

KLP BOLIGKREDITT AS

Interim report

Q1 2015



[INCOME STATEMENT](#)

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KLP Boligkreditt AS

Interim Financial Statements 1/2015

Main features by first quarter end:

- The lending balance has increased to NOK 4.0 billion.
- Covered bonds of NOK 0.6 billion were issued in the first quarter.
- Operating profit before tax in the first quarter amounted to NOK 4.6 million.

Objective and ownership

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

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

Income statement

Net interest and credit commission revenues in Q1 2015 were NOK 11.5 million. Operating expenses in the same period amounted to NOK 6.7 million. The Company has not had losses or made loss provisions on loans. Pre-tax profit by quarter end was NOK 4.6 million.

Lending

The Company's loans to customers as at 31 March 2015 amounted to NOK 4.0 billion. All loans have been purchased from other KLP Group Companies. Total assets amounted to NOK 4.4 billion at the end of the quarter.

Borrowing

The Company's borrowing comprises of covered bonds as well as borrowing from its parent company. During the first quarter, new covered bond issues amounted to NOK 0.6 billion. Outstanding bond debt was NOK 2.3 billion at the reporting date while intercompany debt amounted to NOK 1.9 billion. All covered bonds have an AAA rating.

Liquidity investments

KLP Boligkreditt AS has strict rules on what assets may be included in the securities holdings. In addition to mortgage loans, the securities holdings comprise secure bonds as well as deposits in other banks. The securities comprise of certificates and bonds of high credit quality, principally investments in covered bonds with AAA rating. As at 31 March 2015, the bond portfolio's market value was NOK 0.1 billion. The net loss associated with liquidity investments amounted to NOK 0.2 million by quarter end.

Capital adequacy

At the end of the the first quarter 2015, core capital i.a.w. the capital adequacy rules was NOK 252.5 million. KLP Boligkreditt AS had a core capital adequacy and capital adequacy ratio of 16.9 per cent at the end of the first quarter 2015. The minimum statutory requirement is 10.0 per cent core capital adequacy ratio and 13.5 per cent capital adequacy ratio.

Income statement

KLP Boligkreditt AS

Notes	NOK thousands	Q1 2015	Q1 2014	2014
	Interest income	27 600	160	33 497
	Interest expense	-16 122	0	-19 014
3	Net interest income	11 477	160	14 483
	Net gain/ (loss) financial instruments	-162	0	-233
	Total other operating income	-162	0	-233
	Other operating expenses	-6 697	0	-11 460
	Total operating expenses	-6 697	0	-11 460
	Operating profit/loss before tax	4 619	160	2 790
	Tax ordinary income	-1 247	-43	-753
	Profit for the period	3 372	117	2 037
	Other comprehensive income	0	0	0
	Other comprehensive income for the period	0	0	0
	COMPREHENSIVE INCOME FOR THE PERIOD	3 372	117	2 037

Balance sheet

KLP Boligkreditt AS

Notes	NOK thousands	31.03.2015	31.03.2014	31.12.2014
	ASSETS			
	Loans to credit institutions	363 746	150 621	102 785
4	Loans to customers	3 968 733	0	2 971 296
13	Interest-bearing securities	101 314	0	0
	Deffered tax assets	0	2	0
10	Other assets	4 744	0	401
	TOTAL ASSETS	4 438 537	150 623	3 074 482
	LIABILITIES AND OWNERS EQUITY			
	LIABILITIES			
7	Debt to credit institutions	1 870 353	0	1 011 240
8	Debt securities issued	2 303 869	0	1 803 395
	Deffered tax liabilities	0	0	751
11	Other Liabilities	8 015	43	6 343
11	Provision for accrued costs and liabilities	429	0	253
	TOTAL LIABILITIES	4 182 665	43	2 821 982
	EQUITY			
	Share capital	100 000	75 000	100 000
	Share premium	150 463	75 463	150 463
	Retained earnings	5 409	117	2 037
	TOTAL EQUITY	255 872	150 580	252 500
	TOTAL LIABILITIES AND EQUITY	4 438 537	150 623	3 074 482

Statement of changes in equity

KLP Boligkreditt AS

NOK thousands	Share capital	Share premium	Retained earnings	Total equity
Equity 1 january 2015	100 000	150 463	2 037	252 500
Profit for the period	0	0	3 372	3 372
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	3 372	3 372
Group contribution received	0	0	2 030	2 030
Group contribution made	0	0	-2 030	-2 030
Total transactions with the owners	0	0	0	0
Equity 31 march 2015	100 000	150 463	5 409	255 872
Equity 1 january 2014	30	963	0	993
Profit for the period	0	0	117	117
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	117	117
Owners' equity received during the period	74 970	74 500	0	149 470
Total transactions with the owners	74 970	74 500	0	149 470
Equity 31 march 2014	75 000	75 463	117	150 580
Equity 1 january 2014	30	963	0	993
Profit for the period	0	0	2 037	2 037
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	2 037	2 037
Owners' equity received during the period	99 970	149 500	0	249 470
Total transactions with the owners	99 970	149 500	0	249 470
Equity 31 december 2014	100 000	150 463	2 037	252 500
NOK thousands	Number of shares	Nominal value in whole NOK	Share premium	Total owners' equity
As at 1 January 2015	1 000	100 000	150 463	250 463
Changes 1 January - 31 march	-	-	0	0
As at 31 march 2015	1 000	100 000	150 463	250 463
Accumulated income				5 409
Owners' equity as at 31 march 2015				255 872

There is one class of shares. All shares are owned by KLP Banken AS.

Statement of cash flow

KLP Boligkreditt AS

NOK thousands	01.01.2015- 31.03.2015	01.01.2014- 31.03.2014	2014
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	26 082	0	25 509
Net receipts/disbursements on loans customers & credit institutions	-1 001 280	0	-2 965 013
Net receipts/disbursements on operations	-6 725	0	-5 025
Net interest investment accounts	879	73	1 467
Net receipts/disbursements from operating activities	-8 530	0	-5
Income tax paid	0	0	0
Net cash flow from operating activities	-989 574	73	-2 943 067
INVESTMENT ACTIVITIES			
Receipts on sale of securities	-101 340	0	0
Receipts of interest from securities	-130	0	0
Net cash flow from investment activities	-101 470	0	0
FINANCING ACTIVITIES			
Net receipts/disbursements on loans from credit institutions	1 357 899	0	2 808 437
Net payment of interest on loans	-14 435	0	-13 051
Change in owners' equity	0	149 470	249 470
Net cash flows from financing activities	1 343 464	149 470	3 044 856
Net cash flow during the period	252 420	149 542	101 789
Cash and cash equivalents at the start of the period	102 780	991	991
Cash and cash equivalents at the end of the period	355 200	150 533	102 780
Net receipts/ disbursements (-) of cash	252 420	149 542	101 789

Notes to the accounts

KLP Boligkreditt AS

Note 1 GENERAL INFORMATION

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

KLP Boligkreditt AS is registered and domiciled in Norway. Its head office is at Beddingen 8 in Trondheim.

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 Boligkreditt AS for the period 1 January 2015 - 31 March 2015.

The interim consolidated financial statement have been prepared in accordance with IAS 34 «Interim Financial Reporting».

There are no changes in the accounting rules in 2015, which has had an impact on the interim financial statements for the 1th quarter. The annual report for 2014 contains a more detailed description of accounting policies.

The annual financial statements are available at www.klp.no.

Note 3 NET INTEREST INCOME

NOK thousands	Q1 2015	Q1 2014	2014
Interest on loans to and receivables from credit institutions	891	160	1 469
Interest on loans to customers	26 702	0	32 029
Interest on securities	7	0	0
Total interest income	27 600	160	33 497
Interest on covered bonds	9 314	0	7 582
Interest on liabilities to KLP Banken	6 707	0	11 549
Premium/discount on covered bonds	101	0	-116
Total interest costs	16 122	0	19 014
Net interest income	11 477	160	14 483

Note 4 LOANS TO CUSTOMERS

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Loans to cutomers before write-downs	3 961 589	0	2 964 774
Individual write-downs	0	0	0
Write-downs by group	0	0	0
Loans to cutomers after write-downs	3 961 589	0	2 964 774
Accured interest	7 144	0	6 522
Change in fair value due to interest rate changes (fair value hedging)	0	0	0
Loans to customers	3 968 733	0	2 971 296

Note 5 Fair value of financial assets and liabilities

NOK thousands	31.03.2015		31.03.2014		31.12.2014	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS AT FAIR VALUE						
Fixed-income securities	101 314	101 314	0	0	0	0
Total financial assets at fair value	101 314	101 314	0	0	0	0
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	363 746	363 746	150 621	150 621	102 785	102 785
Loans to and receivables from customers	3 968 733	3 968 733	0	0	2 971 296	2 971 296
Total financial assets at amortized cost	4 332 478	4 332 478	150 621	150 621	3 074 081	3 074 081
Total financial assets	4 433 793	4 433 793	150 621	150 621	3 074 081	3 074 081
LIABILITIES TO CREDIT INSTITUTIONS AT AMORTIZED COST						
Liabilities to credit institutions	1 870 353	1 870 353	0	0	1 011 240	1 011 240
Covered bonds issued	2 303 869	2 395 879	0	0	1 803 395	1 803 504
Total financial liabilities at amortized cost	4 174 221	4 266 231	0	0	2 814 635	2 814 744
Total financial liabilities	4 174 221	4 266 231	0	0	2 814 635	2 814 744

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.

Fair value of loans to retail costumers
Fair value of lending without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates. 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 31.03.2015
ASSETS				
Interest-bearing securities	60 635	40 679	0	100 314
Financial derivatives	0	0	0	0
Total financial assets at fair value	60 635	40 679	0	100 314
LIABILITIES				
Financial derivatives	0	0	0	0
Total financial liabilities at fair value	0	0	0	0

NOK thousands	Level 1	Level 2	Level 3	Total 31.03.2014
ASSETS				
Interest-bearing securities	0	0	0	0
Financial derivatives	0	0	0	0
Total financial assets at fair value	0	0	0	0
LIABILITIES				
Financial derivatives	0	0	0	0
Total financial liabilities at fair value	0	0	0	0

NOK thousands	Level 1	Level 2	Level 3	Total 31.12.2014
ASSETS				
Interest-bearing securities	0	0	0	0
Financial derivatives	0	0	0	0
Total financial assets at fair value	0	0	0	0
LIABILITIES				
Financial derivatives	0	0	0	0
Total financial liabilities at fair value	0	0	0	0

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

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

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

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

Note 7 LIABILITIES TO CREDIT INSTITUTIONS

NOK thousands	Due date	Nominal	Accrued interest	31.03.2015 Book value
Debt to KLP Banken AS	15.06.15	1 450 000	1 566	1 451 566
Debt to KLP Banken AS	15.06.15	233 532	223	233 756
Debt to KLP Banken AS	15.06.15	184 865	166	185 031
Total liabilities to credit institutions				1 870 353

NOK thousands	Due date	Nominal	Accrued interest	31.03.2014 Book value
Debt to KLP Banken AS	-			0
Total liabilities to credit institutions				0

NOK thousands	Due date	Nominal	Accrued interest	31.12.2014 Book value
Debt to KLP Banken AS	16.03.15	1 010 000	1 240	1 011 240
Total liabilities to credit institutions				1 011 240

Note 8 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS

NOK thousands							31.03.2015
ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	Book value
N00010719875	600 000	NOK	Flytende	12.09.14	12.09.19	527	600 527
N00010721244	600 000	NOK	Flytende	06.10.14	06.10.17	2 253	602 253
N00010723018	600 000	NOK	Flytende	05.11.14	05.11.21	1 503	601 503
N00010729486	600 000	NOK	Flytende	20.01.15	20.01.21	1 976	601 976
N00010729486 - own holdings	-100 000	NOK	Flytende	20.01.15	20.01.21	-329	-100 329
Amortization / value adjustments							-2 061
Total liabilities issuance of certificate loans and secured bonds							2 303 869

NOK thousands							31.03.2014
ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	Book value
Total liabilities issuance of certificate loans and secured bonds							0

NOK thousands							31.12.2014
ISIN code	Nominal	Currency	Interest	Issued	Due date	Accrued interest	Book value
N00010719875	600 000	NOK	Flytende	12.09.14	12.09.19	613	600 613
N00010721244	600 000	NOK	Flytende	06.10.14	06.10.17	2 567	602 567
N00010723018	600 000	NOK	Flytende	05.11.14	05.11.21	1 777	601 777
Amortization / value adjustments							-1 562
Total covered bonds issued with preferential rights in public sector loans							1 803 395

Note 9 TRANSACTIONS WITH RELATED PARTIES

NOK thousands	Q1 2015	Q1 2014	2014
INCOME STATEMENT ITEMS			
KLP Banken AS, interest on borrowing	-6 707	0	-11 549
KLP Banken AS, administrative services (at cost)	-6 137	0	-7 941
KLP Group companies, subsidised interest employee loans	142	0	272
Total	-12 702	0	-19 218

NOK thousands	31.03.2015	31.03.2014	31.12.2014
FINANCIAL POSTITION STATEMENT ITEMS			
KLP Banken AS, borrowing Group current liabilities	-1 870 353	0	-1 011 240
KLP Banken AS, net internal liabilities	-6 132	0	-6 305
KLP Banken AS, loan settlement	4 705	0	239
KLP, net internal liabilities	-653	0	0
KLP Group companies, net other internal accounts	39	0	162
Total	-1 872 393	0	-1 017 144

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

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

Note 10 OTHER ASSETS

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Intercompany receivables	4 744	0	401
Total	4 744	0	401

Note 11 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	31.03.2015	31.03.2014	31.12.2014
Creditors	-17	0	38
Intercompany payables	6 785	0	6 305
Other liabilities	1 247	0	0
Total other liabilities	8 015	0	6 343
VAT	0	0	21
Accrued expenses	429	0	232
Total accrued costs and liabilities	429	0	253

Note 12 CAPITAL ADEQUACY

NOK thousands	31.03.2015	31.12.2014
Share capital and share premium fund	250 463	250 463
Other owners' equity	2 037	2 037
Total owners' equity	252 500	252 500
Interim profit/loss	0	0
Deferred tax asset	0	0
Core capital/Tier 1 capital	252 500	252 500
Supplementary capital/Tier 2 capital	0	0
Supplementary capital/Tier 2 capital	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	252 500	252 500
Capital requirement	119 356	84 848
Surplus of own funds (Tier 1 and Tier 2 capital)	133 144	167 652
ESTIMATE BASIS CREDIT RISK		
Institutions	93 956	20 635
Investments with mortgage security in real estate	1 389 081	1 039 966
Calculation basis credit risk	1 483 037	1 060 601
Credit risk	118 643	84 848
Operating risk	713	0
Total capital requirement assets	119 356	84 848
Core capital adequacy ratio	16.9 %	23.8 %
Supplementary capital ratio	0.0 %	0.0 %
Capital adequacy ratio	16.9 %	23.8 %

The overall requirements for core tier 1 capital and the capital base are 10 and 13.5 per cent as of 1 July 2014. From 30 June 2015 a counter-cyclical capital buffer of 1 per cent core tier 1 capital will be introduced.

Note 13 FIXED-INCOME SECURITIES

NOK thousands	31.03.2015		31.03.2014		31.12.2014	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	0	0	0	0	0	0
Bonds	101 340	101 314	0	0	0	0
Total fixed-income securities	101 340	101 314	0	0	0	0

Key figures

Accumulated figures in NOK millions	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Pre-tax income	4.6	2.8	0.5	0.0	0.2
Net interest income	11.5	14.5	4.4	0.9	0.2
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost and depreciation	-6.7	-11.5	-3.8	-0.9	0.0
Net realized/unrealized change fin. Instruments at fair value	-0.2	-0.2	0.0	-0.9	0.0
Deposits	3 968.7	2 971.3	1 591.6	544.8	0.0
Housing mortgage lending	-	-	-	-	-
Non-performing loans	2 303.9	1 803.4	500.0	-	-
Total liabilities created on issuance of securities	1 870.4	1 011.2	1 036.2	480.2	0.0
Total assets	4 438.5	3 074.5	1 688.7	630.9	150.6
Average total assets	3 756.5	1 537.7	844.9	315.9	75.8
Equity	255.9	252.5	150.9	150.4	150.6
Interest net	0.31 %	0.94 %	0.52 %	0.28 %	0.21 %
Profit/loss from ordinary operation before taxes	0.12 %	0.18 %	0.06 %	-0.01 %	0.21 %
Return on equity	1.81 %	1.11 %	0.36 %	-0.03 %	0.62 %
Capital adequacy ratio	16.9 %	23.8 %	26.1 %	72.4 %	I/A



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