

KLP



# Interim report

KLP BOLIGKREDITT AS  
Q1 2018



# Table of contents

KLP BOLIGKREDITT AS

INTERIM FINANCIAL STATEMENTS	3
INCOME STATEMENT	4
BALANCE SHEET	5
STATEMENT OF CHANGES IN EQUITY	6
STATEMENT OF CASH FLOW	7
NOTES TO THE ACCOUNTS	8
— Note 1 Generell information	8
— Note 2 Accounting principles	8
— Note 3 Net interest income	9
— Note 4 Loans to customers	9
— Note 5 Categories of financial instruments	10
— Note 6 Fair value hierarchy	11
— Note 7 Securities liabilities - stock exchange listed covered bonds and certificates	12
— Note 8 Liabilities to credit institutions	12
— Note 9 Transactions with related parties	13
— Note 10 Other assets	13
— Note 11 Other liabilities and provision for accrued costs	14
— Note 12 Capital adequacy	14
— Note 13 Fixed-income securities	15
— Note 14 Net gain/(loss) on financial instruments	15
— Note 15 Losses on lending	15
— Quarterly earnings trend	16
— Key figures accumulated	16

# Interim Financial Statements

KLP BOLIGKREDITT AS  
Q1 2018

## MAIN FEATURES BY FIRST QUARTER END:

- Operating pre-tax profit NOK 4 million.
- Lending balance NOK 5.4 billion.
- No losses on lending

## 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 at the end of the first quarter were NOK 13.1 million compared to NOK 9.4 million at the same time last year. Operating expenses in the same period amounted to NOK 10.1 million and NOK 7.8 million in 2017. The Company has not had any credit losses last quarter, but due to the transition to IFRS 9 loan loss provisions of NOK 1000 were recognized in the income statement. The pre-tax profit by quarter end was NOK 4 million compared to NOK 1.7 million at the same time in 2017.

## LENDING

The Company's loans to customers as at 31 March 2018 amounted to NOK 5.4 billion, up from 4.6 billion at the same time last year. Loans totaling NOK 0.9 billion have been purchased from KLP Banken AS during the first quarter of 2018. Total assets amounted to NOK 5.5 billion at the end of the quarter.

## BORROWING

The Company's borrowing comprises of covered bonds as well as borrowing from its parent company. There was no outstanding intercompany debt at quarter end, while covered bond debt was NOK 5.1 billion at the reporting date. By quarter end, new covered bond issues amounted to NOK 0.8 billion. Bond restructuring have not caused accounting gains or losses by the end of the first quarter. All covered bonds have 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 2018, the bond portfolio's market value was NOK 5.0 million. The net gain associated with liquidity investments amounted to NOK 2300.

## RISK AND CAPITAL ADEQUACY

KLP Boligkreditt AS is exposed to various types of risk. The Company has established a framework for risk management aimed at ensuring that risks are identified, analyzed and subject 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, and interest and foreign exchange risk arising within the borrowing and lending activity are 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 liens on housing and leisure property. Management of the Company's liquidity is conducted through investments in banks satisfying credit quality requirements and in securities in accordance with Board-approved credit lines. The Company's securities portfolio has high credit quality.

At the end of the first quarter 2018, core capital i.a.w. the capital adequacy rules was NOK 380.5 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 19.2 per cent at the end of the first quarter 2018. The minimum statutory requirement is 15.5 per cent capital adequacy ratio. Leverage ratio was 6.9 per cent, the minimum statutory requirement is 3 per cent.

# Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q1 2018	Q1 2017	01.01.2017 -31.12.2017
	Interest income	30 422	26 865	113 366
	Interest expense	-17 273	-17 442	-66 915
<b>3</b>	<b>Net interest income</b>	<b>13 148</b>	<b>9 423</b>	<b>46 451</b>
14	Net gain/(loss) financial instruments	890	128	148
	<b>Total other operating income</b>	<b>890</b>	<b>128</b>	<b>148</b>
	Other operating expenses	-10 077	-7 845	-33 090
	Net loan losses	-1	0	0
	<b>Total operating expenses</b>	<b>-10 077</b>	<b>-7 845</b>	<b>-33 090</b>
	<b>Operating profit/loss before tax</b>	<b>3 961</b>	<b>1 706</b>	<b>13 509</b>
	Tax ordinary income	-911	-409	-3 288
	<b>Profit for the period</b>	<b>3 050</b>	<b>1 297</b>	<b>10 220</b>
	<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>3 050</b>	<b>1 297</b>	<b>10 220</b>

# Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
<b>ASSETS</b>				
	Loans to credit institutions	115 617	171 525	123 488
4	Loans to customers	5 360 909	4 588 314	5 057 203
13	Interest-bearing securities	5 021	44 228	5 020
	Deffered tax assets	153	75	1 064
10	Other assets	5 978	12 735	930
	<b>Total assets</b>	<b>5 487 678</b>	<b>4 816 876</b>	<b>5 187 705</b>
<b>LIABILITIES AND OWNERS EQUITY</b>				
<b>LIABILITIES</b>				
8	Debt to credit institutions	0	782 736	500 345
7	Debt securities issued	5 099 513	3 745 175	4 298 444
11	Other liabilities	3 013	7 323	6 824
11	Provision for accrued costs and liabilities	542	505	532
	<b>Total liabilities</b>	<b>5 103 068</b>	<b>4 535 739</b>	<b>4 806 145</b>
<b>EQUITY</b>				
	Share capital	160 000	100 000	160 000
	Share premium	210 463	150 463	210 463
	Other owners' eqyity	11 097	29 377	11 097
	Unallocated profit/loss	3 050	1 297	0
	<b>Total owners' equity</b>	<b>384 610</b>	<b>281 137</b>	<b>381 560</b>
	<b>Total liabilities and equity</b>	<b>5 487 678</b>	<b>4 816 876</b>	<b>5 187 705</b>

# Statement of changes in equity

## KLP BOLIGKREDITT AS

2018 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 31 December 2017	160 000	210 463	11 097	381 560
Changes in accounting principles (IFRS 9)	0	0	0	0
<b>Equity 1 January 2018</b>	<b>160 000</b>	<b>210 463</b>	<b>11 097</b>	<b>381 560</b>
Profit for the period	0	0	3 050	3 050
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>3 050</b>	<b>3 050</b>
Group contribution received	0	0	12 249	12 249
Group contribution made	0	0	-12 249	-12 249
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity 31 March 2018</b>	<b>160 000</b>	<b>210 463</b>	<b>14 147</b>	<b>384 610</b>

2017 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2017	100 000	150 463	29 377	279 840
Profit for the period	0	0	1 297	1 297
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>1 297</b>	<b>1 297</b>
Group contribution received	0	0	9 087	9 087
Group contribution made	0	0	-9 087	-9 087
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity 31 March 2017</b>	<b>100 000</b>	<b>150 463</b>	<b>30 674</b>	<b>281 137</b>

2017 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2017	100 000	150 463	29 377	279 840
Profit for the period	0	0	10 220	10 220
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>10 220</b>	<b>10 220</b>
Dividends paid	0	0	-28 500	-28 500
Group contribution received	0	0	9 087	9 087
Group contribution made	0	0	-9 087	-9 087
Paid-up equity in the period	60 000	60 000	0	120 000
<b>Total transactions with the owners</b>	<b>60 000</b>	<b>60 000</b>	<b>-28 500</b>	<b>91 500</b>
<b>Equity 31 December 2017</b>	<b>160 000</b>	<b>210 463</b>	<b>11 097</b>	<b>381 560</b>

# Statement of cash flow

KLP BOLIGKREDITT AS

NOK THOUSANDS	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017
<b>OPERATING ACTIVITIES</b>			
Payments received from customers - interest, commission & charges	30 243	26 261	111 110
Disbursements on loans customers & credit institutions	-900 195	-352 579	-2 207 037
Receipts on loans customers & credit institutions	591 254	477 425	1 875 248
Net receipts/disbursements on operations	-9 943	-8 337	-38 001
Net receipts/disbursements from operating activities	-11	-177	-4 677
Net interest investment accounts	277	336	1 440
Income tax paid	0	0	0
<b>Net cash flow from operating activities</b>	<b>-288 375</b>	<b>142 929</b>	<b>-261 917</b>
<b>INVESTMENT ACTIVITIES</b>			
Payments on the purchase of securities	-1 992	-994	-4 801
Receipts on sale of securities	1 994	998	43 985
Receipts of interest from securities	9	173	433
<b>Net cash flow from investment activities</b>	<b>11</b>	<b>177</b>	<b>39 617</b>
<b>FINANCING ACTIVITIES</b>			
Receipts on loans from credit institutions	800 000	0	557 000
Disbursements on loans from credit institutions	-500 258	-65 608	-351 515
Net payment of interest on loans	-15 404	-18 306	-68 024
Change in owners' equity	0	0	120 000
Group contribution paid	-3 868	-3 029	-3 029
Dividends paid	0	0	-28 500
<b>Net cash flows from financing activities</b>	<b>280 470</b>	<b>-86 943</b>	<b>225 932</b>
<b>Net cash flow during the period</b>	<b>-7 894</b>	<b>56 163</b>	<b>3 632</b>
Cash and cash equivalents at the start of the period	116 006	112 374	112 374
Cash and cash equivalents at the end of the period	108 112	168 537	116 006
<b>Net receipts/ disbursements of cash</b>	<b>-7 894</b>	<b>56 163</b>	<b>3 632</b>

# Notes to the accounts

KLP BOLIGKREDITT AS

## NOTE 1 Generell information

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

KLP Boligkreditt AS is registered and domiciled in Norway. It's head office is at Beddingen 8 in Trondheim, with a branch office in Dronning Eufemiasgate 10, Oslo.

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 Boligkreditt AS for the period 1 January 2018 – 31 March 2018. The interim Financial Statements has not been audited.

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

Apart from the introduction of IFRS 9, as described below, the accounting policies of KLP Boligkreditt used in the interim financial statements are consistent with the annual accounts for 2017.

The company applied the IFRS 9 Financial Instruments Act on January 1, 2018. In KLP Boligkreditt's annual report for 2017, the consequences of the implementation have been described, and it is referred to this for further information. The annual report is available at [klp.no](http://klp.no). IFRS 9 does not require recasting of comparative figures from previous periods, and the entity has thus chosen not to revise these.



## NOTE 3 Net interest income

NOK THOUSANDS	Q1 2018	
	Profit and Loss	Other comprehensive income
Interest on financial assets to amortised cost and fair value through profit and loss	30 413	0
Interest on financial assets for fair value through profit and loss	9	0
<b>Total interest income</b>	<b>30 422</b>	<b>0</b>
Interest on liabilities to amortised cost and fair value through profit and loss	-17 273	0
Interest on liabilities for fair value through profit and loss	0	0
<b>Total interest costs</b>	<b>-17 273</b>	<b>0</b>
<b>Net interest income</b>	<b>13 148</b>	<b>0</b>

## NOTE 4 Loans to customers

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
Loans to customers before write-downs	5 355 283	4 582 936	5 051 457
Provisions and write-downs	-1	0	0
<b>Loans to customers after write-downs</b>	<b>5 355 282</b>	<b>4 582 936</b>	<b>5 051 457</b>
Accrued interest	5 627	5 378	5 746
<b>Loans to customers</b>	<b>5 360 909</b>	<b>4 588 314</b>	<b>5 057 203</b>

## NOTE 5 Categories of financial instruments

NOK THOUSANDS	31.03.2018		01.01.2018	
	Capitalized value	Fair value	Capitalized value	Fair value
<b>FINANCIAL ASSETS FAIR VALUE</b>				
Fixed-income securities	5 021	5 021	5 020	5 020
<b>Total financial assets fair value</b>	<b>5 021</b>	<b>5 021</b>	<b>5 020</b>	<b>5 020</b>
<b>FINANCIAL ASSETS AT AMORTIZED COST</b>				
Loans to and receivables from credit institutions	115 617	115 617	123 488	123 488
Lending to the retail market	5 360 909	5 360 909	5 056 979	5 056 979
<b>Total financial assets at amortized cost</b>	<b>5 476 526</b>	<b>5 476 526</b>	<b>5 180 467</b>	<b>5 180 467</b>
<b>Total financial assets</b>	<b>5 481 547</b>	<b>5 481 547</b>	<b>5 185 487</b>	<b>5 185 487</b>
<b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>				
Liabilities to credit institutions	0	0	500 345	500 345
Covered bonds issued	5 099 513	5 139 765	4 298 444	4 328 684
<b>Total financial liabilities at amortized cost</b>	<b>5 099 513</b>	<b>5 139 765</b>	<b>4 798 789</b>	<b>4 829 028</b>
<b>Total financial liabilities</b>	<b>5 099 513</b>	<b>5 139 765</b>	<b>4 798 789</b>	<b>4 829 028</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 - government**

Bloomberg is used as a source for pricing Norwegian government bonds. It is 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 the theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit

spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the mainsource 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.

**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. 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 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

31.03.2018 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	1 998	3 023	0	5 021
<b>Total assets at fair value</b>	<b>1 998</b>	<b>3 023</b>	<b>0</b>	<b>5 021</b>

31.03.2017 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	996	43 232	0	44 228
<b>Total assets at fair value</b>	<b>996</b>	<b>43 232</b>	<b>0</b>	<b>44 228</b>

31.12.2017 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	1 999	3 021	0	5 020
<b>Total assets at fair value</b>	<b>1 999</b>	<b>3 021</b>	<b>0</b>	<b>5 020</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.

There has been no movement between the levels.

Note 5 discloses the fair value of financial assets and financial liabilities that are recognized at amortized cost. Financial assets measured at amortized cost comprise lending to and due to credit institutions, Norwegian municipalities and retail customers. The stated fair value of these assets is determined on terms qualifying for level 2. Financial liabilities recognized at amortized cost consist of debt securities issued and deposits. The stated fair value of these liabilities is determined by methods qualifying for level 2.

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

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
Bond debt, nominal amount	5 100 000	3 743 000	4 300 000
Adjustments	-11 328	-7 465	-11 071
Accured interest	10 842	9 640	9 515
Own holdings, nominal amount	0	0	0
<b>Total debt securities issued</b>	<b>5 099 513</b>	<b>3 745 175</b>	<b>4 298 444</b>

Interest rate on borrowings through the issuance of securities at the reporting date: 1.40% 1.56% 1.36%  
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 31.12.2017	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.03.2018
Bond debt, nominal amount	4 300 000	800 000	0	0	5 100 000
Adjustments	-11 071	0	0	-257	-11 328
Accured interest	9 515	0	0	1 327	10 842
Own holdings, nominal amount	0	0	0	0	0
<b>Total debt securities issued</b>	<b>4 298 444</b>	<b>800 000</b>	<b>0</b>	<b>1 069</b>	<b>5 099 513</b>

**NOTE 8** Liabilities to credit institutions

31.03.2018 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS				0
<b>Total liabilities to credit institutions</b>				<b>0</b>

31.03.2017 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.06.2018	550 000	371	550 371
Debt to KLP Banken AS	15.06.2018	110 817	40	110 857
Debt to KLP Banken AS	15.06.2018	121 484	24	121 508
<b>Total liabilities to credit institutions</b>				<b>782 736</b>

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.

**NOTE 8** Liabilities to credit institutions – continues

31.12.2017 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.03.2019	500 000	345	500 345
<b>Total liabilities to credit institutions</b>				<b>500 345</b>

Interest rate on debt to credit institutions at the reporting date 1.46 %  
 The interest rate is calculated as a weighted average of the act/360 basis.

**NOTE 9** Transactions with related parties

NOK THOUSANDS	01.01.2018 -31.03.2018	01.01.2017 -31.03.2017	01.01.2017 -31.12.2017
KLP Banken AS, interest on borrowing	793	2 457	5 431
KLP Banken AS, administrative services (at cost)	9 416	7 343	31 178
KLP Kapitalforvaltning AS, fees for services provided	20	12	31
KLP Group companies, subsidised interest employee loans	377	342	1 437
KLP Banken AS, purchase of loans	900 195	352 579	2 207 037

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
<b>BALANCES</b>			
KLP Banken AS, borrowing Group current liabilities	0	-782 736	-500 345
KLP Banken AS, net internal liabilities	5 654	12 425	538
Net outstanding accounts to:			
KLP Banken AS, loan settlement	-2 917	-7 323	-2 956
KLP	223	211	253
KLP Group companies, net other internal accounts	101	99	139

There are no direct salary cost in KLP Boligkreditt 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	31.03.2018	31.03.2017	31.12.2017
Intercompany receivables	5 978	12 735	930
<b>Total</b>	<b>5 978</b>	<b>12 735</b>	<b>930</b>

**NOTE 11** Other liabilities and provision for accrued costs

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
Creditors	96	0	0
Intercompany payables	2 917	7 323	2 956
Tax payable	0	0	3 868
<b>Total other liabilities</b>	<b>3 013</b>	<b>7 323</b>	<b>6 824</b>
VAT	0	0	223
Accrued expenses	542	505	309
<b>Total accrued costs and liabilities</b>	<b>542</b>	<b>505</b>	<b>532</b>

**NOTE 12** Capital adequacy

NOK THOUSANDS	31.03.2018	31.03.2017	31.12.2017
Share capital and share premium fund	370 463	250 463	370 463
Other owners' equity	11 097	29 377	11 097
<b>Total owners' equity</b>	<b>381 560</b>	<b>279 840</b>	<b>381 560</b>
Interim Profit qualifying for tier 1 capital	0	0	0
Adjustments due to requirements for proper valuation	-5	0	-5
Deferred tax asset	-1 064	-485	-1 064
<b>Core capital/Tier 1 capital</b>	<b>380 491</b>	<b>279 355</b>	<b>380 491</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)	380 491	279 355	380 491
Capital requirement	158 599	138 270	150 125
<b>Surplus of own funds (Tier 1 and Tier 2 capital)</b>	<b>221 892</b>	<b>141 085</b>	<b>230 366</b>
Estimate basis credit risk:			
Institutions	24 549	37 077	25 165
Investments with mortgage security in real estate	1 876 319	1 605 910	1 770 021
Covered bonds	302	4 323	302
<b>Calculation basis credit risk</b>	<b>1 901 170</b>	<b>1 647 310</b>	<b>1 795 488</b>
Credit risk	152 094	131 785	143 639
Operating risk	6 505	6 486	6 486
<b>Total capital requirement assets</b>	<b>158 599</b>	<b>138 270</b>	<b>150 125</b>
Core capital adequacy ratio	19.2 %	16.2 %	20.3 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
<b>Capital adequacy ratio</b>	<b>19.2 %</b>	<b>16.2 %</b>	<b>20.3 %</b>
<b>Leverage ratio</b>	<b>6.9 %</b>	<b>5.8 %</b>	<b>7.3 %</b>

## NOTE 12 Capital adequacy — continues

CAPITAL REQUIREMENT PER 31.03.2018:	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	2.0 %	0.0 %	2.0 %
<b>Current capital requirement incl. buffers</b>	<b>12.0 %</b>	<b>3.5 %</b>	<b>15.5 %</b>
<b>Capital requirement leverage ratio</b>	<b>3.0 %</b>	<b>0.0 %</b>	<b>3.0 %</b>

## NOTE 13 Fixed-income securities

NOK THOUSANDS	31.03.2018		31.03.2017		31.12.2017	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	1 998	1 998	995	996	1 994	1 999
Bonds	3 017	3 023	42 987	43 232	3 017	3 021
<b>Total fixed-income securities</b>	<b>5 015</b>	<b>5 021</b>	<b>43 982</b>	<b>44 228</b>	<b>5 011</b>	<b>5 020</b>

## NOTE 14 Net gain/(loss) on financial instruments

NOK THOUSANDS	Q1 2018	
	Profit and Loss	Other comprehensive income
Net gain/(loss) on financial assets for fair value through profit and loss	2	0
Net gain/(loss) assets at amortised cost	888	0
<b>Total</b>	<b>890</b>	<b>0</b>

## NOTE 15 Losses on lending

NOK THOUSANDS	12-month ECL	Lifetime ECL - not credit-impaired	Lifetime ECL credit-impaired	Total
	Expected loss step 1	Expected loss step 2	Expected loss step 3	
Opening balance 01.01.2018	0	0	0	0
Transfers to step 1	0	0	0	0
Transfers to step 2	0	0	0	0
Transfers to step 3	0	0	0	0
Net changes	1	0	0	1
New losses	0	0	0	0
Derecognised loss	0	0	0	0
<b>Closing balance 31.03.2018</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>

## Quarterly earnings trend

NOK MILLIONS	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Interest income	30.4	30.5	28.4	27.6	26.9
Interest expense	-17.3	-16.4	-16.0	-17.0	-17.4
<b>Net interest income</b>	<b>13.1</b>	<b>14.1</b>	<b>12.3</b>	<b>10.6</b>	<b>9.4</b>
Net gain/ (loss) financial instruments	0.9	0.0	0.0	0.0	0.1
<b>Total other operating income</b>	<b>0.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.1</b>
Other operating expenses	-10.1	-10.2	-7.2	-7.9	-7.8
<b>Total operating expenses</b>	<b>-10.1</b>	<b>-10.2</b>	<b>-7.2</b>	<b>-7.9</b>	<b>-7.8</b>
<b>Operating profit/loss before tax</b>	<b>4.0</b>	<b>3.9</b>	<b>5.1</b>	<b>2.8</b>	<b>1.7</b>
Tax ordinary income	-0.9	-1.0	-1.2	-0.7	-0.4
<b>Profit for the period</b>	<b>3.1</b>	<b>2.9</b>	<b>3.9</b>	<b>2.1</b>	<b>1.3</b>

## Key figures accumulated

NOK MILLIONS	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Pre-tax income	4.0	13.5	9.6	4.5	1.7
Net interest income	13.1	46.5	32.3	20.0	9.4
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost and depreciation	-10.1	-33.1	-22.9	-15.7	-7.8
Net realized/unrealized change fin. instruments at fair value	0.9	0.1	0.1	0.2	0.1
Housing mortgage lending	5 360.9	5 057.2	4 925.6	4 459.2	4 588.3
Non-performing loans	-	-	-	-	-
Total liabilities created on issuance of securities	5 099.5	4 298.4	4 297.7	4 297.9	3 745.2
Other borrowing	0.0	500.3	370.2	160.1	782.7
Total assets	5 487.7	5 187.7	5 055.3	4 750.0	4 816.9
Average total assets	5 337.7	5 036.7	4 970.5	4 817.9	4 851.3
Equity	384.6	381.6	378.6	283.2	281.1
Interest net	0.25 %	0.92 %	0.65 %	0.41 %	0.19 %
Profit/loss from ordinary operation before taxes	0.07 %	0.27 %	0.19 %	0.09 %	0.04 %
Return on equity	4.15 %	4.83 %	4.51 %	3.18 %	2.40 %
Capital adequacy ratio	19.2 %	20.3 %	20.7 %	16.7 %	16.2 %
Liquidity coverage ratio (LCR)	217 %	195 %	137 %	128 %	119 %





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