

KLP BOLIGKREDITT AS

# Interim report

## Q1 2016



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## KLP Boligkreditt AS

# Interim Financial Statements 1/2016

### Main features by first quarter end:

- Operating profit before tax amounted to NOK 5.6 million.
- The lending balance was increased to NOK 4.0 billion at the reporting date

### 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 the first quarter were NOK 10.5 million this year compared to NOK 11.5 million last year. Operating expenses in the same period amounted to NOK 7.9 million in 2016 and NOK 6.7 million in 2015. The Company has not had losses or made loss provisions on loans. Pre-tax profit by quarter end was NOK 5.6 million. In 2015, the corresponding profit was NOK 4.6 million.

### Lending

The Company's loans to customers as at 31 March 2016 amounted to NOK 4.0 billion. All loans have been purchased from other KLP Group Companies. Total assets amounted to NOK 4.3 billion at the end of the quarter. Lending and total assets at the same date last year amounted to NOK 4.0 billion and NOK 4.4 billion, respectively.

### Borrowing

The Company's borrowing comprises of covered bonds as well as borrowing from its parent company. Outstanding bond debt was NOK 3.8 billion at the reporting date while intercompany debt amounted to NOK 0.2 billion. All covered bonds have an AAA rating. New covered bond issues in the first quarter amounted to NOK 1.2 billion.

### 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 2016, the bond portfolio's market value was NOK 0.1 billion. The net gain associated with liquidity investments amounted to NOK 14 thousand during the quarter.

### Capital adequacy

At the end of the first quarter 2016, core capital i.a.w. the capital adequacy rules was NOK 271.0 million. Mortgage loans are risk-weighted by 35 per cent in accordance with the authorities' capital adequacy regulations. KLP Boligkreditt AS had a core capital adequacy and capital adequacy ratio of 18.1 per cent at the reporting date. The minimum statutory requirement is 11.0 per cent core capital adequacy ratio and 14.5 per cent capital adequacy ratio.



# Income statement

KLP Boligkreditt AS

| Note | NOK thousands                                    | Q1 2016       | Q1 2015       | 2015           |
|------|--|---------------|---------------|----------------|
|      | Interest income                                  | 27 009        | 27 600        | 117 064        |
|      | Interest expense                                 | -16 536       | -16 122       | -69 795        |
| 3    | <b>Net interest income</b>                       | <b>10 473</b> | <b>11 478</b> | <b>47 269</b>  |
| 14   | Net gain/ (loss) financial instruments           | 2 993         | -162          | -932           |
|      | <b>Total other operating income</b>              | <b>2 993</b>  | <b>-162</b>   | <b>-932</b>    |
|      | Other operating expenses                         | -7 867        | -6 697        | -27 863        |
|      | <b>Total operating expenses</b>                  | <b>-7 867</b> | <b>-6 697</b> | <b>-27 863</b> |
|      | <b>Operating profit/loss before tax</b>          | <b>5 599</b>  | <b>4 619</b>  | <b>18 474</b>  |
|      | Tax ordinary income                              | -1 400        | -1 247        | -5 014         |
|      | <b>Profit for the period</b>                     | <b>4 199</b>  | <b>3 372</b>  | <b>13 460</b>  |
|      | Other comprehensive income                       | 0             | 0             | 0              |
|      | <b>Other comprehensive income for the period</b> | <b>0</b>      | <b>0</b>      | <b>0</b>       |
|      | <b>COMPREHENSIVE INCOME FOR THE PERIOD</b>       | <b>4 199</b>  | <b>3 372</b>  | <b>13 460</b>  |

# Balance sheet

KLP Boligkreditt AS

| Note | NOK thousands                               | 31.03.2016       | 31.03.2015       | 31.12.2015       |
|------|---|------------------|------------------|------------------|
|      | <b>ASSETS</b>                               |                  |                  |                  |
|      | Loans to credit institutions                | 124 393          | 363 746          | 122 973          |
| 4    | Loans to customers                          | 4 012 042        | 3 968 733        | 3 743 448        |
| 13   | Interest-bearing securities                 | 104 213          | 101 314          | 90 575           |
|      | Deffered tax assets                         | 321              | 0                | 321              |
| 10   | Other assets                                | 9 885            | 4 744            | 1 826            |
|      | <b>TOTAL ASSETS</b>                         | <b>4 250 854</b> | <b>4 438 537</b> | <b>3 959 142</b> |
|      | <b>LIABILITIES AND OWNERS EQUITY</b>        |                  |                  |                  |
|      | <b>LIABILITIES</b>                          |                  |                  |                  |
| 8    | Debt to credit institutions                 | 170 158          | 1 870 353        | 825 732          |
| 7    | Debt securities issued                      | 3 796 004        | 2 303 869        | 2 854 556        |
|      | Deffered tax liabilities                    | 0                | 0                | 5 366            |
| 11   | Other Liabilities                           | 8 683            | 8 015            | 7 229            |
| 11   | Provision for accrued costs and liabilities | 483              | 429              | 299              |
|      | <b>TOTAL LIABILITIES</b>                    | <b>3 975 329</b> | <b>4 182 665</b> | <b>3 693 182</b> |
|      | <b>EQUITY</b>                               |                  |                  |                  |
|      | Share capital                               | 100 000          | 100 000          | 100 000          |
|      | Share premium                               | 150 463          | 150 463          | 150 463          |
|      | Retained earnings                           | 25 062           | 5 409            | 15 497           |
|      | <b>TOTAL EQUITY</b>                         | <b>275 525</b>   | <b>255 872</b>   | <b>265 960</b>   |
|      | <b>TOTAL LIABILITIES AND EQUITY</b>         | <b>4 250 854</b> | <b>4 438 537</b> | <b>3 959 142</b> |

# Statement of changes in equity

KLP Boligkreditt AS

| NOK thousands                                    | Share capital  | Share premium  | Retained earnings | Total equity   |
|--|----------------|----------------|-------------------|----------------|
| Equity 1 January 2016                            | 100 000        | 150 463        | 15 497            | 265 960        |
| Profit for the period                            | 0              | 0              | 4 199             | 4 199          |
| Other comprehensive income                       | 0              | 0              | 0                 | 0              |
| <b>Total comprehensive income for the period</b> | <b>0</b>       | <b>0</b>       | <b>4 199</b>      | <b>4 199</b>   |
| Group contribution received                      | 0              | 0              | 19 873            | 19 873         |
| Group contribution made                          | 0              | 0              | -14 507           | -14 507        |
| <b>Total transactions with the owners</b>        | <b>0</b>       | <b>0</b>       | <b>5 366</b>      | <b>5 366</b>   |
| <b>Equity 31 March 2016</b>                      | <b>100 000</b> | <b>150 463</b> | <b>25 062</b>     | <b>275 525</b> |
| 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              |
| <b>Total comprehensive income for the period</b> | <b>0</b>       | <b>0</b>       | <b>3 372</b>      | <b>3 372</b>   |
| Group contribution received                      | 0              | 0              | 2 030             | 2 030          |
| Group contribution made                          | 0              | 0              | -2 030            | -2 030         |
| <b>Total transactions with the owners</b>        | <b>0</b>       | <b>0</b>       | <b>0</b>          | <b>0</b>       |
| <b>Equity 31 March 2015</b>                      | <b>100 000</b> | <b>150 463</b> | <b>5 409</b>      | <b>255 872</b> |
| Equity 1 January 2015                            | 100 000        | 150 463        | 2 037             | 252 500        |
| Profit for the period                            | 0              | 0              | 13 460            | 13 460         |
| Other comprehensive income                       | 0              | 0              | 0                 | 0              |
| <b>Total comprehensive income for the period</b> | <b>0</b>       | <b>0</b>       | <b>13 460</b>     | <b>13 460</b>  |
| Group contribution received                      | 0              | 0              | 1 945             | 1 945          |
| Group contribution made                          | 0              | 0              | -1 945            | -1 945         |
| <b>Total transactions with the owners</b>        | <b>0</b>       | <b>0</b>       | <b>0</b>          | <b>0</b>       |
| <b>Equity 31 December 2015</b>                   | <b>100 000</b> | <b>150 463</b> | <b>15 497</b>     | <b>265 960</b> |

# Statement of cash flow

KLP Boligkreditt AS

| NOK thousands   | 01.01.2016-<br>31.03.2016 | 01.01.2015-<br>31.03.2015 | 2015            |
|---|---------------------------|---------------------------|-----------------|
| <b>OPERATING ACTIVITIES</b>   |                           |                           |                 |
| Payments received from customers - interest, commission & charges   | 26 384                    | 26 082                    | 114 057         |
| Net receipts/disbursements on loans customers & credit institutions | -276 832                  | -1 001 280                | -774 690        |
| Net receipts/disbursements on operations                            | -7 649                    | -6 725                    | -26 951         |
| Net receipts/disbursements from operating activities                | 3 256                     | -8 530                    | -5 114          |
| Net interest investment accounts                                    | 443                       | 879                       | 2 738           |
| Income tax paid   | 0                         | 0                         | 0               |
| <b>Net cash flow from operating activities</b>                      | <b>-254 398</b>           | <b>-989 574</b>           | <b>-689 960</b> |
| <b>INVESTMENT ACTIVITIES</b>  |                           |                           |                 |
| Payments on the purchase of securities                              | -101 775                  | -101 340                  | -101 361        |
| Receipts on sale of securities                                      | 88 234                    | 0                         | 10 059          |
| Receipts of interest from securities                                | 285                       | -130                      | 1 196           |
| <b>Net cash flow from investment activities</b>                     | <b>-13 256</b>            | <b>-101 470</b>           | <b>-90 106</b>  |
| <b>FINANCING ACTIVITIES</b>   |                           |                           |                 |
| Net receipts/disbursements on loans from credit institutions        | 282 692                   | 1 357 899                 | 864 293         |
| Net payment of interest on loans                                    | -10 376                   | -14 435                   | -68 434         |
| Change in owners' equity  | 0                         | 0                         | -719            |
| <b>Net cash flows from financing activities</b>                     | <b>272 316</b>            | <b>1 343 464</b>          | <b>795 140</b>  |
| <b>Net cash flow during the period</b>                              | <b>4 662</b>              | <b>252 420</b>            | <b>15 074</b>   |
| Cash and cash equivalents at the start of the period                | 117 854                   | 102 780                   | 102 780         |
| Cash and cash equivalents at the end of the period                  | 122 516                   | 355 200                   | 117 854         |
| <b>Net receipts/ disbursements (-) of cash</b>                      | <b>4 662</b>              | <b>252 420</b>            | <b>15 074</b>   |

# Notes to the accounts

KLP Boligkreditt AS

## Note 1 GENERAL INFORMATION

KLP Boligkreditt AS was formed on 30 October 2013. The company is to run internal project activities associated with establishment of housing credit enterprises, with a view to later conversion and registration as a housing credit enterprise, and to finance the activity primary through issuing covered bonds (obligasjoner med fortrinnsrett - OMF).

KLP Boligkreditt AS is registered and domiciled in Norway. KLP Boligkreditt AS's head office is 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 Boligkreditt AS for the period 1 January 2016 - 31 March 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 first quarter. Attention is drawn to KLP Boligkreditt's annual report for 2015 for detailed description of accounting principles.

The annual financial statements are available at [klp.no](http://klp.no).

## Note 3 NET INTEREST INCOME

| NOK thousands   | Q1 2016       | Q1 2015       | 2015           |
|---|---------------|---------------|----------------|
| Interest on loans to and receivables from credit institutions | 456           | 891           | 2 739          |
| Interest on loans to customers                                | 26 183        | 26 702        | 112 920        |
| Interest on securities  | 369           | 7             | 1 405          |
| <b>Total interest income</b>                                  | <b>27 009</b> | <b>27 600</b> | <b>117 064</b> |
| Interest on covered bonds                                     | 11 244        | 9 314         | 38 381         |
| Interest on liabilities to KLP Banken                         | 4 958         | 6 707         | 31 191         |
| Premium/discount on covered bonds                             | 334           | 101           | 222            |
| <b>Total interest costs</b>                                   | <b>16 536</b> | <b>16 122</b> | <b>69 795</b>  |
| <b>Net interest income</b>                                    | <b>10 473</b> | <b>11 478</b> | <b>47 269</b>  |

## Note 4 LOANS TO CUSTOMERS

| NOK thousands  | 31.03.2016       | 31.03.2015       | 31.12.2015       |
|--|------------------|------------------|------------------|
| Loans to customers before write-downs                                  | 4 006 858        | 3 961 589        | 3 738 063        |
| Individual write-downs   | 0                | 0                | 0                |
| Write-downs by group   | 0                | 0                | 0                |
| <b>Loans to customers after write-downs</b>                            | <b>4 006 858</b> | <b>3 961 589</b> | <b>3 738 063</b> |
| Accrued interest   | 5 184            | 7 144            | 5 385            |
| Change in fair value due to interest rate changes (fair value hedging) | 0                | 0                | 0                |
| <b>Loans to customers</b>  | <b>4 012 042</b> | <b>3 968 733</b> | <b>3 743 448</b> |



**Note 5 CATEGORIES OF FINANCIAL INSTRUMENTS**

| NOK thousands  | 31.03.2016        |                  | 31.03.2015        |                  | 31.12.2015        |                  |
|--|-------------------|------------------|-------------------|------------------|-------------------|------------------|
|  | Capitalized value | Fair value       | Capitalized value | Fair value       | Capitalized value | Fair value       |
| <b>FINANCIAL ASSETS AT FAIR VALUE</b>                |                   |                  |                   |                  |                   |                  |
| Fixed-income securities                              | 104 213           | 104 213          | 101 314           | 101 314          | 90 575            | 90 575           |
| <b>Total financial assets at fair value</b>          | <b>104 213</b>    | <b>104 213</b>   | <b>101 314</b>    | <b>101 314</b>   | <b>90 575</b>     | <b>90 575</b>    |
| <b>FINANCIAL ASSETS AT AMORTIZED COST</b>            |                   |                  |                   |                  |                   |                  |
| Loans to and receivables from credit institutions    | 124 393           | 124 393          | 363 746           | 363 746          | 122 973           | 122 973          |
| Lending to the retail market                         | 4 012 042         | 4 012 042        | 3 968 733         | 3 968 733        | 3 743 448         | 3 743 448        |
| <b>Total financial assets at amortized cost</b>      | <b>4 136 435</b>  | <b>4 136 435</b> | <b>4 332 479</b>  | <b>4 332 479</b> | <b>3 866 421</b>  | <b>3 866 421</b> |
| <b>Total financial assets</b>                        | <b>4 240 648</b>  | <b>4 240 648</b> | <b>4 433 793</b>  | <b>4 433 793</b> | <b>3 956 997</b>  | <b>3 956 997</b> |
| <b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>       |                   |                  |                   |                  |                   |                  |
| Liabilities to credit institutions                   | 170 158           | 170 158          | 1 870 353         | 1 870 353        | 825 732           | 825 732          |
| Covered bonds issued                                 | 3 796 004         | 3 754 354        | 2 303 869         | 2 395 879        | 2 854 556         | 2 797 035        |
| <b>Total financial liabilities at amortized cost</b> | <b>3 966 162</b>  | <b>3 924 513</b> | <b>4 174 222</b>  | <b>4 266 232</b> | <b>3 680 289</b>  | <b>3 622 768</b> |
| <b>Total financial liabilities</b>                   | <b>3 966 162</b>  | <b>3 924 513</b> | <b>4 174 222</b>  | <b>4 266 232</b> | <b>3 680 289</b>  | <b>3 622 768</b> |

**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 - non-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 Norwegian Fund and Asset Management Association. These are based on yield curve spreads collected from several different market operators and converted to an average curve.

**Fair value of loans to retail customers**

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 covered bonds**

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

**Note 6 FAIR VALUE HIERARCHY**

| NOK thousands   | Level 1    | Level 2          | Level 3  | Total<br>31.03.2016 |
|---|------------|------------------|----------|---------------------|
| <b>ASSETS</b>   |            |                  |          |                     |
| Financial assets recognized at fair value:                |            |                  |          |                     |
| Fixed-income securities                                   | 998        | 103 215          | 0        | 104 213             |
| Financial derivatives                                     | 0          | 0                | 0        | 0                   |
| <b>Total financial assets recognized at fair value</b>    | <b>998</b> | <b>103 215</b>   | <b>0</b> | <b>104 213</b>      |
| Financial assets recognized at fair value in Note 5:      |            |                  |          |                     |
| Loans to and receivables from credit institutions         | 0          | 124 393          | 0        | 124 393             |
| Loans to and receivables from customers                   | 0          | 4 012 042        | 0        | 4 012 042           |
| <b>Total financial assets at amortized cost</b>           | <b>0</b>   | <b>4 136 435</b> | <b>0</b> | <b>4 136 435</b>    |
| <b>LIABILITIES</b>  |            |                  |          |                     |
| Financial liabilities recognized at fair value in Note 5: |            |                  |          |                     |
| Liabilities to credit institutions                        | 0          | 170 158          | 0        | 170 158             |
| Covered bonds issued                                      | 0          | 3 754 354        | 0        | 3 754 354           |
| <b>Total financial liabilities at amortized cost</b>      | <b>0</b>   | <b>3 924 513</b> | <b>0</b> | <b>3 924 513</b>    |

| NOK thousands   | Level 1  | Level 2          | Level 3  | Total<br>31.03.2015 |
|---|----------|------------------|----------|---------------------|
| <b>ASSETS</b>   |          |                  |          |                     |
| Financial assets recognized at fair value:                |          |                  |          |                     |
| Fixed-income securities                                   | 0        | 101 314          | 0        | 101 314             |
| Financial derivatives                                     | 0        | 0                | 0        | 0                   |
| <b>Total financial assets recognized at fair value</b>    | <b>0</b> | <b>101 314</b>   | <b>0</b> | <b>101 314</b>      |
| Financial assets recognized at fair value in Note 5:      |          |                  |          |                     |
| Loans to and receivables from credit institutions         | 0        | 363 746          | 0        | 363 746             |
| Loans to and receivables from customers                   | 0        | 3 968 733        | 0        | 3 968 733           |
| <b>Total financial assets at amortized cost</b>           | <b>0</b> | <b>4 332 479</b> | <b>0</b> | <b>4 332 479</b>    |
| <b>LIABILITIES</b>  |          |                  |          |                     |
| Financial liabilities recognized at fair value in Note 5: |          |                  |          |                     |
| Liabilities to credit institutions                        | 0        | 1 870 353        | 0        | 1 870 353           |
| Covered bonds issued                                      | 0        | 2 395 879        | 0        | 2 395 879           |
| <b>Total financial liabilities at amortized cost</b>      | <b>0</b> | <b>4 266 232</b> | <b>0</b> | <b>4 266 232</b>    |

**Note 6 FAIR VALUE HIERARCHY – CONT.**

| NOK thousands   | Level 1  | Level 2          | Level 3  | Total<br>31.12.2015 |
|---|----------|------------------|----------|---------------------|
| <b>ASSETS</b>   |          |                  |          |                     |
| Financial assets recognized at fair value:                |          |                  |          |                     |
| Fixed-income securities                                   | 0        | 90 575           | 0        | 90 575              |
| Financial derivatives                                     | 0        | 0                | 0        | 0                   |
| <b>Total financial assets recognized at fair value</b>    | <b>0</b> | <b>90 575</b>    | <b>0</b> | <b>90 575</b>       |
| Financial assets recognized at fair value in Note 5:      |          |                  |          |                     |
| Loans to and receivables from credit institutions         | 0        | 122 973          | 0        | 122 973             |
| Loans to and receivables from customers                   | 0        | 3 743 448        | 0        | 3 743 448           |
| <b>Total financial assets at amortized cost</b>           | <b>0</b> | <b>3 866 421</b> | <b>0</b> | <b>3 866 421</b>    |
| <b>LIABILITIES</b>  |          |                  |          |                     |
| Financial liabilities recognized at fair value in Note 5: |          |                  |          |                     |
| Liabilities to credit institutions                        | 0        | 825 732          | 0        | 825 732             |
| Covered bonds issued                                      | 0        | 2 797 035        | 0        | 2 797 035           |
| <b>Total financial liabilities at amortized cost</b>      | <b>0</b> | <b>3 622 767</b> | <b>0</b> | <b>3 622 767</b>    |

**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 SECURITIES LIABILITIES – STOCK EXCHANGE LISTED COVERED BONDS**

| NOK thousands                       | 31.03.2016       | 31.03.2015       | 31.12.2015       |
|-------------------------------------|------------------|------------------|------------------|
| Bond debt, nominal amount           | 4 300 000        | 2 400 000        | 3 400 000        |
| Adjustments                         | -9 577           | -2 061           | -2 269           |
| Accured interest                    | 10 581           | 5 930            | 6 825            |
| Own holdings, nominal amount        | -505 000         | -100 000         | -550 000         |
| <b>Total debt securities issued</b> | <b>3 796 004</b> | <b>2 303 869</b> | <b>2 854 556</b> |

**CHANGES IN DEBT SECURITIES ISSUED**

| NOK thousands                       | Balance sheet<br>31.03.2016 | Issued           | Matured/<br>redeemed | Other<br>adjustments | Balance sheet<br>31.12.2015 |
|-------------------------------------|-----------------------------|------------------|----------------------|----------------------|-----------------------------|
| Bond debt, nominal amount           | 4 300 000                   | 1 000 000        | -100 000             | 0                    | 3 400 000                   |
| Adjustments                         | -9 577                      | 0                | 0                    | -7 308               | -2 269                      |
| Accured interest                    | 10 581                      | 0                | 0                    | 3 756                | 6 825                       |
| Own holdings, nominal amount        | -505 000                    | 0                | 45 000               | 0                    | -550 000                    |
| <b>Total debt securities issued</b> | <b>3 796 004</b>            | <b>1 000 000</b> | <b>-55 000</b>       | <b>-3 552</b>        | <b>2 854 556</b>            |

**Note 8 LIABILITIES TO CREDIT INSTITUTIONS**

| NOK thousands                                   | Due date   | Nominal | Accrued interest | 31.03.2016<br>Book value |
|---|------------|---------|------------------|--------------------------|
| Debt to KLP Banken AS                           | 15.06.2016 | 170 000 | 158              | 170 158                  |
| <b>Total liabilities to credit institutions</b> |            |         |                  | <b>170 158</b>           |

| NOK thousands                                   | Due date   | Nominal   | Accrued interest | 31.03.2015<br>Book value |
|---|------------|-----------|------------------|--------------------------|
| Debt to KLP Banken AS                           | 15.06.2015 | 1 450 000 | 1 566            | 1 451 566                |
| Debt to KLP Banken AS                           | 15.06.2015 | 233 532   | 223              | 233 756                  |
| Debt to KLP Banken AS                           | 15.06.2015 | 184 865   | 166              | 185 031                  |
| <b>Total liabilities to credit institutions</b> |            |           |                  | <b>1 870 353</b>         |

| NOK thousands                                   | Due date   | Nominal | Accrued interest | 31.12.2015<br>Book value |
|---|------------|---------|------------------|--------------------------|
| Debt to KLP Banken AS                           | 15.03.2016 | 825 000 | 732              | 825 732                  |
| <b>Total liabilities to credit institutions</b> |            |         |                  | <b>825 732</b>           |

**Note 9** TRANSACTIONS WITH RELATED PARTIES

| NOK thousands   | Q1 2016        | Q1 2015        | 2015           |
|---|----------------|----------------|----------------|
| INCOME STATEMENT ITEMS                                  |                |                |                |
| KLP Banken AS, interest on borrowing                    | -4 958         | -6 707         | -31 191        |
| KLP Banken AS, administrative services (at cost)        | -7 294         | -6 137         | -25 611        |
| KLP Kapitalforvaltning AS, fees for services provided   | -15            | 0              | 0              |
| KLP Group companies, subsidised interest employee loans | 234            | 142            | 573            |
| <b>Total</b>  | <b>-12 033</b> | <b>-12 702</b> | <b>-56 230</b> |

| NOK thousands                                      | 31.03.2016      | 31.03.2015        | 31.12.2015      |
|--|-----------------|-------------------|-----------------|
| FINANCIAL POSITION STATEMENT ITEMS                 |                 |                   |                 |
| KLP Banken AS, borrowing Group current liabilities | -170 158        | -1 870 353        | -825 732        |
| KLP Banken AS, net internal liabilities            | 9 677           | 4 705             | 1 640           |
| Net outstanding accounts to:                       |                 |                   |                 |
| KLP Banken AS, loan settlement                     | -7 283          | -6 132            | -7 229          |
| KLP  | 150             | -653              | 133             |
| KLP Group companies, net other internal accounts   | 59              | 39                | 53              |
| <b>Total</b>                                       | <b>-167 556</b> | <b>-1 872 394</b> | <b>-831 136</b> |

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            | 31.03.2016   | 31.03.2015   | 31.12.2015   |
|--------------------------|--------------|--------------|--------------|
| Intercompany receivables | 9 885        | 4 744        | 1 826        |
| <b>Total</b>             | <b>9 885</b> | <b>4 744</b> | <b>1 826</b> |

**Note 11** OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

| NOK thousands                              | 31.03.2016   | 31.03.2015   | 31.12.2015   |
|--|--------------|--------------|--------------|
| Creditors                                  | 0            | -17          | 0            |
| Intercompany payables                      | 7 283        | 6 785        | 7 229        |
| Other liabilities                          | 1 400        | 1 247        | 0            |
| <b>Total other liabilities</b>             | <b>8 683</b> | <b>8 015</b> | <b>7 229</b> |
| VAT  | 0            | 0            | 23           |
| Accrued expenses                           | 483          | 429          | 276          |
| <b>Total accrued costs and liabilities</b> | <b>483</b>   | <b>429</b>   | <b>299</b>   |

**Note 12 CAPITAL ADEQUACY**

| NOK thousands   | 31.03.2016       | 31.03.2015       | 31.12.2015       |
|---|------------------|------------------|------------------|
| Share capital and share premium fund                    | 250 463          | 250 463          | 250 463          |
| Other owners' equity                                    | 20 863           | 2 037            | 15 497           |
| <b>Total owners' equity</b>                             | <b>271 326</b>   | <b>252 500</b>   | <b>265 960</b>   |
| Interim profit/loss                                     | 0                | 0                | 0                |
| Deferred tax asset                                      | -321             | 0                | -321             |
| <b>Core capital/Tier 1 capital</b>                      | <b>271 005</b>   | <b>252 500</b>   | <b>265 639</b>   |
| Supplementary capital/Tier 2 capital                    | 0                | 0                | 0                |
| <b>Supplementary capital/Tier 2 capital</b>             | <b>0</b>         | <b>0</b>         | <b>0</b>         |
| Total eligible own funds (Tier 1 and Tier 2 capital)    | 271 005          | 252 500          | 265 639          |
| Capital requirement                                     | 119 829          | 119 356          | 108 217          |
| <b>Surplus of own funds (Tier 1 and Tier 2 capital)</b> | <b>151 176</b>   | <b>133 144</b>   | <b>157 422</b>   |
| Estimate basis credit risk                              |                  |                  |                  |
| Institutions  | 26 870           | 93 956           | 25 300           |
| Investments with mortgage security in real estate       | 1 403 870        | 1 389 081        | 1 309 374        |
| Covered bonds   | 10 322           | 0                | 9 128            |
| <b>Calculation basis credit risk</b>                    | <b>1 441 062</b> | <b>1 483 037</b> | <b>1 343 802</b> |
| Credit risk   | 115 285          | 118 643          | 107 504          |
| Operating risk  | 4 544            | 713              | 713              |
| <b>Total capital requirement assets</b>                 | <b>119 829</b>   | <b>119 356</b>   | <b>108 217</b>   |
| Core capital adequacy ratio                             | 18.1 %           | 16.9 %           | 19.6 %           |
| Supplementary capital ratio                             | 0.0 %            | 0.0 %            | 0.0 %            |
| <b>Capital adequacy ratio</b>                           | <b>18.1 %</b>    | <b>16.9 %</b>    | <b>19.6 %</b>    |
| <b>Leverage ratio</b>                                   | <b>6.4 %</b>     |                  | <b>6.9 %</b>     |

| Capital requirement per 31.03.2016               | 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                  | 1.0 %          | 0.0 %          | 1.0 %                     |
| <b>Current capital requirement incl. buffers</b> | <b>11.0 %</b>  | <b>3.5 %</b>   | <b>14.5 %</b>             |



**Note 13** FIXED-INCOME SECURITIES

| NOK thousands                        | 31.03.2016       |                | 31.03.2015       |                | 31.12.2015       |               |
|--------------------------------------|------------------|----------------|------------------|----------------|------------------|---------------|
|                                      | Acquisition cost | Market value   | Acquisition cost | Market value   | Acquisition cost | Market value  |
| Certificates                         | 997              | 998            | 0                | 0              | 0                | 0             |
| Bonds                                | 102 976          | 103 215        | 101 340          | 101 314        | 91 281           | 90 575        |
| <b>Total fixed-income securities</b> | <b>103 973</b>   | <b>104 213</b> | <b>101 340</b>   | <b>101 314</b> | <b>91 281</b>    | <b>90 575</b> |

**Note 14** NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS

| NOK thousands   | Q1 2016      | Q1 2015     | 2015        |
|---|--------------|-------------|-------------|
| Net gain/(loss) on fixed-income securities                                | 14           | -162        | -932        |
| Net gain/(loss) financial derivatives and realized repurchase of own debt | 2 979        | 0           | 0           |
| <b>Total net gain/(loss) financial instruments</b>                        | <b>2 993</b> | <b>-162</b> | <b>-932</b> |

## QUARTERLY EARNINGS TREND

| NOK millions                            | Q1 2016     | Q4 2015     | Q3 2015     | Q2 2015     | Q1 2015     |
|---|-------------|-------------|-------------|-------------|-------------|
| Interest income                         | 27.0        | 28.3        | 30.3        | 30.9        | 27.6        |
| Interest expense                        | -16.5       | -15.7       | -18.1       | -19.9       | -16.1       |
| <b>Net interest income</b>              | <b>10.5</b> | <b>12.6</b> | <b>12.2</b> | <b>11.0</b> | <b>11.5</b> |
| Net gain/ (loss) financial instruments  | 3.0         | 0.8         | -1.4        | -0.1        | -0.2        |
| <b>Total other operating income</b>     | <b>3.0</b>  | <b>0.8</b>  | <b>-1.4</b> | <b>-0.1</b> | <b>-0.2</b> |
| Other operating expenses                | -7.9        | -8.3        | -6.1        | -6.7        | -6.7        |
| <b>Total operating expenses</b>         | <b>-7.9</b> | <b>-8.3</b> | <b>-6.1</b> | <b>-6.7</b> | <b>-6.7</b> |
| <b>Operating profit/loss before tax</b> | <b>5.6</b>  | <b>5.0</b>  | <b>4.6</b>  | <b>4.2</b>  | <b>4.6</b>  |
| Tax ordinary income                     | -1.4        | -1.4        | -1.2        | -1.1        | -1.2        |
| <b>Profit for the period</b>            | <b>4.2</b>  | <b>3.7</b>  | <b>3.4</b>  | <b>3.1</b>  | <b>3.4</b>  |

## KEY FIGURES

| Accumulated figures in NOK millions                           | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 | Q1 2015 |
|---|---------|---------|---------|---------|---------|
| Pre-tax income  | 5.6     | 18.5    | 13.4    | 8.8     | 4.6     |
| Net interest income   | 10.5    | 47.3    | 34.7    | 22.5    | 11.5    |
| Other operating income  | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Other operating cost and depreciation                         | -7.9    | -27.9   | -19.6   | -13.4   | -6.7    |
| Net realized/unrealized change fin. instruments at fair value | 3.0     | -0.9    | -1.7    | -0.3    | -0.2    |
| Deposits  | 4 012.0 | 3 743.4 | 4 155.7 | 3 783.3 | 3 968.7 |
| Housing mortgage lending                                      | -       | -       | -       | -       | -       |
| Non-performing loans  | 3 796.0 | 2 854.6 | 2 403.8 | 2 304.3 | 2 303.9 |
| Total liabilities created on issuance of securities           | 170.2   | 825.7   | 1 678.0 | 1 521.5 | 1 870.4 |
| Total assets  | 4 250.9 | 3 959.1 | 4 354.4 | 4 094.3 | 4 438.5 |
| Average total assets  | 4 105.0 | 3 516.8 | 3 714.4 | 3 584.4 | 3 756.5 |
| Equity  | 275.5   | 266.0   | 262.3   | 259.0   | 255.9   |
| Interest net  | 0.26 %  | 1.34 %  | 0.93 %  | 0.63 %  | 0.31 %  |
| Profit/loss from ordinary operation before taxes              | 0.14 %  | 0.53 %  | 0.36 %  | 0.25 %  | 0.12 %  |
| Return on equity  | 2.03 %  | 6.96 %  | 5.12 %  | 3.40 %  | 1.81 %  |
| Capital adequacy ratio  | 18.1 %  | 19.6 %  | 16.7 %  | 18.5 %  | 16.9 %  |
| Liquidity coverage ratio (LCR)                                | 102 %   | 0 %     | 0 %     | 0 %     | 0 %     |



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