840	381 560
Interim Profit qualifying for tier 1 capital	0	3 385	0
Adjustments due to requirements for proper valuation	-5	0	-5
Deferred tax asset	-1 064	-485	-1 064
Core capital/Tier 1 capital	500 491	282 740	380 491
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)	500 491	282 740	380 491
Capital requirement	220 722	135 650	150 125
Surplus of own funds (Tier 1 and Tier 2 capital)	279 769	147 090	230 366
Estimate basis credit risk:			
Institutions	31 471	49 520	25 165
Investments with mortgage security in real estate	2 645 938	1 560 717	1 770 021
Covered bonds	302	4 331	302
Calculation basis credit risk	2 677 711	1 614 568	1 795 488
Credit risk	214 217	129 165	143 639
Operating risk	6 505	6 486	6 486
Total capital requirement assets	220 722	135 650	150 125
Core capital adequacy ratio	18.1 %	16.7 %	20.3 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	18.1 %	16.7 %	20.3 %
Leverage ratio	6.5 %	6.0 %	7.3 %

CAPITAL REQUIREMENT PER 30.06.2018	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 %
Current capital requirement incl. buffers	12.0 %	3.5 %	15.5 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

NOTE 13 Fixed-income securities

NOK THOUSANDS	30.06.2018		30.06.2017		31.12.2017	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	3 017	3 023	995	998	1 994	1 999
Bonds	1 997	1 997	42 957	43 309	3 017	3 021
Total fixed-income securities	5 014	5 021	43 952	44 307	5 011	5 020

NOTE 14 Net gain(loss) on financial instruments

NOK THOUSANDS	Q2 2018		01.01.2018 -30.06.2018	
	Acquisition cost	Market value	Acquisition cost	Market value
Net gain/(loss) on financial assets and liabilities for fair value through profit and loss	3	0	5	0
Net gain/(loss) assets at amortised cost	300	0	1 188	0
Total	303	0	1 193	0

NOTE 15 Losses on lending

NOK THOUSANDS	12-month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL credit-impaired	Total
	step 1	step 2	step 3	
Opening balance 01.01.2018	0	0	0	0
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	0	0	0	0
New losses	5	0	0	5
Closing balance 30.06.2018	5	1	0	6

Quarterly earnings trend

NOK MILLIONS	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Interest income	36.4	30.5	30.5	28.4	27.6
Interest expense	-23.7	-17.3	-16.4	-16.0	-17.0
Net interest income	12.6	13.2	14.1	12.4	10.6
Net gain/ (loss) financial instruments	0.3	0.9	0.0	0.0	0.0
Total other operating income	0.3	0.9	0.0	0.0	0.0
Other operating expenses	-11.0	-10.1	-10.2	-7.2	-7.9
Total operating expenses	-11.0	-10.1	-10.2	-7.2	-7.9
Operating profit/loss before tax	2.0	4.0	3.9	5.2	2.7
Tax ordinary income	-0.5	-0.9	-1.0	-1.2	-0.7
Profit for the period	1.5	3.1	2.9	4.0	2.1

Key figures accumulated

NOK MILLIONS	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Pre-tax income	5.9	4.0	13.5	9.6	4.5
Net interest income	25.8	13.1	46.5	32.3	20.0
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost and depreciation	-21.1	-10.1	-33.1	-22.9	-15.7
Net realized/unrealized change fin. instruments at fair value	1.2	0.9	0.0	0.1	0.2
Housing mortgage lending	7 559.8	5 360.9	5 057.2	4 925.6	4 459.2
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	5 702.9	5 099.5	4 298.4	4 297.7	4 297.9
Other borrowing	1 506.3	0.0	500.3	370.2	160.1
Total assets	7 720.8	5 487.7	5 187.7	5 055.3	4 750.0
Average total assets	6 454.3	5 337.7	5 036.7	4 970.5	4 817.9
Equity	506.1	384.6	381.6	378.6	283.2
Interest net	0.40 %	0.25 %	0.92 %	0.65 %	0.41 %
Profit/loss from ordinary operation before taxes	0.09 %	0.07 %	0.27 %	0.19 %	0.09 %
Return on equity	3.11 %	4.19 %	4.83 %	4.51 %	3.18 %
Capital adequacy ratio	18.1 %	19.2 %	20.3 %	20.7 %	16.7 %
Liquidity coverage ratio (LCR)	151 %	217 %	195 %	137 %	128 %



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