

Interim report

Q2 2016



INCOME STATEMENT

BALANCE SHEET

NOTES



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KLP Kommunekreditt AS

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Main features in the first half year:

- Maintaining healthy margins and stable lending volumes
- Improved earnings compared to last year mainly due to financial gains from the liquidity portfolio
- No losses on lending

Objective and ownership

The Company's objective is long-term financing of municipalities, county administrations and companies carrying out public sector assignments. Loans to companies are to be guaranteed by municipalities, county administrations, central government or a bank under Section 50 of the Norwegian Local Government Act. Guarantees are to be of the ordinary surety type covering both repayments and interest. The lending business is principally financed by issuing covered bonds.

KLP Kommunekreditt AS is a wholly owned subsidiary of KLP Banken AS. The KLP Banken Group is owned by Kommunal Landspensjonskasse (KLP). KLP Kommunekreditt AS was established in 2009 and has its head office in Trondheim. The brand name KLP Kommunekreditt is used in marketing to customer groups in the public sector.

Income statement

Net interest and credit commission revenues in H1 2016 were NOK 36.7 million. The corresponding figure last year was 34.8 million. Operating expenses in the same period amounted to 9.1 million and 9.4 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 36.0 million. The corresponding profit in 2015 was NOK 11.9 million. The increase is mainly due to gains on financial instruments this year.

Lending

The Company's loans to customers as at 30 June 2016 amounted to NOK 16.0 billion compared to NOK 15.6 billion as at 30 June 2015. The Company's lending is to municipalities, county administrations and local government

enterprises.

Borrowing

The Company's borrowing comprises of covered bonds as well as borrowing from its parent company. New covered bond issues in H1 2016 amounted to NOK 2.6 while re-purchase of own debt amounted to NOK 1.2 billion. The Company occasionally restructures the debt portfolio with the purpose of increasing average maturity. Bond restructuring have caused total accounting losses of NOK 1.9 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 2016, the bond portfolio's market value was NOK 3.5 billion. The net gain associated with liquidity investments amounted to NOK 9.5 million in H1 2016. Last year, a corresponding loss of NOK 10.2 million was brought to book.

Risk and capital adequacy

KLP Kommunekreditt AS is exposed to various types of risk. The Company has established a framework for risk management aimed at ensuring that risks are identified, analyzed and subjected to management using policies, limits, procedures and instructions. The Company is to have a prudent risk profile and earnings are to be principally a result of borrowing and lending activity as well as liquidity management. This means that the Company is to have low market risk. Interest and foreign-exchange risk arising within the borrowing and lending activity is reduced using derivatives. The Company is to have responsible long-term financing and limits have been established to ensure that 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 2016, core capital i.a.w. the capital adequacy rules was NOK 700.2 million. Loans to municipalities and county administrations are risk-weighted by 20 per cent in accordance with the authorities' capital adequacy regulations. KLP Kommunekreditt AS had a core capital adequacy and capital adequacy ratio of 17.8 per cent at the end of the second quarter 2016. The minimum statutory requirement is 15.0 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 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 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 make financing of public investment projects available. Volume growth will mainly be determined by the possibilities of low cost funding and thus the ability to compete for public sector loans.

Trondheim, 11. August 2016

Sverre Thornes
Chair
(Sign.)

Eva M. Salvesen
(Sign.)

Aage E. Schaanning
Deputy chair
(Sign.)

Toril Lahnstein
(Sign.)

Christopher A. N. Steen
Managing director
(Sign.)

Income statement

KLP Kommunekreditt AS

Note	NOK thousands	Q2 2016	Q2 2015	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	2015
	Interest income	109 022	123 361	219 751	252 125	485 635
	Interest expense	-91 217	-105 446	-183 094	-217 280	-415 784
3	Net interest income	17 806	17 914	36 658	34 844	69 850
16	Net gain/(loss) financial instruments	5 082	-2 671	8 411	-13 554	-29 742
	Total other operating income	5 082	-2 671	8 411	-13 554	-29 742
	Other operating expenses	-4 117	-4 163	-9 057	-9 398	-20 502
	Total operating expenses	-4 117	-4 163	-9 057	-9 398	-20 502
	Operating profit/loss before tax	18 771	11 080	36 012	11 892	19 606
	Tax ordinary income	-4 693	-3 030	-9 003	-3 249	-5 433
	Profit for the period	14 078	8 050	27 009	8 642	14 173
	Other comprehensive income	0	0	0	0	0
	Other comprehensive income for the period	0	0	0	0	0
	COMPREHENSIVE INCOME FOR THE PERIOD	14 078	8 050	27 009	8 642	14 173

Balance sheet

KLP Kommunekreditt AS

Note	NOK thousands	30.06.2016	30.06.2015	31.12.2015
ASSETS				
	Loans to credit institutions	303 595	334 589	443 481
4	Loans to customers	16 047 470	15 591 029	15 646 269
14	Interest-bearing securities	3 459 139	2 452 434	3 133 684
	Deferred tax assets	1 746	0	1 746
	Financial derivatives	143 592	120 219	122 900
11	Other assets	16 397	50 572	1 251
	TOTAL ASSETS	19 971 940	18 548 843	19 349 331
LIABILITIES AND EQUITY				
LIABILITIES				
8	Debt to credit institutions	2 041 705	2 207 209	2 181 927
7	Debt securities issued	16 833 040	15 321 457	16 114 897
	Financial derivatives	355 342	323 094	345 305
	Deffered tax liabilities	0	5 554	12 695
12	Other Liabilities	11 735	6 600	4 646
12	Provision for accrued costs and liabilities	1 199	1 243	646
	TOTAL LIABILITIES	19 243 020	17 865 157	18 660 115
EQUITY				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Retained earnings	53 919	8 686	14 216
	TOTAL EQUITY	728 919	683 686	689 216
	TOTAL LIABILITIES AND EQUITY	19 971 940	18 548 843	19 349 331

Statement of changes in equity

KLP Kommunekreditt AS

NOK thousands	Share capital	Share premium	Retained earnings	Total equity
Equity 1 January 2016	362 500	312 500	14 216	689 216
Profit for the period	0	0	27 009	27 009
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	27 009	27 009
Group contribution received	0	0	47 018	47 018
Group contribution made	0	0	-34 323	-34 323
Total transactions with the owners	0	0	12 695	12 695
Equity 30 June 2016	362 500	312 500	53 919	728 919
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 2015	362 500	312 500	53 653	728 653
Profit for the period	0	0	14 173	14 173
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	14 173	14 173
Dividend paid	0	0	-28 300	-28 300
Group contribution received	0	0	4 980	4 980
Group contribution made	0	0	-30 290	-30 290
Total transactions with the owners	0	0	-53 610	-53 610
Equity 31 December 2015	362 500	312 500	14 216	689 216

Statement of cash flow

KLP Kommunekreditt AS

NOK thousands	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	2015
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	186 555	218 602	450 013
Net receipts/payments on loans to customers	-447 818	555 126	505 434
Payments on operations	-9 682	-9 370	-20 480
Net receipts/payments on other operating activities	4 134	4 770	3 046
Net interest investment accounts	1 353	2 613	6 703
Income tax paid	0	0	0
Net cash flow from operating activities	-265 458	771 741	944 716
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-1 165 331	-481 717	-2 355 043
Receipts on sale of securities	855 219	1 094 581	2 266 105
Receipts of interest from securities	18 930	26 823	48 428
Net cash flow from investment activities	-291 181	639 686	-40 510
FINANCING ACTIVITIES			
Net receipts/payments on loans from credit institutions	557 117	-1 257 517	-466 261
Net payment of interest on loans	-137 099	-194 768	-370 876
Dividend paid	0	-28 300	-28 300
Payment on group contribution	0	-36 513	-36 513
Net cash flows from financing activities	420 018	-1 517 099	-901 950
Net cash flow during the period	-136 621	-105 672	2 256
Cash and cash equivalents at the start of the period	430 916	428 660	428 660
Cash and cash equivalents at the end of the period	294 295	322 988	430 916
Net receipts/ disbursements (-) of cash	-136 621	-105 672	2 256

Statement pursuant to section § 5-6 of the securities trading act

We hereby confirm that the half yearly financial statement for the company for the period 1 January through 30 June 2016 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 2016

Sverre Thornes
Chair
(Sign.)

Aage E. Schaanning
Deputy chair
(Sign.)

Eva M. Salvesen
(Sign.)

Toril Lahnstein
(Sign.)

Christopher A. N. Steen
Managing director
(Sign.)

Notes to the accounts

KLP Kommunekreditt AS

Note 1 GENERAL INFORMATION

KLP Kommunekreditt AS was formed on 25 August 2009. The Company is a credit enterprise whose object is to provide and acquire public sector loans that are guaranteed by the Norwegian state, Norwegian county administrations or Norwegian municipalities. Borrowers provide ordinary surety covering both repayments and interest.

The business is primarily financed by issuing covered bonds (obligasjoner med fortrinnsrett - OMF) with security in public sector guaranteed loans. Some of these are listed on Oslo Børs (Stock Exchange).

KLP Kommunekreditt AS is registered and domiciled in Norway. KLP Kommunekreditt AS has its head office at Beddingen 8 in Trondheim and the Company has departmental offices in Oslo. The Company is a wholly-owned subsidiary of KLP Banken AS, which is in turn wholly owned by Kommunal Landspensjonskasse (KLP) through the holding company, KLP Bankholding AS. KLP is a mutual insurance company.

Note 2 ACCOUNTING PRINCIPLES

The interim report includes the interim financial statements of KLP Kommunekreditt AS for the period 1 January 2016 - 30 June 2016. The interim financial statements have not been audited.

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

There are no changes in the accounting principles in 2016 that have been of significance for the interim financial statements following the second quarter. Attention is drawn to KLP Kommunekreditt's annual report for 2015 for detailed description of accounting principles.

The annual report is available at klp.no.

Note 3 NET INTEREST INCOME

NOK thousands	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	2015
Interest on loans to and receivables from credit institutions	2 222	3 373	6 702
Interest on loans to customers	192 474	221 409	430 665
Interest on securities	25 055	27 343	48 267
Total interest income	219 751	252 125	485 634
Interest on covered bonds	161 339	191 521	368 152
Interest on liabilities to KLP Banken AS	21 792	26 254	48 269
Premium/discount on covered bonds	-37	-494	-636
Total interest costs	183 094	217 281	415 784
Net interest income	36 658	34 844	69 850

Note 4 LOANS TO CUSTOMERS

NOK thousands	30.06.2016	30.06.2015	31.12.2015
Loans to customers before write-downs	15 653 928	15 228 629	15 262 113
Individual write-downs	0	0	0
Write-downs by group	0	0	0
Loans to customers after write-downs	15 653 928	15 228 629	15 262 113
Accrued interest	76 851	93 088	70 931
Change in fair value due to interest rate changes (fair value hedging)	316 691	269 313	313 225
Loans to customers	16 047 470	15 591 029	15 646 269

All lending comprises loans to, or loans guaranteed by, Norwegian municipalities and county administrations, including loans to local government enterprises and intermunicipal (public sector lending). Guarantees are of the ordinary surety type covering both repayments and interest.

Note 5 CATEGORIES OF FINANCIAL INSTRUMENTS

NOK thousands	30.06.2016		30.06.2015		31.12.2015	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING						
Fixed-income securities	3 459 139	3 459 139	2 452 434	2 452 434	3 133 684	3 133 684
Total financial assets at fair value held for trading	3 459 139	3 459 139	2 452 434	2 452 434	3 133 684	3 133 684
FINANCIAL ASSETS AT FAIR VALUE USED FOR HEDGING						
Financial derivatives	143 592	143 592	120 219	120 219	122 900	122 900
Lending to Norwegian municipalities	5 035 041	5 010 668	5 688 305	5 711 915	5 558 168	5 526 008
Total financial assets at fair value used for hedging	5 178 633	5 154 260	5 808 524	5 832 134	5 681 068	5 648 908
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	303 595	303 595	334 589	334 589	443 481	443 481
Lending to Norwegian municipalities	11 012 429	11 004 331	9 902 724	9 894 601	10 088 101	10 080 287
Total financial assets at amortized cost	11 316 024	11 307 926	10 237 313	10 229 190	10 531 582	10 523 768
Total financial assets	19 953 796	19 921 326	18 498 271	18 513 758	19 346 334	19 306 361
FINANCIAL LIABILITIES AT FAIR VALUE HEDGING						
Covered bonds issued	2 131 289	2 128 473	1 871 721	1 884 741	1 509 154	1 501 873
Financial derivatives	355 342	355 342	323 094	323 094	345 305	345 305
Total financial liabilities at fair value used for hedging	2 486 631	2 483 815	2 194 815	2 207 835	1 854 459	1 847 177
FINANCIAL LIABILITIES AMORTIZED COST						
Liabilities to credit institutions	2 041 705	2 041 705	2 207 209	2 207 209	2 181 927	2 181 927
Covered bonds issued	14 701 751	14 698 235	13 449 737	13 474 139	14 605 743	14 549 701
Total financial liabilities at amortized cost	16 743 456	16 739 939	15 656 945	15 681 347	16 787 670	16 731 628
Total financial liabilities	19 230 087	19 223 755	17 851 760	17 889 182	18 642 128	18 578 805

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for on normal market terms and conditions. A financial instrument is considered to be listed in an active market if the listed price is simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length. If the market for the security is not active, or the security is not listed on a stock market or similar, valuation techniques are used to set fair value. These are based for example on information on recently completed transactions carried out on business terms and conditions, reference to trading in similar instruments and pricing using externally collected yield curves and yield spread curves. As far as possible the estimates are based on externally observable market data and rarely on company-specific information.

The different financial instruments are thus priced in the following way:

Fixed-income securities - other than government

Norwegian fixed-income securities, except government are priced directly on prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the main source of spread curves.

Financial derivatives

These transactions are valued based on the applicable swap curve at the time of valuation. Derivative contracts are to be used only to hedge balance amounts and to enable payments obligations to be met. Derivative contracts may be struck only with counterparties with high credit quality.

Fair value of loans to Norwegian local administrations.

Fair value of lending without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates. Fair value of fixedrate loans is calculated by discounting contractual cash flows by the marked rate including a relevant risk margin on the reporting date.

Fair value of loans to and receivables from credit institutions

All receivables from credit institutions (bank deposits) are at variable interest rates. Fair value of these is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates.

Fair value of liabilities to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Liabilities created on issuance of securities

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

Note 6 FAIR VALUE HIERARCHY

NOK thousands	Level 1	Level 2	Level 3	Total 30.06.2016
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	0	3 459 139	0	3 459 139
Financial derivatives	0	143 592	0	143 592
Total financial assets recognized at fair value	0	3 602 732	0	3 602 732
Financial assets recognized at fair value in Note 5:				
Lending to Norwegian municipalities	0	5 010 668	0	5 010 668
Total financial assets at fair value used for hedging	0	5 010 668	0	5 010 668
Loans to and receivables from credit institutions				
Lending to Norwegian municipalities	0	11 004 331	0	11 004 331
Total financial assets at amortized cost	0	11 307 926	0	11 307 926
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	355 342	0	355 342
Total financial derivatives recognized at fair value	0	355 342	0	355 342
Financial liabilities recognized at fair value in Note 5:				
Covered bonds issued	0	2 128 473	0	2 128 473
Total financial liabilities at fair value used for hedging	0	2 128 473	0	2 128 473
Liabilities to credit institutions				
Covered bonds issued	0	14 698 235	0	14 698 235
Total financial liabilities at amortized cost	0	16 739 939	0	16 739 939

NOK thousands	Level 1	Level 2	Level 3	Total 30.06.2015
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	0	2 452 434	0	2 452 434
Financial derivatives	0	120 219	0	120 219
Total financial assets recognized at fair value	0	2 572 653	0	2 572 653
Financial assets recognized at fair value in Note 5:				
Lending to Norwegian municipalities	0	5 711 915	0	5 711 915
Total financial assets at fair value used for hedging	0	5 711 915	0	5 711 915
Loans to and receivables from credit institutions				
Lending to Norwegian municipalities	0	9 894 601	0	9 894 601
Total financial assets at amortized cost	0	10 229 190	0	10 229 190

Note 6 FAIR VALUE HIERARCHY – CONT.

NOK thousands	Level 1	Level 2	Level 3	Total 30.06.2015
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	323 094	0	323 094
Total financial derivatives recognized at fair value	0	323 094	0	323 094
Financial liabilities recognized at fair value in Note 5:				
Covered bonds issued	0	1 884 741	0	1 884 741
Total financial liabilities at fair value used for hedging	0	1 884 741	0	1 884 741
Liabilities to credit institutions				
Covered bonds issued	0	2 207 209	0	2 207 209
Covered bonds issued	0	13 474 139	0	13 474 139
Total financial liabilities at amortized cost	0	15 681 348	0	15 681 348

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2015
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	0	3 133 684	0	3 133 684
Financial derivatives	0	122 900	0	122 900
Total financial assets recognized at fair value	0	3 256 584	0	3 256 584
Financial assets recognized at fair value in Note 5:				
Lending to Norwegian municipalities	0	5 526 008	0	5 526 008
Total financial assets at fair value used for hedging	0	5 526 008	0	5 526 008
Loans to and receivables from credit institutions				
Lending to Norwegian municipalities	0	443 481	0	443 481
Lending to Norwegian municipalities	0	10 080 287	0	10 080 287
Total financial assets at amortized cost	0	10 523 768	0	10 523 768

Note 6 FAIR VALUE HIERARCHY – CONT.

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2015
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	345 305	0	345 305
Total financial derivatives recognized at fair value	0	345 305	0	345 305
Financial liabilities recognized at fair value in Note 5:				
Covered bonds issued	0	1 501 873	0	1 501 873
Total financial liabilities at fair value used for hedging	0	1 501 873	0	1 501 873
Liabilities to credit institutions	0	2 181 927		2 181 927
Covered bonds issued	0	14 549 701	0	14 549 701
Total financial liabilities at amortized cost	0	16 731 628	0	16 731 628

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for at normal market terms and conditions. Highest quality in regard to fair value is based on listed prices in an active market. A financial instrument is considered as listed in an active market if listed prices are simply and regularly available from a stock market, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

Level 1: Instruments at this level obtain fair value from listed prices in an active market for identical assets or liabilities to which the entity has access at the reporting date. Examples of instruments in Level 1 are stock market listed securities.

Level 2: Instruments at this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is therefore not considered to be traded in an active market, as well as prices based on corresponding assets and price-leading indicators that can be confirmed from market information. Example instruments at Level 2 are fixed-income securities priced on the basis of interest rate paths.

Level 3: Instruments at Level 3 contain non-observable market data or are traded in markets considered to be inactive. The price is based generally on discrete calculations where the actual fair value may deviate if the instrument were to be traded.

There has been no movement between the levels.

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS

NOK thousands	30.06.2016	30.06.2015	31.12.2015
Bond debt, nominal amount	17 485 000	15 176 000	16 055 000
Adjustments	114 362	99 694	106 565
Accured interest	47 678	45 763	33 332
Own holdings, nominal amount	-814 000	0	-80 000
Total debt securities issued	16 833 040	15 321 457	16 114 897

CHANGES IN DEBT SECURITIES ISSUED

NOK thousands	Balance sheet 30.06.2016	Issued	Matured/ redeemed	Other adjustments	Balance sheet 31.12.2015
Bond debt, nominal amount	17 485 000	2 600 000	-1 170 000	0	16 055 000
Adjustments	114 362	0	0	7 797	106 565
Accured interest	47 678	0	0	14 346	33 332
Own holdings, nominal amount	-814 000	0	-734 000	0	-80 000
Total debt securities issued	16 833 040	2 600 000	-1 904 000	22 143	16 114 897

Note 8 LIABILITIES TO CREDIT INSTITUTIONS

NOK thousands	Due date	Nominal	Accrued interest	30.06.2016 Book value
Debt to KLP Banken AS	15.09.2017	2 040 000	1 705	2 041 705
Total liabilities to credit institutions				2 041 705

NOK thousands	Due date	Nominal	Accrued interest	30.06.2015 Book value
Debt to KLP Banken AS	15.09.2015	2 165 000	2 203	2 167 203
Debt to KLP Banken AS	15.09.2015	40 000	5	40 005
Total liabilities to credit institutions				2 207 209

NOK thousands	Due date	Nominal	Accrued interest	31.12.2015 Book value
Debt to KLP Banken AS	15.03.2016	2 100 000	1 885	2 101 885
Debt to KLP Banken AS	15.03.2016	80 000	42	80 042
Total liabilities to credit institutions				2 181 927

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	Security in cash	30.06.2016
						Related sums that are not presented net Net recognised value
ASSETS						
Financial derivatives	143 593	0	143 593	-143 593	0	0
Total	143 593	0	143 593	-143 593	0	0
LIABILITIES						
Financial derivatives	355 342	0	355 342	-143 592	0	211 750
Total	355 342	0	355 342	-143 592	0	211 750
30.06.2015						
NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Related sums that are not presented net 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
31.12.2015						
NOK thousands	Gross financial assets/ liabilities	Gross assets/ liabilities presented net	Book value	Financial instruments	Security in cash	Related sums that are not presented net Net recognised value
ASSETS						
Financial derivatives	122 900	0	122 900	-122 900	0	0
Total	122 900	0	122 900	-122 900	0	0
LIABILITIES						
Financial derivatives	345 305	0	345 305	-122 900	0	222 405
Total	345 305	0	345 305	-122 900	0	222 405

The purpose of the note is to show the potential effect of netting agreements at the KLP Kommunekreditt AS. The note shows derivative positions in the financial position statement.

Note 10 TRANSACTIONS WITH RELATED PARTIES

NOK thousands	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	2015
INCOME STATEMENT ITEMS			
KLP Banken AS, interest on borrowing	-21 792	-26 254	-48 269
KLP Banken AS, administrative services (at cost)	-6 003	-6 679	-14 168
KLP Kapitalforvaltning AS, fees for services provided	-162	-193	-321
Total	-27 958	-33 126	-62 759

NOK thousands	30.06.2016	30.06.2015	31.12.2015
FINANCIAL POSITION STATEMENT ITEMS			
KLP Banken AS, debt to credit institutions	-2 041 705	-2 207 209	-2 181 927
KLP Banken AS, loan settlement	16 160	50 308	302
Net outstanding accounts to:			
KLP Banken AS	-2 653	-3 134	-4 494
KLP Kapitalforvaltning AS	-75	-84	-79
Total	-2 028 273	-2 160 119	-2 186 198

There are no direct salary cost in KLP Kommunekreditt AS. Personnel costs (administrative services) are allocated from KLP Banken AS.

Transactions with related parties are carried out at general market terms and conditions, with the exception of the Company's share of common functions (staff services), which are allocated at cost. The receivable is based on actual use. All internal receivables are settled as they arise.

Note 11 OTHER ASSETS

NOK thousands	30.06.2016	30.06.2015	31.12.2015
Intercompany receivables	16 160	50 308	302
Prepaid expenses	237	264	949
Total	16 397	50 572	1 251

Note 12 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	30.06.2016	30.06.2015	31.12.2015
Creditors	0	167	69
Intercompany payables	2 728	3 218	4 573
Other liabilities	9 007	3 215	4
Total other liabilities	11 735	6 600	4 646
VAT	57	0	69
Accrued expenses	1 142	1 243	577
Total accrued costs and liabilities	1 199	1 243	646

Note 13 CAPITAL ADEQUACY

NOK thousands	30.06.2016	30.06.2015	31.12.2015
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	26 911	44	14 216
Total owners' equity	701 911	675 044	689 216
Interim profit/loss	0	8 642	0
Deferred tax asset	-1 746	0	-1 746
Core capital/Tier 1 capital	700 165	683 686	687 470
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)	700 165	683 686	687 470
Capital requirement	314 893	293 870	306 812
Surplus of own funds (Tier 1 and Tier 2 capital)	385 272	389 816	380 658
ESTIMATE BASIS CREDIT RISK:			
Institutions	102 816	101 076	122 521
Central government	22 001	0	0
Local and regional authorities	3 491 978	3 174 994	3 320 023
Covered bonds	203 977	234 096	227 784
Calculation basis credit risk	3 820 772	3 510 166	3 670 328
Credit risk	305 662	280 813	293 626
Operating risk	9 045	13 057	13 186
Credit valuation adjustment	186	0	0
Total capital requirement assets	314 893	293 870	306 812
Core capital adequacy ratio	17.8 %	18.6 %	17.9 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	17.8 %	18.6 %	17.9 %
Leverage ratio	3.4 %	3.6 %	3.5 %

Capital requirement per 30.06.2016	Tier 1 capital	Tier 2 capital	Tier 1 and Tier 2 capital
Minimum requirement excl. buffers	4.5 %	3.5 %	8.0 %
Protective buffer	2.5 %	0.0 %	2.5 %
Systemic risk buffer	3.0 %	0.0 %	3.0 %
Counter-cyclical capital buffer	1.5 %	0.0 %	1.5 %
Current capital requirement incl. buffers	11.5 %	3.5 %	15.0 %

Note 14 FIXED-INCOME SECURITIES

NOK thousands	30.06.2016		30.06.2015		31.12.2015	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	1 253 246	1 259 894	0	0	745 587	747 238
Bonds	2 186 458	2 199 246	2 431 769	2 452 434	2 385 054	2 386 446
Total fixed-income securities	3 439 704	3 459 139	2 431 769	2 452 434	3 130 641	3 133 684

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

Note 15 CONTINGENT LIABILITIES

NOK thousands	30.06.2016	30.06.2015	31.12.2015
Loan promise	305 050	344 926	196 015
Total contingent liabilities	305 050	344 926	196 015

Note 16 NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS

NOK thousands	01.01.2016 -30.06.2016	01.01.2015 -30.06.2015	2015
Net gain/(loss) financial derivatives and realized repurchase of own debt	-1 853	-4 286	-5 051
Net gain/(loss) on fixed-income securities	9 468	-10 188	-27 160
Net gain/(loss) financial derivatives and realized amortization linked to lending	795	920	2 470
Total net gain/(loss) financial instruments	8 411	-13 554	-29 742

QUARTERLY EARNINGS TREND

NOK millions	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Interest income	109.0	110.7	114.1	119.4	123.4
Interest expense	-91.2	-91.9	-96.3	-102.2	-105.4
Net interest income	17.8	18.8	17.8	17.2	17.9
Net gain/ (loss) financial instruments	5.1	3.3	-5.5	-10.7	-2.7
Total other operating income	5.1	3.3	-5.5	-10.7	-2.7
Other operating expenses	-4.1	-4.9	-6.6	-4.5	-4.2
Total operating expenses	-4.1	-4.9	-6.6	-4.5	-4.2
Operating profit/loss before tax	18.8	17.2	5.8	1.9	11.1
Tax ordinary income	-4.7	-4.3	-1.7	-0.5	-3.0
Profit for the period	14.1	12.9	4.1	1.4	8.1

KEY FIGURES

Accumulated figures in NOK millions	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015
Pre-tax income	36.0	17.2	19.6	13.8	11.9
Net interest income	36.7	18.9	69.9	52.0	34.8
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost and depreciation	-9.1	-4.9	-20.5	-13.9	-9.4
Net realized/unrealized change fin. Instruments at fair value	8.4	3.3	-29.7	-24.3	-13.6
Lending with public sector guarantee	16 047.5	15 782.9	15 646.3	15 807.7	15 591.0
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	16 833.0	15 249.4	16 114.9	14 600.8	15 321.5
Other borrowing	2 041.7	2 832.4	2 181.9	2 021.8	2 207.2
Total assets	19 971.9	19 183.7	19 349.3	17 722.2	18 548.8
Average total assets	19 660.6	19 266.5	19 685.8	18 872.3	19 285.6
Equity	728.9	714.8	689.2	685.1	683.7
Interest net	0.19 %	0.10 %	0.36 %	0.28 %	0.18 %
Profit/loss from ordinary operation before taxes	0.18 %	0.09 %	0.10 %	0.07 %	0.06 %
Return on equity	4.94 %	2.41 %	2.84 %	2.02 %	1.74 %
Capital adequacy ratio	17.8 %	18.6 %	17.9 %	18.8 %	18.6 %
Liquidity coverage ratio (LCR)	279 %	579 %	356 %	447 %	0 %



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