

KLP



Interim report

KLP KOMMUNEKREDITT AS
Q2 2017




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KLP KOMMUNEKREDITT

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Interim Financial Statements

KLP KOMMUNEKREDITT AS
Q2 2017

MAIN FEATURES IN THE FIRST HALF YEAR:

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

OBJECTIVE AND OWNERSHIP

The Company's objective is 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). The company 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 2017 were NOK 39.5 million. The corresponding figure last year was 36.7 million. Operating expenses in the same period amounted to 9.1 million and 9.1 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 31.8 million. The corresponding profit in 2016 was NOK 36.0 million. The change is mainly due to lower gains on financial instruments this year.

LENDING

The Company's loans to customers as at 30 June 2017 amounted to NOK 17.2 billion compared to NOK 16.0 billion as at 30 June 2016. 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 2017 amounted to NOK 2.5 billion, while re-purchase of own debt amounted to NOK 0.9 billion. All covered bonds have an AAA rating.

The Company occasionally restructures the debt portfolio with the purpose of increasing average maturity. Bond restructuring have caused total accounting losses of NOK 3.3 million by the end of H1.

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 2017, the bond portfolio's market value was NOK 1.4 billion. The net gain associated with liquidity investments amounted to NOK 4.7 million in H1 2017. Last year, a corresponding gain of NOK 9.5 million was brought to book.

RISK AND CAPITAL ADEQUACY

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.

At the end of the second quarter 2016, core capital i.a.w. the capital adequacy rules was NOK 766 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 19.9 per cent at the end of the second quarter 2017. The minimum statutory requirement is 15.0 per cent capital adequacy ratio. Leverage ratio was 3.9 per cent.

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 Board perceive that increased life expectancy and population growth in general will contribute to maintain the public sector investments at a high level. 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 2017

Sverre Thornes
Chair
(Sign.)

Ingrid Aune
(Sign.)

Aage E. Schaanning
Deputy Chair
(Sign.)

Aud Norunn Strand
(Sign.)

Christopher A. Steen
Managing Director
(Sign.)

Income statement

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	Q2 2017	Q2 2016	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
	Interest income	103 097	109 022	207 942	219 751	437 565
	Interest expense	-82 205	-91 217	-168 481	-183 094	-369 530
3	Net interest income	20 892	17 805	39 461	36 658	68 034
16	Net gain/(loss) financial instruments	-963	5 082	1 427	8 411	4 070
	Total other operating income	-963	5 082	1 427	8 411	4 070
	Other operating expenses	-4 572	-4 117	-9 105	-9 057	-18 906
	Total operating expenses	-4 572	-4 117	-9 105	-9 057	-18 906
	Operating profit/loss before tax	15 356	18 770	31 782	36 012	53 198
	Tax ordinary income	-3 686	-4 693	-7 628	-9 003	-13 245
	Profit for the period	11 671	14 077	24 155	27 009	39 953
	Other comprehensive income	0	0	0	0	0
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	11 671	14 077	24 155	27 009	39 953

Balance sheet

KLP KOMMUNEKREDITT AS

NOTE	NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
ASSETS				
	Loans to credit institutions	561 003	303 595	414 803
4	Loans to customers	17 165 853	16 047 470	17 245 853
14	Interest-bearing securities	1 435 813	3 459 139	1 723 589
	Deferred tax assets	0	1 746	0
	Financial derivatives	110 064	143 592	107 927
11	Other assets	42 752	16 397	24 060
Total assets		19 315 485	19 971 939	19 516 233
LIABILITIES AND EQUITY				
LIABILITIES				
8	Debt to credit institutions	425 270	2 041 705	1 170 823
7	Debt securities issued	17 894 237	16 833 040	17 342 542
	Financial derivatives	215 827	355 342	240 602
	Deffered tax liabilities	1 310	0	11 499
12	Other Liabilities	11 367	11 735	4 508
12	Provision for accrued costs and liabilities	1 454	1 199	4 395
Total liabilities		18 549 466	19 243 020	18 774 369
EQUITY				
	Share capital	362 500	362 500	362 500
	Share premium	312 500	312 500	312 500
	Other owners' eqyity	91 019	53 919	66 864
Total equity		766 019	728 919	741 864
Total liabilities and equity		19 315 485	19 971 939	19 516 233

Statement of changes in equity

KLP KOMMUNEKREDITT AS

2017 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners equity
Equity 1 January 2017	362 500	312 500	66 864	741 864
Profit for the period	0	0	24 155	24 155
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	24 155	24 155
Group contribution received	0	0	30 565	30 565
Group contribution made	0	0	-30 565	-30 565
Total transactions with the owners	0	0	0	0
Equity 30 June 2017	362 500	312 500	91 019	766 019

2016 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners equity
Equity 1 January 2016	362 500	312 500	14 216	689 216
Profit for the period	0	0	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

2016 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners equity
Equity 1 January 2016	362 500	312 500	14 216	689 216
Profit for the period	0	0	39 953	39 953
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	39 953	39 953
Dividend paid	0	0		0
Group contribution received	0	0	47 018	47 018
Group contribution made	0	0	-34 323	-34 323
Total transactions with the owners	0	0	12 695	12 695
Equity 31 December 2016	362 500	312 500	66 864	741 864

Statement of cash flow

KLP KOMMUNEKREDITT AS

NOK THOUSANDS	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	188 149	186 555	386 298
Net receipts/payments on loans to customers	13 733	-447 818	-1 841 054
Payments on operations	-12 799	-9 682	-14 295
Net receipts/payments on other operating activities	-73 051	4 134	4 214
Net interest investment accounts	180	1 353	572
Income tax paid	0	0	0
Net cash flow from operating activities	116 212	-265 458	-1 464 265
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-799 843	-1 165 331	-1 754 141
Receipts on sale of securities	1 093 227	855 219	3 170 907
Receipts of interest from securities	10 450	18 930	48 395
Net cash flow from investment activities	303 834	-291 181	1 465 162
FINANCING ACTIVITIES			
Disbursements on loans from credit institutions	-2 207 875	-2 042 883	-6 818 669
Receipts on loans from credit institutions	2 000 000	2 600 000	7 100 000
Net payment of interest on loans	-130 678	-137 099	-310 334
Payment on group contribution	-10 188	0	0
Net cash flows from financing activities	-348 741	420 018	-29 003
Net cash flow during the period	71 305	-136 621	-28 106
Cash and cash equivalents at the start of the period	402 810	430 916	430 916
Cash and cash equivalents at the end of the period	474 115	294 295	402 810
Net receipts/ disbursements (-) of cash	71 305	-136 621	-28 106

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 2017 to the best of our knowledge have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

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

Trondheim, 11. August 2017

Sverre Thornes
Chair
(Sign.)

Aage E. Schaanning
Deputy Chair
(Sign.)

Ingrid Aune
(Sign.)

Aud Norunn Strand
(Sign.)

Christopher A. 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 that provides or acquires public sector loans that are guaranteed by the Norwegian municipalities. Borrowers provide surety covering both repayments and interest.

The object of the Company is primarily to finance activities by issuing covered bonds with security in public sector guarantees loans. Parts of these loans are listed on Oslo Børs (Stock Exchange).

KLP Kommunekreditt AS is registered and domiciled in Norway. It's head office is at Beddingen 8 in Trondheim. The company is a wholly-owned subsidiary of KLP Banken AS which is in turn wholly-owned by Kommunal Landspensjonskasse (KLP), through KLP Bankholding AS. KLP is a mutual insurance company.

NOTE 2 ACCOUNTING PRINCIPLES

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

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

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

NOTE 3 Net interest income

NOK THOUSANDS	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
Interest on loans to and receivables from credit institutions	2 024	2 222	4 214
Interest on loans to customers	194 191	192 474	387 482
Interest on securities	11 727	25 055	45 869
Total interest income	207 942	219 751	437 565
Interest on covered bonds	164 272	161 339	332 186
Interest on liabilities to KLP Banken AS	5 222	21 792	37 215
Premium/discount on covered bonds	-1 012	-37	129
Total interest costs	168 481	183 094	369 530
Net interest income	39 461	36 658	68 034

NOTE 4 Loans to customers

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
Loans to customers before write-downs	16 924 360	15 653 928	16 987 099
Individual write-downs	0	0	0
Write-downs by group	0	0	0
Loans to customers after write-downs	16 924 360	15 653 928	16 987 099
Accrued interest	78 157	76 851	72 115
Change in fair value due to interest rate changes (fair value hedging)	163 336	316 691	186 640
Loans to customers	17 165 853	16 047 470	17 245 853

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

NOTE 5 Categories of financial instruments

NOK THOUSANDS	30.06.2017		30.06.2016		31.12.2016	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE HELD FOR TRADING						
Fixed-income securities	1 435 813	1 435 813	3 459 139	3 459 139	1 723 589	1 723 589
Total financial assets at fair value held for trading	1 435 813	1 435 813	3 459 139	3 459 139	1 723 589	1 723 589
FINANCIAL ASSETS AT FAIR VALUE USED FOR TRADING						
Financial derivatives	110 064	110 064	143 592	143 592	107 927	107 927
Lending to Norwegian municipalities	4 998 262	5 037 120	5 035 041	5 010 668	5 164 845	5 186 458
Total financial assets at fair value used for hedging	5 108 326	5 147 184	5 178 633	5 154 260	5 272 772	5 294 385
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	561 003	561 003	303 595	303 595	414 803	414 803
Lending to Norwegian municipalities	12 167 591	12 161 880	11 012 429	11 004 331	12 081 008	12 071 700
Total financial assets at amortized cost	12 728 594	12 722 883	11 316 024	11 307 926	12 495 811	12 486 503
Total financial assets	19 272 733	19 305 879	19 953 796	19 921 326	19 492 172	19 504 477
FINANCIAL LIABILITIES AT FAIR VALUE HEDGING						
Covered bonds issued	1 942 374	1 961 845	2 131 289	2 128 473	1 744 658	1 748 349
Financial derivatives	215 827	215 827	355 342	355 342	240 602	240 602
Total financial liabilities at fair value used for hedging	2 158 201	2 177 672	2 486 631	2 483 815	1 985 260	1 988 951
FINANCIAL LIABILITIES AMORTIZED COST						
Liabilities to credit institutions	425 270	425 270	2 041 705	2 041 705	1 170 823	1 170 823
Covered bonds issued	15 951 863	16 035 562	14 701 751	14 698 235	15 597 884	15 980 849
Total financial liabilities at amortized cost	16 377 133	16 460 832	16 743 456	16 739 939	16 768 707	17 151 672
Total financial liabilities	18 535 335	18 638 504	19 230 087	19 223 755	18 753 967	19 140 623

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

THE DIFFERENT FINANCIAL INSTRUMENTS ARE THUS PRICED IN THE FOLLOWING WAY:

Fixed-income securities - government

Bloomberg is used as a source for pricing Norwegian government bonds. It is Oslo Børs (Oslo Stock Exchange) that provides the price (via Bloomberg). The prices are compared with the prices from Reuters to reveal any errors.

Fixed-income securities - other than government

Norwegian fixed-income securities except government are generally priced using prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. In theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means

NOTE 5 Categories of financial instruments continues

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.

Financial derivatives

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

Fair value of loans to Norwegian local administrations.

Fair value of lending without fixed interest rates is considered virtually the same as book value since the

contract terms are continuously changed in step with market interest rates. Fair value of fixed rate loans is calculated by discounting contractual cash flows by the marked rate including a relevant risk margin on the reporting date.

Fair value of loans to and receivables from credit institutions

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

Fair value of liabilities to credit institutions

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

Liabilities created on issuance of securities

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

NOTE 6 Fair value hierarchy

30.06.2017 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	19 968	1 415 845	0	1 435 813
Financial derivatives	0	110 064	0	110 064
Total financial assets recognized at fair value	19 968	1 525 909	0	1 545 877
Financial assets recognized at fair value in Note 5:				
Lending to Norwegian municipalities	0	5 037 120	0	5 037 120
Total financial assets at fair value used for hedging	0	5 037 120	0	5 037 120
Loans to and receivables from credit institutions				
Lending to Norwegian municipalities	0	12 161 880	0	12 161 880
Total financial assets at amortized cost	0	12 722 883	0	12 722 883
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	215 827	0	215 827
Total financial derivatives recognized at fair value	0	215 827	0	215 827
Financial liabilities recognized at fair value in Note 5:				
Covered bonds issued	0	1 961 845	0	1 961 845
Total financial liabilities at fair value used for hedging	0	1 961 845	0	1 961 845
Liabilities to credit institutions				
Covered bonds issued	0	16 035 562	0	16 035 562
Total financial liabilities at amortized cost	0	16 460 832	0	16 460 832

30.06.2016 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
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	3 602 731
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

NOTE 6 Fair value hierarchy — continues

30.06.2016 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
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	0	2 041 705	0	2 041 705
Covered bonds issued	0	14 698 235	0	14 698 235
Total financial liabilities at amortized cost	0	16 739 940	0	16 739 940

31.12.2016 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS				
Financial assets recognized at fair value:				
Fixed-income securities	49 884	1 673 705	0	1 723 589
Financial derivatives	0	107 927	0	107 927
Total financial assets recognized at fair value	49 884	1 781 632	0	1 831 516
Financial assets recognized at fair value in Note 5:				
Lending to Norwegian municipalities	0	5 186 458	0	5 186 458
Total financial assets at fair value used for hedging	0	5 186 458	0	5 186 458
Loans to and receivables from credit institutions	0	414 803	0	414 803
Lending to Norwegian municipalities	0	12 071 700	0	12 071 700
Total financial assets at amortized cost	0	12 486 503	0	12 486 503
LIABILITIES				
Financial liabilities recognized at fair value:				
Financial derivatives (liabilities)	0	240 602	0	240 602
Total financial derivatives recognized at fair value	0	240 602	0	240 602
Financial liabilities recognized at fair value in Note 5:				
Covered bonds issued	0	1 748 349	0	1 748 349
Total financial liabilities at fair value used for hedging	0	1 748 349	0	1 748 349
Liabilities to credit institutions	0	1 170 823	0	1 170 823
Covered bonds issued	0	15 980 849	0	15 980 849
Total financial liabilities at amortized cost	0	17 151 672	0	17 151 672

NOTE 6 Fair value hierarchy — continues

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.

NIVÅ 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.

NIVÅ 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.

NIVÅ 3:

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

There has been no movement between the levels.

NOTE 7 Securities liabilities - stock exchange listed covered bonds and certificates

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
Bond debt, nominal amount	19 874 000	17 485 000	19 985 000
Adjustments	60 548	114 362	67 646
Accured interest	60 689	47 678	44 896
Own holdings, nominal amount	-2 101 000	-814 000	-2 755 000
Total debt securities issued	17 894 237	16 833 040	17 342 542

Interest rate on borrowings through the issuance of securities at the reporting date 1,34% 1,36% 1,52%

The interest rate is calculated as a weighted average of the act/360 basis. It includes interest rate effects and amortization costs.

NOK THOUSANDS	Balance sheet 30.06.2017	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.12.2016
Bond debt, nominal amount	19 874 000	2 500 000	-2 611 000	0	19 985 000
Adjustments	60 548	0	0	-7 098	67 646
Accured interest	60 689	0	0	15 793	44 896
Own holdings, nominal amount	-2 101 000	0	654 000	0	-2 755 000
Total debt securities issued	17 894 237	2 500 000	-1 957 000	8 695	17 342 542

NOTE 8 Liabilities to credit institutions

30.06.2017 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	17.09.2018	425 000	270	425 270
Total liabilities to credit institutions				425 270

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

30.06.2016 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	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

Interest rate on debt to credit institutions at the reporting date 1,88%

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

31.12.2016 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.03.2018	990 000	697	990 697
Debt to KLP Banken AS	15.03.2018	180 000	127	180 127
Total liabilities to credit institutions				1 170 823

Interest rate on debt to credit institutions at the reporting date 1,49%

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

NOTE 9 Financial assets and liabilities subject to net settlement

30.06.2017 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	110 064	0	110 064	-110 064	0	0
Total	110 064	0	110 064	-110 064	0	0
LIABILITIES						
Financial derivatives	215 827	0	215 827	-110 064	0	105 763
Total	215 827	0	215 827	-110 064	0	105 763

30.06.2016 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	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

31.12.2016 NOK THOUSANDS				Related sums that are not presented net		
	Gross financial assets/liabilities	Gross assets/liabilities presented net	Book value	Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	107 927	0	107 927	-107 927	0	0
Total	107 927	0	107 927	-107 927	0	0
LIABILITIES						
Financial derivatives	240 602	0	240 602	-107 927	0	132 675
Total	240 602	0	240 602	-107 927	0	132 675

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

NOTE 10 Transactions with related parties

NOK THOUSANDS	01.01.2017 -30.06.2017	01.01.2016 -30.06.2016	01.01.2016 -31.12.2016
INCOME STATEMENT ITEMS			
KLP Banken AS, interest on borrowing	-5 222	-21 792	-37 215
KLP Banken AS, administrative services (at cost)	-7 162	-6 003	-12 830
KLP Kapitalforvaltning AS, fees for services provided	-142	-162	-341
Total	-12 526	-27 958	-50 386

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
FINANCIAL POSITION STATEMENT ITEMS			
KLP Banken AS, debt to credit institutions	-425 270	-2 041 705	-1 170 823
KLP Banken AS, loan settlement	42 752	16 160	24 060
Net outstanding accounts to:			
KLP Banken AS	-3 677	-2 653	-4 018
KLP Kapitalforvaltning AS	-59	-75	-92
Total	-386 255	-2 028 273	-1 150 873

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	30.06.2017	30.06.2016	31.12.2016
Intercompany receivables	42 752	16 160	24 060
Prepaid expenses	0	237	0
Total	42 752	16 397	24 060

NOTE 12 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
Creditors	0	0	394
Intercompany payables	3 737	2 728	4 110
Other liabilities	7 631	9 007	4
Total other liabilities	11 367	11 735	4 508
VAT	0	57	264
Accrued expenses	1 454	1 142	4 131
Total accrued costs and liabilities	1 454	1 199	4 395

NOTE 13 Capital adequacy

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
Share capital and share premium fund	675 000	675 000	675 000
Other owners' equity	66 864	26 911	66 864
Total owners' equity	741 864	701 911	741 864
Interim profit/loss	24 155	0	0
Deferred tax asset	0	-1 746	0
Core capital/Tier 1 capital	766 019	700 165	741 864
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)	766 019	700 165	741 864
Capital requirement	308 003	314 893	310 430
Surplus of own funds (Tier 1 and Tier 2 capital)	458 016	385 272	431 434
ESTIMATE BASIS CREDIT RISK:			
Institutions	142 764	102 816	117 712
Central government	0	22 001	0
Local and regional authorities	3 468 752	3 491 978	3 491 045
Covered bonds	130 880	203 977	156 780
Calculation basis credit risk	3 742 397	3 820 772	3 765 537
Credit risk	299 392	305 662	301 243
Operating risk	8 433	9 045	9 045
Credit valuation adjustment	179	186	142
Total capital requirement assets	308 003	314 893	310 430
Core capital adequacy ratio	19.9 %	17.8 %	19.1 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	19.9 %	17.8 %	19.1 %
Leverage ratio	3.9 %	3.4 %	3.8 %

CAPITAL REQUIREMENT PR 30.06.2017:	Tier 1 capital	Tier 2 capital	Tier 3 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

TUSEN KRONER	30.06.2017		30.06.2016		31.12.2016	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	19 973	19 968	1 253 246	1 259 894	49 883	49 884
Bonds	1 398 724	1 415 845	2 186 458	2 199 246	1 659 544	1 673 705
Total fixed-income securities	1 418 697	1 435 813	3 439 704	3 459 139	1 709 427	1 723 589

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

NOTE 15 Contingent liabilities

NOK THOUSANDS	30.06.2017	30.06.2016	31.12.2016
Loan promise	141 771	305 050	206 936
Total contingent liabilities	141 771	305 050	206 936

NOTE 16 Net gain/(loss) on financial instruments

NOK THOUSANDS	01.01.2017- 30.06.2017	01.01.2016- 30.06.2016	01.01.2016- 31.12.2016
Net gain/(loss) financial derivatives and realized repurchase of own debt	-3 292	-1 853	-13 118
Net gain/(loss) on fixed-income securities	4 719	9 468	15 320
Net gain/(loss) financial derivatives and realized amortization linked to lending	0	795	1 867
Total net gain/(loss) financial instruments	1 427	8 411	4 070

Quarterly earnings trend

NOK MILLIONS	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Interest income	103.1	104.8	107.9	109.9	109.0
Interest expense	-82.2	-86.3	-93.8	-92.7	-91.2
Net interest income	20.9	18.6	14.1	17.3	17.8
Net gain/ (loss) financial instruments	-1.0	2.4	-6.8	2.5	5.1
Total other operating income	-1.0	2.4	-6.8	2.5	5.1
Other operating expenses	-4.6	-4.5	-6.1	-3.7	-4.1
Total operating expenses	-4.6	-4.5	-6.1	-3.7	-4.1
Operating profit/loss before tax	15.4	16.4	1.2	16.0	18.8
Tax ordinary income	3.7	-3.9	-0.3	-4.0	-4.7
Profit for the period	11.7	12.5	0.9	12.0	14.1

Key figures - accumulated

NOK MILLIONS	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016
Pre-tax income	31.8	16.4	53.2	52.0	36.0
Net interest income	39.5	18.6	68.0	53.9	36.7
Other operating income	0,0	0,0	0.0	0.0	0.0
Other operating cost and depreciation	-9.1	-4.5	-18.9	-12.8	-9.1
Net realized/unrealized change fin. Instruments at fair value	1.4	2.4	4.1	10.9	8.4
Lending with public sector guarantee	17 165.9	17 281.5	17 245.9	17 336.3	16 047.5
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	17 894.2	17 572.6	17 342.5	17 737.7	16 833.1
Other borrowing	425.3	525.4	1 170.8	1 621.4	2 41.7
Total assets	19 315.5	19 101.3	19 516.2	20 426.4	19 971.9
Average total assets	19 415.9	19 308.8	19 432.8	19 887.9	19 660.6
Equity	766.0	754.3	741.9	740.9	728.9
Interest net	0.20%	0.10%	0.35%	0.27%	0.19%
Profit/loss from ordinary operation before taxes	0.16%	0.08%	0.27%	0.26%	0.18%
Return on equity	8.57%	8.84%	7.72%	10.06%	10.45%
Capital adequacy ratio	19.9%	19.4%	19.1%	18.3%	17.8%
Liquidity coverage ratio (LCR)	266 %	731 %	1 356%	270 %	279 %



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