

KLP BOLIGKREDITT AS

Interim report Q2 2016

KLP
Banken



[INCOME STATEMENT](#)

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KLP Boligkreditt AS

Interim Financial Statements 2 / 2016

Main features in the first half year:

- Operating profit before tax in H1 amounted to NOK 9.9 million.
- The lending balance has increased to NOK 4.2 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 in H2 2016 were NOK 20.0 million. Operating expenses in the same period amounted to NOK 13.5 million. The Company has not had losses or made loss provisions on loans. Pre-tax profit by quarter end was NOK 9.9 million.

Lending

The Company's loans to customers as at 30 June 2016 amounted to NOK 4.2 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. Outstanding bond debt was NOK 4.1 billion at the reporting date while

intercompany debt had a balance of zero. During H1 new covered bond issues amounted to NOK 1.4 billion. Bond restructuring have caused total accounting gains of NOK 3.1 million by the end of H1. All covered bonds have an AAA rating.

Liquid 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 30 June 2016, the bond portfolio's market value was NOK 4.0 million. The net gain associated with liquidity investments amounted to NOK 0.4 million.

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, analysed and subjected to management using policies, limits, procedures and instructions. The Company is to have a prudent risk profile and earnings are to be principally a result of borrowing and lending activity as well as liquidity management. This means that the Company is to have low market risk, and interest and foreign-exchange risk arising within the borrowing and lending activity is reduced using derivatives. The Company is to have responsible long-term financing and limits have been established to ensure that 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 second quarter 2016, core capital i.a.w. the capital adequacy rules was NOK 271 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 17.2 per cent at the end of the second quarter 2016. The minimum statutory requirement is 11.5 per cent core capital adequacy ratio and 15.0 per cent capital adequacy ratio.

Future prospects

KLP Boligkreditt AS is part of the financing structure of the KLP Banken Group and will be developed further through purchase of loans from KLP Banken or KLP. Business activities in the loan market will be primarily based on financing from issuance of mortgage-covered bonds.

Trondheim, 11. August 2016

Sverre Thornes
Chair
(Sign.)

Eva M. Salvesen
(Sign.)

Aage E. Schaanning
Deputy chair
(Sign.)

Marit Barosen
(Sign.)

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

Income statement

KLP Boligkreditt AS

| Note | NOK thousands | Q2 2016 | Q2 2015 | 01.01.2016 -30.06.2016 | 01.01.2015 -30.06.2015 | 2015 |
|------|--|---------------|---------------|---------------------------|---------------------------|----------------|
| | Interest income | 24 830 | 30 909 | 51 839 | 58 509 | 117 064 |
| | Interest expense | -15 304 | -19 902 | -31 840 | -36 024 | -69 795 |
| 3 | Net interest income | 9 526 | 11 006 | 19 999 | 22 484 | 47 269 |
| 14 | Net gain/(loss) financial instruments | 411 | -92 | 3 404 | -254 | -932 |
| | Total other operating income | 411 | -92 | 3 404 | -254 | -932 |
| | Other operating expenses | -5 645 | -6 721 | -13 512 | -13 418 | -27 863 |
| | Total operating expenses | -5 645 | -6 721 | -13 512 | -13 418 | -27 863 |
| | Operating profit/loss before tax | 4 292 | 4 193 | 9 891 | 8 812 | 18 474 |
| | Tax ordinary income | -1 073 | -1 101 | -2 473 | -2 348 | -5 014 |
| | Profit for the period | 3 219 | 3 092 | 7 418 | 6 464 | 13 460 |
| | Other comprehensive income | 0 | 0 | 0 | 0 | 0 |
| | Other comprehensive income for the period | 0 | 0 | 0 | 0 | 0 |
| | Comprehensive income for the period | 3 219 | 3 092 | 7 418 | 6 464 | 13 460 |

Balance sheet

KLP Boligkreditt AS

| Note | NOK thousands | 30.06.2016 | 30.06.2015 | 31.12.2015 |
|------|---|------------------|------------------|------------------|
| | ASSETS | | | |
| | Loans to credit institutions | 210 922 | 205 135 | 122 973 |
| 4 | Loans to customers | 4 206 532 | 3 783 346 | 3 743 448 |
| 13 | Interest-bearing securities | 4 020 | 101 341 | 90 575 |
| | Deffered tax assets | 321 | 0 | 321 |
| 10 | Other assets | 6 808 | 4 438 | 1 826 |
| | TOTAL ASSETS | 4 428 603 | 4 094 260 | 3 959 142 |
| | LIABILITIES AND OWNERS EQUITY | | | |
| | LIABILITIES | | | |
| 8 | Debt to credit institutions | 0 | 1 521 547 | 825 732 |
| 7 | Debt securities issued | 4 141 431 | 2 304 284 | 2 854 556 |
| | Deffered tax liabilities | 0 | 0 | 5 366 |
| 11 | Other Liabilities | 7 738 | 8 833 | 7 229 |
| 11 | Provision for accrued costs and liabilities | 690 | 631 | 299 |
| | TOTAL LIABILITIES | 4 149 859 | 3 835 296 | 3 693 182 |
| | EQUITY | | | |
| | Share capital | 100 000 | 100 000 | 100 000 |
| | Share premium | 150 463 | 150 463 | 150 463 |
| | Retained earnings | 28 281 | 8 501 | 15 497 |
| | TOTAL EQUITY | 278 744 | 258 964 | 265 960 |
| | TOTAL LIABILITIES AND EQUITY | 4 428 603 | 4 094 260 | 3 959 142 |

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 | 7 418 | 7 418 |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| Total comprehensive income for the period | 0 | 0 | 7 418 | 7 418 |
| Group contribution received | 0 | 0 | 19 873 | 19 873 |
| Group contribution made | 0 | 0 | -14 507 | -14 507 |
| Total transactions with the owners | 0 | 0 | 5 366 | 5 366 |
| Equity 30 June 2016 | 100 000 | 150 463 | 28 281 | 278 744 |
| Equity 1 January 2015 | 100 000 | 150 463 | 2 037 | 252 500 |
| Profit for the period | 0 | 0 | 6 464 | 6 464 |
| Other comprehensive income | 0 | 0 | 0 | 0 |
| Total comprehensive income for the period | 0 | 0 | 6 464 | 6 464 |
| Group contribution received | 0 | 0 | 1 945 | 1 945 |
| Group contribution made | 0 | 0 | -1 945 | -1 945 |
| Total transactions with the owners | 0 | 0 | 0 | 0 |
| Equity 30 June 2015 | 100 000 | 150 463 | 8 501 | 258 964 |
| 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 |
| Total comprehensive income for the period | 0 | 0 | 13 460 | 13 460 |
| Group contribution received | 0 | 0 | 1 945 | 1 945 |
| Group contribution made | 0 | 0 | -1 945 | -1 945 |
| Total transactions with the owners | 0 | 0 | 0 | 0 |
| Equity 31 December 2015 | 100 000 | 150 463 | 15 497 | 265 960 |

Statement of cash flow

KLP Boligkreditt AS

| NOK thousands | 01.01.2016 -30.06.2016 | 01.01.2015 -30.06.2015 | 2015 |
|---|---------------------------|---------------------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Payments received from customers - interest, commission & charges | 50 869 | 56 422 | 114 057 |
| Net receipts/disbursements on loans customers & credit institutions | -468 622 | -816 432 | -774 690 |
| Net receipts/disbursements on operations | -15 100 | -12 904 | -26 951 |
| Net receipts/disbursements from operating activities | 2 377 | -9 028 | -5 114 |
| Net interest investment accounts | 834 | 1 886 | 2 738 |
| Income tax paid | 0 | 0 | 0 |
| Net cash flow from operating activities | -429 642 | -780 056 | -689 960 |
| INVESTMENT ACTIVITIES | | | |
| Payments on the purchase of securities | -101 467 | -101 341 | -101 361 |
| Receipts on sale of securities | 188 164 | 0 | 10 059 |
| Receipts of interest from securities | 913 | 262 | 1 196 |
| Net cash flow from investment activities | 87 611 | -101 079 | -90 106 |
| FINANCING ACTIVITIES | | | |
| Net receipts/disbursements on loans from credit institutions | 458 118 | 1 009 609 | 864 293 |
| Net payment of interest on loans | -25 765 | -34 436 | -68 434 |
| Change in owners' equity | 0 | -719 | -719 |
| Net cash flows from financing activities | 432 353 | 974 453 | 795 140 |
| Net cash flow during the period | 90 322 | 93 318 | 15 074 |
| 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 | 208 176 | 196 098 | 117 854 |
| Net receipts/ disbursements (-) of cash | 90 322 | 93 318 | 15 074 |

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

We hereby confirm that the half yearly financial statement for the company for the period 1 January through 30 June to the best of our knowledge have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole.

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

Trondheim, 11. August 2016

Sverre Thornes
Chair
(Sign.)

Aage E. Schaanning
Deputy chair
(Sign.)

Eva M. Salvesen
(Sign.)

Marit Barosen
(Sign.)

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

Notes to the accounts

KLP Boligkreditt AS

Note 1 GENERAL INFORMATION

KLP Boligkreditt AS was formed on 30 October 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. 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 – 30 June 2016. The interim financial statements have not been audited.

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

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

The annual financial statements are available at klp.no.

Note 3 NET INTEREST INCOME

| NOK thousands | 01.01.2016 -30.06.2016 | 01.01.2015 -30.06.2015 | 2015 |
|---|---------------------------|---------------------------|----------------|
| Interest on loans to and receivables from credit institutions | 838 | 1 891 | 2 739 |
| Interest on loans to customers | 50 294 | 56 100 | 112 920 |
| Interest on securities | 707 | 518 | 1 405 |
| Total interest income | 51 839 | 58 509 | 117 064 |
| Interest on covered bonds | 25 441 | 18 977 | 38 381 |
| Interest on liabilities to KLP Banken | 5 387 | 16 839 | 31 191 |
| Premium/discount on covered bonds | 1 011 | 209 | 222 |
| Total interest costs | 31 840 | 36 024 | 69 795 |
| Net interest income | 19 999 | 22 484 | 47 269 |

Note 4 LOANS TO CUSTOMERS

| NOK thousands | 30.06.2016 | 30.06.2015 | 31.12.2015 |
|--|------------------|------------------|------------------|
| Loans to cutomers before write-downs | 4 201 722 | 3 777 145 | 3 738 063 |
| Individual write-downs | 0 | 0 | 0 |
| Write-downs by group | 0 | 0 | 0 |
| Loans to cutomers after write-downs | 4 201 722 | 3 777 145 | 3 738 063 |
| Accured interest | 4 810 | 6 201 | 5 385 |
| Change in fair value due to interest rate changes (fair value hedging) | 0 | 0 | 0 |
| Loans to customers | 4 206 532 | 3 783 346 | 3 743 448 |

Note 5 CATEGORIES OF FINANCIAL INSTRUMENTS

| NOK thousands | 30.06.2016 | | 30.06.2015 | | 31.12.2015 | |
|--|-------------------|------------------|-------------------|------------------|-------------------|------------------|
| | Capitalized value | Fair value | Capitalized value | Fair value | Capitalized value | Fair value |
| FINANCIAL ASSETS AT FAIR VALUE | | | | | | |
| Fixed-income securities | 4 020 | 4 020 | 101 341 | 101 341 | 90 575 | 90 575 |
| Total financial assets at fair value | 4 020 | 4 020 | 101 341 | 101 341 | 90 575 | 90 575 |
| FINANCIAL ASSETS AT AMORTIZED COST | | | | | | |
| Loans to and receivables from credit institutions | 210 922 | 210 922 | 205 135 | 205 135 | 122 973 | 122 973 |
| Lending to the retail market | 4 206 532 | 4 206 532 | 3 783 346 | 3 783 346 | 3 743 448 | 3 743 448 |
| Total financial assets at amortized cost | 4 417 454 | 4 417 454 | 3 988 481 | 3 988 481 | 3 866 421 | 3 866 421 |
| Total financial assets | 4 421 474 | 4 421 474 | 4 089 822 | 4 089 822 | 3 956 997 | 3 956 997 |
| FINANCIAL LIABILITIES AT AMORTIZED COST | | | | | | |
| Liabilities to credit institutions | 0 | 0 | 1 521 547 | 1 521 547 | 825 732 | 825 732 |
| Covered bonds issued | 4 141 431 | 4 116 444 | 2 304 284 | 2 392 369 | 2 854 556 | 2 797 035 |
| Total financial liabilities at amortized cost | 4 141 431 | 4 116 444 | 3 825 831 | 3 913 916 | 3 680 289 | 3 622 768 |
| Total financial liabilities | 4 141 431 | 4 116 444 | 3 825 831 | 3 913 916 | 3 680 289 | 3 622 768 |

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

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

Fixed-income securities - government

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

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. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the main source of spread curves.

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 fixedrate loans is calculated by discounting contractual cash flows by the marked rate including a relevant risk margin on the reporting date.

Fair value of loans to and receivables from credit institutions

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

Fair value of liabilities to credit institutions

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

Liabilities created on issuance of 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 30.06.2016 |
|---|------------|------------------|----------|---------------------|
| ASSETS | | | | |
| Financial assets recognized at fair value: | | | | |
| Fixed-income securities | 999 | 3 022 | 0 | 4 020 |
| Financial derivatives | 0 | 0 | 0 | 0 |
| Total financial assets recognized at fair value | 999 | 3 022 | 0 | 4 020 |
| Financial assets recognized at fair value in Note 5: | | | | |
| Loans to and receivables from credit institutions | 0 | 210 922 | 0 | 210 922 |
| Loans to and receivables from customers | 0 | 4 206 532 | 0 | 4 206 532 |
| Total financial assets at amortized cost | 0 | 4 417 454 | 0 | 4 417 454 |
| LIABILITIES | | | | |
| Financial liabilities recognized at fair value in Note 5: | | | | |
| Liabilities to credit institutions | 0 | 0 | 0 | 0 |
| Covered bonds issued | 0 | 4 116 444 | 0 | 4 116 444 |
| Total financial liabilities at amortized cost | 0 | 4 116 444 | 0 | 4 116 444 |

| NOK thousands | Level 1 | Level 2 | Level 3 | Total 30.06.2015 |
|---|----------|------------------|----------|---------------------|
| ASSETS | | | | |
| Financial assets recognized at fair value: | | | | |
| Fixed-income securities | 0 | 101 341 | 0 | 101 341 |
| Financial derivatives | 0 | 0 | 0 | 0 |
| Total financial assets recognized at fair value | 0 | 101 341 | 0 | 101 341 |
| Financial assets recognized at fair value in Note 5: | | | | |
| Loans to and receivables from credit institutions | 0 | 205 135 | 0 | 205 135 |
| Loans to and receivables from customers | 0 | 3 783 346 | 0 | 3 783 346 |
| Total financial assets at amortized cost | 0 | 3 988 481 | 0 | 3 988 481 |
| LIABILITIES | | | | |
| Financial liabilities recognized at fair value in Note 5: | | | | |
| Liabilities to credit institutions | 0 | 1 521 547 | 0 | 1 521 547 |
| Covered bonds issued | 0 | 2 392 369 | 0 | 2 392 369 |
| Total financial liabilities at amortized cost | 0 | 3 913 916 | 0 | 3 913 916 |

Note 6 FAIR VALUE HIERARCHY – CONT.

| NOK thousands | Level 1 | Level 2 | Level 3 | Total 31.12.2015 |
|---|----------|------------------|----------|---------------------|
| ASSETS | | | | |
| Financial assets recognized at fair value: | | | | |
| Fixed-income securities | 0 | 90 575 | 0 | 90 575 |
| Total financial assets recognized at fair value | 0 | 90 575 | 0 | 90 575 |
| 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 | | 3 743 448 |
| Total financial assets at amortized cost | 0 | 3 866 421 | 0 | 3 866 421 |
| LIABILITIES | | | | |
| Financial liabilities recognized at fair value in Note 5: | | | | |
| Liabilities to credit institutions | 0 | 825 732 | 0 | 825 732 |
| Covered bonds issued | 0 | 2 797 036 | 0 | 2 797 036 |
| Total financial liabilities at amortized cost | 0 | 3 622 768 | 0 | 3 622 768 |

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 have been no movements between levels.

Note 7 SECURITIES LIABILITIES - STOCK EXCHANGE LISTED COVERED BONDS

| NOK thousands | 30.06.2016 | 30.06.2015 | 31.12.2015 |
|-------------------------------------|------------------|------------------|------------------|
| Bond debt, nominal amount | 4 300 000 | 2 400 000 | 3 400 000 |
| Adjustments | -9 151 | -1 953 | -2 269 |
| Accured interest | 10 581 | 6 237 | 6 825 |
| Own holdings, nominal amount | -160 000 | -100 000 | -550 000 |
| Total debt securities issued | 4 141 431 | 2 304 284 | 2 854 556 |

CHANGES IN DEBT SECURITIES ISSUED

| NOK thousands | Balance sheet 30.06.2016 | Issued | Matured/ redeemed | Other adjustments | Balance sheet 31.12.2015 |
|-------------------------------------|-----------------------------|------------------|----------------------|----------------------|-----------------------------|
| Bond debt, nominal amount | 4 300 000 | 1 395 000 | -495 000 | 0 | 3 400 000 |
| Adjustments | -9 151 | 0 | 0 | -6 882 | -2 269 |
| Accured interest | 10 581 | 0 | 0 | 3 756 | 6 825 |
| Own holdings, nominal amount | -160 000 | 0 | 390 000 | 0 | -550 000 |
| Total debt securities issued | 4 141 431 | 1 395 000 | -105 000 | -3 125 | 2 854 556 |

Note 8 LIABILITIES TO CREDIT INSTITUTIONS

| NOK thousands | Due date | Nominal | Accrued interest | 30.06.2016 Book value |
|---|----------|---------|------------------|--------------------------|
| Debt to KLP Banken AS | | | | 0 |
| Total liabilities to credit institutions | | | | 0 |

| NOK thousands | Due date | Nominal | Accrued interest | 30.06.2015 Book value |
|---|------------|-----------|------------------|--------------------------|
| Debt to KLP Banken AS | 15.09.2015 | 1 520 000 | 1 547 | 1 521 547 |
| Total liabilities to credit institutions | | | | 1 521 547 |

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

Note 9 TRANSACTIONS WITH RELATED PARTIES

| NOK thousands | 01.01.2016 -30.06.2016 | 01.01.2015 -30.06.2015 | 2015 |
|---|---------------------------|---------------------------|----------------|
| INCOME STATEMENT ITEMS | | | |
| KLP Banken AS, interest on borrowing | -5 387 | -16 839 | -31 191 |
| KLP Banken AS, administrative services (at cost) | -12 570 | -12 483 | -25 611 |
| KLP Kapitalforvaltning AS, fees for services provided | -26 | 0 | 0 |
| KLP Group companies, subsidised interest employee loans | 485 | 287 | 573 |
| Total | -17 498 | -29 035 | -56 230 |

| NOK thousands | 30.06.2016 | 30.06.2015 | 31.12.2015 |
|--|--------------|-------------------|-----------------|
| FINANCIAL POSITION STATEMENT ITEMS | | | |
| KLP Banken AS, borrowing Group current liabilities | 0 | -1 521 547 | -825 732 |
| KLP Banken AS, net internal liabilities | 6 603 | 4 300 | 1 640 |
| Net outstanding accounts to: | | | |
| KLP Banken AS, loan settlement | -5 265 | -6 339 | -7 229 |
| KLP | 142 | 0 | 133 |
| KLP Group companies, net other internal accounts | 63 | 138 | 53 |
| Total | 1 543 | -1 523 448 | -831 136 |

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 | 30.06.2016 | 30.06.2015 | 31.12.2015 |
|--------------------------|--------------|--------------|--------------|
| Intercompany receivables | 6 808 | 4 438 | 1 826 |
| Total | 6 808 | 4 438 | 1 826 |

Note 11 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

| NOK thousands | 30.06.2016 | 30.06.2015 | 31.12.2015 |
|--|--------------|--------------|--------------|
| Creditors | 0 | 115 | 0 |
| Intercompany payables | 5 265 | 6 339 | 7 229 |
| Other liabilities | 2 473 | 2 379 | 0 |
| Total other liabilities | 7 738 | 8 833 | 7 229 |
| VAT | 0 | 0 | 23 |
| Accrued expenses | 690 | 631 | 276 |
| Total accrued costs and liabilities | 690 | 631 | 299 |

Note 12 CAPITAL ADEQUACY

| NOK thousands | 30.06.2016 | 30.06.2015 | 31.12.2015 |
|---|------------------|------------------|------------------|
| Share capital and share premium fund | 250 463 | 250 463 | 250 463 |
| Other owners' equity | 20 863 | 2 037 | 15 497 |
| Total owners' equity | 271 326 | 252 500 | 265 960 |
| Interim profit/loss | 0 | 6 464 | 0 |
| Deferred tax asset | -321 | 0 | -321 |
| Core capital/Tier 1 capital | 271 005 | 258 964 | 265 639 |
| Supplementary capital/Tier 2 capital | 0 | 0 | 0 |
| Supplementary capital/Tier 2 capital | 0 | 0 | 0 |
| Total eligible own funds (Tier 1 and Tier 2 capital) | 271 005 | 258 964 | 265 639 |
| Capital requirement | 125 810 | 111 978 | 108 217 |
| Surplus of own funds (Tier 1 and Tier 2 capital) | 145 195 | 146 986 | 157 422 |
| ESTIMATE BASIS CREDIT RISK: | | | |
| Institutions | 43 560 | 62 181 | 25 300 |
| Investments with mortgage security in real estate | 1 471 960 | 1 324 181 | 1 309 374 |
| Covered bonds | 302 | 0 | 9 128 |
| Calculation basis credit risk | 1 515 822 | 1 386 362 | 1 343 802 |
| Credit risk | 121 266 | 110 909 | 107 504 |
| Operating risk | 4 544 | 1 069 | 713 |
| Total capital requirement assets | 125 810 | 111 978 | 108 217 |
| Core capital adequacy ratio | 17.2 % | 18.5 % | 19.6 % |
| Supplementary capital ratio | 0.0 % | 0.0 % | 0.0 % |
| Capital adequacy ratio | 17.2 % | 18.5 % | 19.6 % |
| Leverage ratio | 6.1 % | 6.3 % | 6.9 % |

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

Note 13 FIXED-INCOME SECURITIES

| NOK thousands | 30.06.2016 | | 30.06.2015 | | 31.12.2015 | |
|--------------------------------------|------------------|--------------|------------------|----------------|------------------|---------------|
| | Acquisition cost | Market value | Acquisition cost | Market value | Acquisition cost | Market value |
| Certificates | 3 022 | 3 022 | 0 | 0 | 0 | 0 |
| Bonds | 999 | 999 | 101 340 | 101 341 | 91 281 | 90 575 |
| Total fixed-income securities | 4 021 | 4 020 | 101 340 | 101 341 | 91 281 | 90 575 |

Note 14 NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS

| NOK thousands | 01.01.2016 -30.06.2016 | 01.01.2015 -30.06.2015 | 2015 |
|---|---------------------------|---------------------------|-------------|
| Net gain/(loss) on fixed-income securities | 352 | -254 | -932 |
| Net gain/(loss) financial derivatives and realized repurchase of own debt | 3 052 | 0 | 0 |
| Total net gain/(loss) financial instruments | 3 404 | -254 | -932 |

QUARTERLY EARNINGS TREND

| NOK millions | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 |
|---|-------------|-------------|-------------|-------------|-------------|
| Interest income | 24.8 | 27.0 | 28.3 | 30.3 | 30.9 |
| Interest expense | -15.3 | -16.5 | -15.7 | -18.1 | -19.9 |
| Net interest income | 9.5 | 10.5 | 12.6 | 12.2 | 11.0 |
| Net gain/ (loss) financial instruments | 0.4 | 3.0 | 0.8 | -1.4 | -0.1 |
| Total other operating income | 0.4 | 3.0 | 0.8 | -1.4 | -0.1 |
| Other operating expenses | -5.6 | -7.9 | -8.3 | -6.1 | -6.7 |
| Total operating expenses | -5.6 | -7.9 | -8.3 | -6.1 | -6.7 |
| Operating profit/loss before tax | 4.3 | 5.6 | 5.0 | 4.6 | 4.2 |
| Tax ordinary income | -1.1 | -1.4 | -1.4 | -1.2 | -1.1 |
| Profit for the period | 3.2 | 4.2 | 3.7 | 3.4 | 3.1 |

KEY FIGURES

| Accumulated figures in NOK millions | Q2 2016 | Q1 2016 | Q4 2015 | Q3 2015 | Q2 2015 |
|---|---------|---------|---------|---------|---------|
| Pre-tax income | 9.9 | 5.6 | 18.5 | 13.4 | 8.8 |
| Net interest income | 20.0 | 10.5 | 47.3 | 34.7 | 22.5 |
| Other operating income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating cost and depreciation | -13.5 | -7.9 | -27.9 | -19.6 | -13.4 |
| Net realized/unrealized change fin. instruments at fair value | 3.4 | 3.0 | -0.9 | -1.7 | -0.3 |
| Deposits | 4 206.5 | 4 012.0 | 3 743.4 | 4 155.7 | 3 783.3 |
| Housing mortgage lending | - | - | - | - | - |
| Non-performing loans | 4 141.4 | 3 796.0 | 2 854.6 | 2 403.8 | 2 304.3 |
| Total liabilities created on issuance of securities | 0.0 | 170.2 | 825.7 | 1 678.0 | 1 521.5 |
| Total assets | 4 428.6 | 4 250.9 | 3 959.1 | 4 354.4 | 4 094.3 |
| Average total assets | 4 193.9 | 4 105.0 | 3 516.8 | 3 714.4 | 3 584.4 |
| Equity | 278.7 | 275.5 | 266.0 | 262.3 | 259.0 |
| Interest net | 0.48 % | 0.26 % | 1.34 % | 0.93 % | 0.63 % |
| Profit/loss from ordinary operation before taxes | 0.24 % | 0.14 % | 0.53 % | 0.36 % | 0.25 % |
| Return on equity | 3.55 % | 2.03 % | 6.96 % | 5.12 % | 3.40 % |
| Capital adequacy ratio | 17.2 % | 18.1 % | 19.6 % | 16.7 % | 18.5 % |
| Liquidity coverage ratio (LCR) | 119 % | 102 % | 0 % | 0 % | 0 % |



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