

Interim report

Q2 2015



INCOME STATEMENT

BALANCE SHEET

NOTES TO THE ACCOUNTS

A close-up photograph of a hand holding a vibrant red flower, possibly a gerbera, against a solid blue background. The hand is positioned at the bottom left, with fingers gently gripping the base of the flower. The flower's petals are numerous and layered, creating a full, rounded shape. The center of the flower is a dense cluster of yellow and orange stamens. The lighting is soft, highlighting the texture of the petals and the skin of the hand.

Contents

KLP Kommunekreditt -

Interim financial statements 2/2015	3
Income statement	5
Balance sheet	6
Statement of changes in equity	7
Statement of cash flow	8
Statement	9
Notes to accounts	10
Note 1 General information	10
Note 2 Accounting principles	10
Note 3 Net interest income	11
Note 4 Loans to customers	11
Note 5 Fair value of financial assets and liabilities	12
Note 6 Fair value hierarchy	13
Note 7 Securities liabilities - stock exchange listed covered bonds	14
Note 8 Liabilities to credit institutions	16
Note 9 Financial assets and liabilities subject to net settlement	16
Note 10 Transactions with related parties	17
Note 11 Other assets	17
Note 12 Other liabilities and provision for accrued cost	17
Note 13 Capital adequacy	18
Note 14 Fixed-income securities	19
Note 15 Contingent liabilities	19
Note 16 Net gain/(loss) on financial instruments	19
Key figures	20
Report on Review of Interim Financial Information	21

KLP Kommunekreditt AS

Interim Financial Statements 2 / 2015

Main features in the first half year:

- Maintaining healthy margins
- Weaker earnings compared to last year mainly due to financial losses from the liquidity portfolio and re-purchase of own debt
- 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 issue of 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 H1 2015 were NOK 34.8 million. The corresponding figure last year was 37.0 million. Operating expenses in the same period amounted to NOK 9.4 million and 8.5 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 11.9 million. The corresponding profit in 2014 was NOK 33.9 million. The decrease is mainly due to losses on financial instruments this year.

Lending

The Company's loans to customers as at 30 June 2015 amounted to NOK 15.6 billion compared to NOK 16.3 billion as at 30 June 2014. 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. No new covered bond issues were made in H1 2015. The Company occasionally restructures the debt portfolio with the purpose of increasing average maturity. Bond restructuring have caused total accounting losses of NOK 3.5 million by the end of H1. 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 30 June 2015, the bond portfolio's market value was NOK 2.5 billion. The net loss associated with liquidity investments amounted to NOK 10.2 million in H1 2015.

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 second quarter 2015, core capital i.a.w. the capital adequacy rules was NOK 683.7 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 18.6 percent at the end of the second quarter 2015. The minimum statutory requirement is 11.0 per cent core capital adequacy ratio and 14.5 per cent capital adequacy ratio.

Future prospects

KLP Kommunekreditt AS has maintained profitability during the recent years. The Company has taken advantage of both its high creditworthiness and low market interest rates to obtain favourable funding terms. The recent international financial crisis gave rise to increased statutory capital requirements for financial institutions. The regulations on financial institution's capital adequacy indicate that banks, among other measures, had to increase their margins in order to be able to meet future capital and liquidity requirements. Even though the Company has had favourable margins development during recent years, it is not given that this development will continue over time. The general development in the financial markets on which the Company depends will affect the opportunities for growth and development.

The Norwegian economy has during the latest years been characterised by positive budget surpluses and high levels of employment. In combination with high life expectancy and population growth, the need for public investments is significant. The demand for loans in the local government sector and for projects with local government guarantees and local administration ownership is expected to remain high in the years to come.

The brand name "KLP Kommunekreditt" has a good position in the market for public sector lending. Its presence in the market contributes to competition and thus to the public sector having access to long-term financing at low costs. Customer surveys conclude that competition among creditors is highly valued.

KLP Kommunekreditt AS will also in the future contribute to financing of public investment projects. Volume growth will mainly be determined by the possibilities of low cost funding and thus the ability to compete for public sector loans.

Oslo, 14. august 2015

Sverre Thornes
Chair
(Sign.)

Aage E. Schaanning
Deputy chair
(Sign.)

Eva M. Salvesen
(Sign.)

Toril Lahnstein
(Sign.)

Arnulf Arnøy
Managing director
(Sign.)

Income statement

KLP Kommunekreditt AS

Note	NOK thousands	Q2 2015	Q2 2014	01.01.2015- 30.06.2015	01.01.2014- 30.06.2014	2014
	Interest income	123 361	147 534	252 125	297 591	588 825
	Interest expense	-105 446	-131 131	-217 280	-260 636	-517 168
3	Net interest income	17 914	16 403	34 844	36 955	71 657
16	Net gain/ (loss) financial instruments	-2 671	1 853	-13 554	5 440	-15 217
	Total other operating income	-2 671	1 853	-13 554	5 440	-15 217
	Other operating expenses	-4 163	-3 154	-9 398	-8 508	-19 927
	Total operating expenses	-4 163	-3 154	-9 398	-8 508	-19 927
	Operating profit/loss before tax	11 080	15 102	11 892	33 887	36 514
	Tax ordinary income	-3 030	-4 078	-3 249	-9 150	-9 859
	Profit for the period	8 050	11 025	8 642	24 738	26 655
	Other comprehensive income	0	0	0	0	0
	Tax on other comprehensive income	0	0	0	0	0
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	8 050	11 025	8 642	24 738	26 655

Balance sheet

KLP Kommunekreditt AS

Note	NOK thousands	30.06.2015	30.06.2014	31.12.2014
ASSETS				
	Loans to credit institutions	334 589	545 821	444 270
4	Loans to customers	15 591 029	16 313 965	16 338 260
14	Interest-bearing securities	2 452 434	2 402 673	3 076 037
	Financial derivatives	120 219	143 884	158 288
11	Other assets	50 572	32 287	5 498
	TOTAL ASSETS	18 548 842	19 438 629	20 022 354
LIABILITIES AND EQUITY				
LIABILITIES				
8	Debt to credit institutions	2 207 209	2 133 335	2 207 657
7	Debt securities issued	15 321 457	16 222 639	16 642 932
	Financial derivatives	323 094	334 943	420 971
	Deffered tax liabilities	5 554	6 860	16 718
12	Other Liabilities	6 600	13 528	3 982
12	Provision for accrued costs and liabilities	1 243	588	1 441
	TOTAL LIABILITIES	17 865 157	18 711 893	19 293 701
EQUITY				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Retained earnings	8 686	51 737	53 653
	TOTAL EQUITY	683 686	726 736	728 653
	TOTAL LIABILITIES AND EQUITY	18 548 842	19 438 629	20 022 354

Statement of changes in equity

KLP Kommunekreditt AS

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	8 642	8 642
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	8 642	8 642
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 30 June 2015	362 500	312 500	8 686	683 686
Equity 1 January 2014	362 500	312 500	70 630	745 630
Profit for the period	0	0	24 738	24 738
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	24 738	24 738
Group contribution received	0	0	8 500	8 500
Group contribution made	0	0	-52 132	-52 132
Total transactions with the owners	0	0	-43 632	-43 632
Equity 30 June 2014	362 500	312 500	51 737	726 736
Equity 1 January 2014	362 500	312 500	70 630	745 630
Profit for the period	0	0	26 655	26 655
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	26 655	26 655
Group contribution received	0	0	8 500	8 500
Group contribution made	0	0	-52 132	-52 132
Total transactions with the owners	0	0	-43 632	-43 632
Equity 31 December 2014	362 500	312 500	53 653	728 653

Statement of cash flow

KLP Kommunekreditt AS

NOK thousands	01.01.2015- 30.06.2015	01.01.2014- 30.06.2014	2014
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	218 602	251 593	526 170
Net receipts/payments on loans to customers	555 126	535 366	559 178
Payments on operations	-9 370	-9 928	-19 964
Net receipts/payments on other operating activities	4 770	7 672	12 038
Net interest investment accounts	2 613	2 720	12 116
Income tax paid	0	0	0
Net cash flow from operating activities	771 741	787 423	1 089 538
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-481 717	-315 259	-1 531 983
Receipts on sale of securities	1 094 581	715 968	1 254 965
Receipts of interest from securities	26 823	31 160	64 201
Net cash flow from investment activities	639 686	431 869	-212 817
FINANCING ACTIVITIES			
Net receipts/payments on loans from credit institutions	-1 257 517	-1 161 519	-676 233
Net payment of interest on loans	-194 768	-291 780	-527 994
Dividend paid	-28 300	0	0
Payment on group contribution	-36 513	-63 906	-63 906
Net cash flows from financing activities	-1 517 099	-1 517 205	-1 268 133
Net cash flow during the period	-105 672	-297 913	-391 411
Cash and cash equivalents at the start of the period	428 660	820 072	820 072
Cash and cash equivalents at the end of the period	322 988	522 159	428 660
Net receipts/ disbursements (-) of cash	-105 672	-297 913	-391 411

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

KLP Kommunekreditt AS

We hereby confirm that the half yearly financial statement for the company for the period 1 January through 30 June 2015 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.

Oslo, 14. august 2015

Sverre Thornes
Chair
(Sign.)

Aage Schaanning
Deputy Chair
(Sign.)

Eva M. Salvesen
(Sign.)

Toril Lahnstein
(Sign.)

Arnulf Arnøy
Managing Director
(Sign.)

Notes to the accounts

Note 1 GENERAL INFORMATION

KLP Kommunekreditt AS was founded 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.

KLP Kommunekreditt AS is registered and domiciled in Norway. Its 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 consolidated financial statements of KLP Kommunekreditt AS for the period 1 January 2015 - 30 June 2015.

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

The interim financial statements are audited.

There are no changes in the accounting rules in 2015, which has had an impact on the interim financial statements for the second quarter. The annual report for 2014 contains a more detailed description of accounting policies.

The annual financial statements are available at klp.no.

Note 3 NET INTEREST INCOME

NOK thousands	01.01.2015- 30.06.2015	01.01.2014- 30.06.2014	2014
Interest on loans to and receivables from credit institutions	3 373	6 405	12 116
Interest on loans to customers	221 409	260 088	513 766
Interest on securities	27 343	31 099	62 943
Total interest income	252 125	297 591	588 825
Interest on covered bonds	191 521	202 090	455 559
Interest on liabilities to KLP Banken AS	26 254	29 887	59 388
Premium/discount on covered bonds	-494	28 659	2 221
Total interest costs	217 280	260 636	517 168
Net interest income	34 844	36 955	71 657

Note 4 LOANS TO CUSTOMERS

NOK thousands	30.06.2015	30.06.2014	31.12.2014
Loans to cutomers before write-downs	15 228 629	15 931 057	15 866 437
Individual write-downs	0	0	0
Write-downs by group	0	0	0
Loans to cutomers after write-downs	15 228 629	15 931 057	15 866 437
Accured interest	93 088	111 178	90 280
Change in fair value due to interest rate changes (fair value hedging)	269 313	271 729	381 544
Loans to customers	15 591 029	16 313 965	16 338 260

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 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

NOK thousands	30.06.2015		30.06.2014		31.12.2014	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE						
Fixed-income securities	2 452 434	2 452 434	2 402 673	2 402 673	3 076 037	3 076 037
Financial derivatives	120 219	120 219	143 884	143 884	158 288	158 288
Total financial assets at fair value	2 572 653	2 572 653	2 546 557	2 546 557	3 234 325	3 234 325
FINANCIAL ASSETS AT FAIR VALUE HEDGING						
Loans to Norwegian local administrations	5 688 305	5 711 915	6 331 715	6 371 247	6 066 133	6 111 821
Total financial assets at fair value hedging	5 688 305	5 711 915	6 331 715	6 371 247	6 066 133	6 111 821
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	334 589	334 589	545 821	545 821	444 270	444 270
Loans to Norwegian local administrations	9 902 724	9 894 601	9 982 249	9 974 004	10 272 128	10 262 529
Total financial assets at amortized cost	10 237 312	10 229 189	10 528 070	10 519 825	10 716 398	10 706 799
Total financial assets	18 498 270	18 513 757	19 406 343	19 437 629	20 016 855	20 052 945
FINANCIAL LIABILITIES AT FAIR VALUE						
Financial derivatives	323 094	323 094	334 943	334 943	420 971	420 971
Total financial liabilities at fair value	323 094	323 094	334 943	334 943	420 971	420 971
LIABILITIES TO CREDIT INSTITUTIONS AT FAIR VALUE HEDGING						
Covered bonds issued	1 871 721	1 884 741	2 934 121	2 954 603	2 454 871	2 477 580
Total financial liabilities at fair value hedging	1 871 721	1 884 741	2 934 121	2 954 603	2 454 871	2 477 580
LIABILITIES TO CREDIT INSTITUTIONS AT AMORTIZED COST						
Liabilities to credit institutions	2 207 209	2 207 209	2 133 335	2 133 335	2 207 657	2 207 657
Covered bonds issued	13 449 737	13 474 139	13 288 519	13 371 035	14 188 062	14 251 127
Total financial liabilities at amortized cost	15 656 945	15 681 347	15 421 854	15 504 370	16 395 718	16 458 784
Total financial liabilities	17 851 760	17 889 182	18 690 917	18 793 916	19 271 560	19 357 335

Fair value of investments listed in an active market is based on the current sales price. 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 - 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. In theoretical pricing a zero-coupon curve is used as well as yield spread curves for the pricing. Reuters is used as a source for the zero-coupon curve from 0 to 10 years. From 12 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years. The yield curve spreads are received from Nordic Bond Pricing. These are based on yield curve spreads collected from several different market operators and converted to an average curve.

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. Lending with fixed interest is valued using a valuation model, including relevant credit spread adjustments obtained from the market.

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

NOK thousands	Level 1	Level 2	Level 3	Total 30.06.2015
ASSETS				
Interest-bearing securities	0	2 452 434	0	2 452 434
Financial derivatives	0	120 219	0	120 219
Total financial assets at fair value	0	2 572 653	0	2 572 653
LIABILITIES				
Financial derivatives	0	323 094	0	323 094
Total financial liabilities at fair value	0	323 094	0	323 094

NOK thousands	Level 1	Level 2	Level 3	Total 30.06.2014
ASSETS				
Interest-bearing securities	0	2 402 673	0	2 402 673
Financial derivatives	0	143 884	0	143 884
Total financial assets at fair value	0	2 546 557	0	2 546 557
LIABILITIES				
Financial derivatives	0	334 943	0	334 943
Total financial liabilities at fair value	0	334 943	0	334 943

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2014
ASSETS				
Interest-bearing securities	0	3 076 037	0	3 076 037
Financial derivatives	0	158 288	0	158 288
Total financial assets at fair value	0	3 234 325	0	3 234 325
LIABILITIES				
Financial derivatives	0	420 971	0	420 971
Total financial liabilities at fair value	0	420 971	0	420 971

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.

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS

NOK thousands ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	30.06.2015 Book value
NO0010585185	1 116 000	NOK	Floating	15.09.10	15.09.15	873	1 116 873
NO0010592900	750 000	NOK	Fixed	15.12.10	15.12.20	18 715	768 715
NO0010642192	560 000	NOK	Floating	13.04.12	13.04.16	2 237	562 237
NO0010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	8 118	3 008 118
NO0010663180	2 250 000	NOK	Floating	15.11.12	16.11.16	4 950	2 254 950
NO0010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	2 651	1 002 651
NO0010675978	1 500 000	NOK	Floating	15.05.13	15.05.18	3 545	1 503 545
NO0010711419	1 000 000	NOK	Floating	15.05.14	15.05.17	2 141	1 002 141
NO0010716780	2 000 000	NOK	Floating	26.08.14	10.12.18	1 785	2 001 785
NO0010719974	2 000 000	NOK	Floating	17.09.14	20.12.19	750	2 000 750
Amortization/other changes							99 694
Total covered bonds issued with preferential rights in public sector loans							15 321 457

NOK thousands ISIN code	Nominal before repurchase	Currency	Repurchase	Rate	Purchase amount	Profit/loss	Date
REPURCHASE OF DEBT							
NO0010624778	542 000	NOK	202 000	100.70	203 414	-1 414	14.01.15
NO0010624778	340 000	NOK	125 000	100.46	125 576	-576	23.02.15
NO0010642192	860 000	NOK	300 000	100.49	301 470	-1 470	24.02.15
NO0010663180	2 500 000	NOK	250 000	100.39	250 975	-975	10.04.15
NO0010624778	215 000	NOK	215 000	100.00	215 000	0	15.05.15
NO0010585185	1 300 000	NOK	184 000	100.10	184 190	-190	30.06.15
Total repurchased	5 757 000		1 276 000		1 280 624	-4 624	

Interest rate swaps with a gain of NOK 1.1 million were realized in connection with repurchase of debt. The total effect on the income statement of repurchased debt was therefore NOK -3.5 million.

NOK thousands ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	30.06.2014 Book value
NO0010585185	3 800 000	NOK	Floating	15.09.10	15.09.15	3 515	3 803 515
NO0010592900	750 000	NOK	Fixed	15.12.10	15.12.20	18 715	768 715
NO0010624778	1 059 000	NOK	Fixed	15.09.11	15.05.15	4 773	1 063 773
XS0747335494	500 000	SEK	Floating	17.02.12	17.02.15	745	434 245
NO0010642192	1 000 000	NOK	Floating	13.04.12	13.04.16	4 680	1 004 680
NO0010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	9 167	3 009 167
NO0010663180	2 500 000	NOK	Floating	15.11.12	16.11.16	6 804	2 506 804
NO0010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	2 651	1 002 651
NO0010675978	1 500 000	NOK	Floating	15.05.13	15.05.18	4 210	1 504 210
NO0010711419	1 000 000	NOK	Floating	15.05.14	15.05.17	2 585	1 002 585
Amortization/other changes							122 295
Total covered bonds issued with preferential rights in public sector loans							16 222 639

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS - CONTINUES.

NOK thousands ISIN code	Nominal before repurchase	Repurchase	Rate	Purchase amount	Profit/loss	Date
REPURCHASE OF DEBT						
N00010624778	2 500 000	1 441 000	101.66	1 464 916	-23 916	15.05.14
N00010585185	4 300 000	500 000	100.56	502 800	-2 800	25.06.14
Total repurchased	6 800 000	1 941 000		1 967 716	-26 716	

Linked to repurchase of debt, interest rate swaps were realized with a gain of NOK 18.3 million.
The total effect on profit/loss of repurchased debt was therefore NOK -8.4 million.

NOK thousands ISINcode	Nominal	Currency	Interest	Issued	Due date	Accrued interest	31.12.2014 Book value
N00010585185	1 300 000	NOK	Floating	15.09.10	15.09.15	1 148	1 301 148
N00010592900	750 000	NOK	Fixed	15.12.10	15.12.20	1 607	751 607
N00010624778	542 000	NOK	Fixed	15.09.11	15.05.15	12 006	554 006
N00010642192	860 000	NOK	Floating	13.04.12	13.04.16	3 899	863 899
N00010662307	3 000 000	NOK	Floating	26.10.12	10.11.17	8 797	3 008 797
N00010663180	2 500 000	NOK	Floating	15.11.12	16.11.16	6 281	2 506 281
N00010675952	1 000 000	NOK	Fixed	02.05.13	19.05.17	13 993	1 013 993
N00010675978	1 500 000	NOK	Floating	15.05.13	15.05.18	3 825	1 503 825
N00010711419	1 000 000	NOK	Floating	15.05.14	15.05.17	2 338	1 002 338
N00010716780	2 000 000	NOK	Floating	26.08.14	10.12.18	2 114	2 002 114
N00010719974	2 000 000	NOK	Floating	17.09.14	20.12.19	933	2 000 933
Amortization/other changes							133 991
Total covered bonds issued with preferential rights in public sector loans							16 642 932

NOK thousands ISIN code	Nominal before repurchase	Currency	Repurchase	Rate	Purchase amount	Profit/loss	Date
REPURCHASE OF DEBT							
N00010624778	2 500 000	NOK	1 441 000	101,66	1 464 916	-23 916	15.05.14
N00010585185	4 300 000	NOK	500 000	100,56	502 800	-2 800	25.06.14
N00010585185	3 800 000	NOK	1 331 500	100,50	1 338 184	-6 684	26.08.14
N00010585185	3 799 899	NOK	165 000	100,50	165 820	-820	28.08.14
N00010585185	3 799 799	NOK	570 500	100,46	573 124	-2 624	17.09.14
N00010585185	3 799 699	NOK	56 000	100,47	56 262	-262	26.09.14
N00010624778	1 059 000	NOK	45 000	101,20	45 540	-540	15.09.14
N00010624778	1 058 899	NOK	340 000	101,22	344 138	-4 138	17.09.14
N00010624778	1 058 798	NOK	62 000	101,15	62 713	-713	30.09.14
N00010585185	1 677 000	NOK	220 000	100,46	221 001	-1 001	03.10.14
N00010585185	1 457 000	NOK	116 000	100,45	116 524	-524	06.10.14
N00010585185	1 341 000	NOK	41 000	100,39	41 158	-158	20.11.14
N00010624778	612 000	NOK	70 000	100,90	70 629	-629	20.11.14
N00010642192	1 000 000	NOK	50 000	100,62	50 310	-310	10.10.14
N00010642192	950 000	NOK	45 000	100,57	45 257	-257	06.11.14
N00010642192	905 000	NOK	45 000	100,62	45 279	-279	07.11.14
Total repurchased	33 118 093		5 098 000		5 143 657	-45 657	

Linked to repurchase of debt, interest rate swaps were realized with a gain of NOK 24.2 million.
The total effect on profit/loss of repurchased debt was therefore NOK - 21.5 million.

Note 8 LIABILITIES TO CREDIT INSTITUTIONS

NOK thousands	Due date	Nominal	Accrued interest	30.06.2015 Book value
Debt to KLP Banken AS	15.09.15	2 165 000	2 203	2 167 203
Debt to KLP Banken AS	15.09.15	40 000	5	40 005
Total liabilities to credit institutions				2 207 209

NOK thousands	Due date	Nominal	Accrued interest	30.06.2014 Book value
Debt to KLP Banken AS	15.09.14	2 131 000	2 335	2 133 335
Total liabilities to credit institutions				2 133 335

NOK thousands	Due date	Nominal	Accrued interest	31.12.2014 Book value
Debt to KLP Banken AS	16.03.15	2 155 000	2 646	2 157 646
Debt to KLP Banken AS	16.03.15	50 000	11	50 011
Total liabilities to credit institutions				2 207 657

Note 9 FINANCIAL ASSETS AND LIABILITIES SUBJECT TO NET SETTLEMENT

NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Related sums that are not presented net Security in cash	30.06.2015 Net recognised value
ASSETS						
Financial derivatives	120 219	0	120 219	-120 219	0	0
Total	120 219	0	120 219	-120 219	0	0
LIABILITIES						
Financial derivatives	323 094	0	323 094	-120 219	0	202 875
Total	323 094	0	323 094	-120 219	0	202 875

NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Finansielle instrumenter	Related sums that are not presented net Security in cash	30.06.2014 Net recognised value
ASSETS						
Financial derivatives	143 884	0	143 884	-143 884	0	0
Total	143 884	0	143 884	-143 884	0	0
LIABILITIES						
Financial derivatives	334 943	0	334 943	-143 884	0	191 059
Total	334 943	0	334 943	-143 884	0	191 059

NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Finansielle instrumenter	Related sums that are not presented net Security in cash	31.12.2014 Net recognised value
ASSETS						
Financial derivatives	158 288	0	158 288	-158 288	0	0
Total	158 288	0	158 288	-158 288	0	0
LIABILITIES						
Financial derivatives	420 971	0	420 971	-158 288	0	262 683
Total	420 971	0	420 971	-158 288	0	262 683

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	01.01.2015- 30.06.2015	01.01.2014- 30.06.2014	2014
INCOME STATEMENT ITEMS			
KLP Banken AS, interest on borrowing	-26 254	-29 887	-59 388
KLP Banken AS, administrative services (at cost)	-6 679	-5 972	-12 715
KLP Kapitalforvaltning AS, fees for services provided	-193	-122	-314
Total	-33 126	-35 981	-72 418

NOK thousands	30.06.2015	30.06.2014	31.12.2014
FINANCIAL POSITION STATEMENT ITEMS			
KLP Banken AS, borrowing Group current liabilities	-2 207 209	-2 133 335	-2 207 657
KLP Banken AS, net internal liabilities	-3 134	-2 542	-3 647
KLP Banken AS, loan settlement	50 308	30 347	4 441
KLP Kapitalforvaltning, net internal liabilities	-84	-58	-92
Total	-2 160 119	-2 105 588	-2 206 955

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	30.06.2015	30.06.2014	31.12.2014
Intercompany receivables	50 308	30 347	4 441
Prepaid expenses	264	261	1 057
Other receivables	0	1 679	0
Total	50 572	32 287	5 498

Note 12 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	30.06.2015	30.06.2014	31.12.2014
Creditors	167	96	238
Intercompany payables	3 218	2 600	3 740
Other liabilities	3 215	10 833	4
Total other liabilities	6 600	13 528	3 982
VAT	0	3	220
Accrued expenses	1 243	585	1 220
Total accrued costs and liabilities	1 243	588	1 441

Note 13 CAPITAL ADEQUACY

NOK thousands	30.06.2015	30.06.2014	31.12.2014
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	44	26 999	53 653
Total owners' equity	675 044	701 999	728 653
Interim profit/loss	8 642	0	0
Deferred tax asset	0	0	0
Core capital/Tier 1 capital	683 686	701 999	728 653
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)	683 686	701 999	728 653
Capital requirement	293 870	306 119	307 281
Surplus of own funds (Tier 1 and Tier 2 capital)	389 816	395 880	421 372
ESTIMATE BASIS CREDIT RISK:			
Institutions	101 076	173 175	121 611
Local and regional authorities	3 174 994	3 285 114	3 311 173
Covered bonds	234 096	240 267	285 843
Calculation basis credit risk	3 510 166	3 698 556	3 718 627
Credit risk	280 813	295 884	297 490
Operating risk	13 057	10 235	9 791
Total capital requirement assets	293 870	306 119	307 281
Core capital adequacy ratio	18.6 %	18.3 %	19.0 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	18.6 %	18.3 %	19.0 %
Leverage ratio	3,6 %		3,6 %
Capital requirement per 30.06.2015	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	1.0 %	0.0 %	1.0 %
Current capital requirement incl. buffers	11.0 %	3.5 %	14.5 %

Note 14 FIXED-INCOME SECURITIES

NOK thousands	30.06.2015		30.06.2014		31.12.2014	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	0	0	0	0	105 341	105 924
Bonds	2 431 769	2 452 434	2 362 210	2 402 673	2 935 748	2 970 113
Total fixed-income securities	2 431 769	2 452 434	2 362 210	2 402 673	3 041 089	3 076 037

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

Note 15 CONTINGENT LIABILITIES

NOK thousands	30.06.2015	30.06.2014	31.12.2014
Credit facilities for lending not utilized	160 236	105 279	134 116
Loan promise	184 691	69 000	50 600
Total contingent liabilities	344 927	174 279	184 716

Note 16 NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS

NOK thousands	30.06.2015	30.06.2014	2014
Loss on repurchase of loan	-4 286	-1 176	-21 453
Gain (loss) liquidity portfolio	-10 188	6 616	6 236
Gain (loss) from realization of loans with premium/discount	920	0	0
Total net gain/loss fin. Instruments	-13 554	5 440	-15 217

Key figures

Accumulated figures in NOK millions	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014
Pre-tax income	11.9	0.8	36.5	32.1	33.9
Net interest income	34.8	16.9	71.7	53.1	37.0
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost and depreciation	-9.4	-5.2	-19.9	-13.3	-8.5
Net realized/unrealized change fin. Instruments at fair value	-13.6	-10.9	-15.2	-7.7	5.4
Lending with public sector guarantee	15 591.0	15 951.1	16 338.3	16 044.9	16 314.0
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	15 321.5	16 006.5	16 642.9	16 209.0	16 222.6
Other borrowing	2 207.2	2 097.3	2 207.7	2 357.6	2 133.3
Total assets	18 548.8	19 254.8	20 022.4	19 857.2	19 438.6
Average total assets	19 285.6	19 638.6	20 351.3	20 270.1	20 060.8
Equity	683.7	703.9	728.7	725.4	726.7
Interest net	0.18%	0.09%	0.35%	0.26%	0.18%
Profit/loss from ordinary operation before taxes	0.06%	0.00%	0.18%	0.16%	0.17%
Return on equity	1.74%	0.11%	5.01%	4.43%	4.73%
Capital adequacy ratio	18.6 %	18.5 %	19.0 %	17.9 %	18.3 %



To the Board of Directors of KLP Kommunekreditt AS

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying balance sheet of KLP Kommunekreditt AS as of 30 June 2015 and the related statements of income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with standards on auditing adopted by Den Norske Revisorforening, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Trondheim, 14 August 2015

PricewaterhouseCoopers AS

Rune Kenneth S. Lædre
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.



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