

BOLIGKREDITT

# Interim report

## Q3 2014

**KLP**  
Banken



[INCOME STATEMENT](#)

[BALANCE SHEET](#)

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## KLP Boligkreditt AS

# Interim Financial Statements 3 / 2014

### Main features in the third quarter:

- The first covered bonds of NOK 500 million were issued in September
- The Company was running at full operations with a lending balance of NOK 1.6 billion on the date of reporting.

### 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 three quarters of 2014 were NOK 4.4 million. Operating expenses in the same period amounted to NOK 3.8 million. The Company has not had losses or made loss provisions on loans. Pre-tax profit by the end of the third quarter 2014 was NOK 0.5 million.

### Lending

The Company's loans to customers as at 30 September 2014 amounted to NOK 1.6 billion. All loans have been purchased from other KLP Group Companies during the second and third quarter of 2014.

### Borrowing

The Company's borrowing comprises of covered bonds as well as borrowing from its parent company. During the third quarter, new covered bond issues amounted to NOK 500 million. All covered bonds have an AAA rating.

### Liquidity investments

KLP Boligkreditt AS has strict rules on what assets may be included in the securities holdings. As at 30 September 2014, all liquidity investments comprised of bank deposits.

### Solvency

At the end of the the third quarter 2014, core capital i.a.w. the capital adequacy rules was NOK 150.5 million. Mortgage loan 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 26.1 per cent at the end of the third quarter 2014. The minimum statutory requirement including buffer requirements is 13.5 per cent.

# Income statement

KLP Boligkreditt AS

Notes	NOK thousands	Q3 2014	01.01.2014- 30.09.2014	30.10.2013- 31.12.2013
	Interest income and similar income	9 606	10 671	3
	Cost of interest and similar costs	-6 140	-6 315	0
2	<b>Net interest income</b>	<b>3 466</b>	<b>4 356</b>	<b>3</b>
	Net gain/(loss) on financial instruments	-5	-5	0
	<b>Total net gain/(loss) on financial instruments</b>	<b>-5</b>	<b>-5</b>	<b>0</b>
	Other operating expenses	-2 883	-3 816	-12
	<b>Total other operating expenses</b>	<b>-2 883</b>	<b>-3 816</b>	<b>-12</b>
	<b>Operating profit/loss before tax</b>	<b>579</b>	<b>536</b>	<b>-9</b>
	Tax on ordinary income	-156	-145	2
	<b>Income</b>	<b>422</b>	<b>391</b>	<b>-7</b>
	Other comprehensive income	0	0	0
	<b>Other comprehensive income for the period after tax</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>422</b>	<b>391</b>	<b>-7</b>

# Balance Sheet

KLP Boligkreditt AS

Notes	NOK thousands	30.09.2014	31.12.2013
	<b>ASSETS</b>		
	Loans to and receivables from credit institutions	96 361	991
3	Loans to and receivables from customers	1 591 551	0
	Deferred tax assets	2	2
8	Other assets	2 166	0
	<b>TOTAL ASSETS</b>	<b>1 690 080</b>	<b>993</b>
	<b>LIABILITIES AND OWNERS' EQUITY</b>		
	<b>LIABILITIES</b>		
5	Debt to credit institutions	1 036 233	0
6	Liabilities created on issuance of securities	500 039	0
9	Other liabilities	1 511	0
9	Provision for accrued costs and liabilities	1 442	0
	<b>TOTAL LIABILITIES</b>	<b>1 539 225</b>	<b>0</b>
	<b>OWNERS' EQUITY</b>		
	Share capital	75 000	30
	Share premium	75 463	963
	Unallocated profit/loss	391	0
	<b>TOTAL OWNERS' EQUITY</b>	<b>150 854</b>	<b>993</b>
	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>	<b>1 690 080</b>	<b>993</b>

# Statement of owners' equity

KLP Boligkreditt AS

2014 NOK thousands	Share capital	Share premium	Retained earnings	Total owners' equity
Owners' equity 1 January 2014	30	963	0	993
Income for the period	0	0	391	391
Other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>391</b>	<b>391</b>
Owners' equity received during the period	74 970	74 500	0	149 470
<b>Total transactions with the owners</b>	<b>74 970</b>	<b>74 500</b>	<b>0</b>	<b>149 470</b>
<b>Owners' equity 30 September 2014</b>	<b>75 000</b>	<b>75 463</b>	<b>391</b>	<b>150 854</b>

2013 NOK thousands	Share capital	Share premium	Retained earnings	Total owners' equity
Opening balance 30 October 2013	30	970	0	1 000
Income for the period	0	-7	0	-7
Other comprehensive income	0	0	0	0
<b>Total comprehensive income</b>	<b>30</b>	<b>963</b>	<b>0</b>	<b>993</b>
<b>Total transactions with the owners</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Owners' equity 31 December 2013</b>	<b>30</b>	<b>963</b>	<b>0</b>	<b>993</b>

NOK thousands	No. of shares	Nominal value in whole NOK	Share prem.	Owners' equity
As at 1 January 2014	1 000	30	963	993
Changes during the period 1 January - 30 September	-	74 970	74 500	149 470
<b>As at 30 September 2014</b>	<b>1 000</b>	<b>75 000</b>	<b>75 463</b>	<b>150 463</b>
Accumulated income				391
<b>Owners' equity as at 30 September 2014</b>				<b>150 854</b>

# Statement of cash flows

KLP Boligkreditt AS

NOK thousands	01.01.2014- 30.09.2014	30.10.2013- 31.12.2013
<b>OPERATING ACTIVITIES</b>		
Payments received from customers - interest, commission & charges	6 670	0
Net receipts/disbursements (-) on lending to customers	-1 590 747	0
Disbursements on operations	-1 107	-12
Net receipts/disbursements - other operating activities	-5	0
Net interest investment accounts	736	3
Income tax paid	0	0
<b>Net cash flow from operating activities</b>	<b>-1 584 453</b>	<b>-9</b>
<b>INVESTMENT ACTIVITIES</b>		
Disbursements on purchase of securities	0	0
Receipts on sales of securities	0	0
Interest received from securities	0	0
<b>Net cash flow from investment activities</b>	<b>0</b>	<b>0</b>
<b>FINANCING ACTIVITIES</b>		
Net receipts/disbursements on loans from credit institutions	1 534 525	0
Net payment of interest on loans	-4 573	0
Receipts on issueance of owners' equity	149 470	1 000
<b>Net cash flow from financing activities</b>	<b>1 679 422</b>	<b>1 000</b>
<b>Net cash flow during the period</b>	<b>94 969</b>	<b>991</b>
Cash and cash equivalents at the start of the period	991	0
Cash and cash equivalents at the end of the period	95 960	991
<b>Net receipts/ disbursements of cash</b>	<b>94 969</b>	<b>991</b>

# Notes to the accounts

KLP Boligkreditt AS

## Note 1 ACCOUNTING PRINCIPLES

This is an interim report for the period  
1 January 2014 - 30 September 2014.

The Company changed accounting principles during the second quarter this year to full IFRS, and this interim report is made in accordance with IAS 34 on interim reporting.

The transition date to IFRS was set at 30 October 2013, which was the date of the formation of the Company. The transition to IFRS had no effect on the Company's owners' equity or comprehensive income. Attention is drawn otherwise to the interim report following the second quarter for further description of accounting principles.

The auditor has concluded a review of the report.

## Note 2 NET INTEREST INCOME

NOK thousands	01.01.2014- 30.09.2014	30.10.2013- 31.12.2013
Interest on loans to and receivables from credit institutions	1 110	3
Interest on loans to customers	9 562	0
<b>Total interest income</b>	<b>10 671</b>	<b>3</b>
Interest on debt to credit institutions (covered bonds)	515	0
Interest on debt to KLP Banken	5 800	0
<b>Total interest costs</b>	<b>6 315</b>	<b>0</b>
<b>Net interest income</b>	<b>4 356</b>	<b>3</b>

## Note 3 LOANS TO CUSTOMERS

NOK thousands	30.09.2014	31.12.2013
Loans to customers, nominal principal	1 588 681	0
Individual write-downs	0	0
Write-downs by group	0	0
<b>Loans to customers after individual write-downs</b>	<b>1 588 681</b>	<b>0</b>
Accrued interest	2 870	0
Change in fair value resulting from change in interest rates (hedge accounting)	0	0
<b>Loans to customers</b>	<b>1 591 551</b>	<b>0</b>



**Note 4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

NOK thousands	30.09.2014		31.12.2013	
	Book value	Fair value	Book value	Fair value
<b>FINANCIAL ASSETS AT AMORTIZED COST</b>				
Lending to and receivables from credit institutions	96 361	96 361	991	991
Loans to retail customers	1 591 551	1 591 551	0	0
<b>Total financial assets at amortized cost</b>	<b>1 687 911</b>	<b>1 687 911</b>	<b>991</b>	<b>991</b>
<b>Total financial assets</b>	<b>1 687 911</b>	<b>1 687 911</b>	<b>991</b>	<b>991</b>
<b>DEBT TO CREDIT INSTITUTIONS AT AMORTIZED COST</b>				
Debt to credit institutions	1 036 233	1 036 233	0	0
Covered bonds issued	500 039	500 039	0	0
<b>Total financial liabilities at amortized cost</b>	<b>1 536 272</b>	<b>1 536 272</b>	<b>0</b>	<b>0</b>
<b>Total financial liabilities</b>	<b>1 536 272</b>	<b>1 536 272</b>	<b>0</b>	<b>0</b>

**Fair value** of investments listed in an active market is based on the current bid price. A financial instrument is considered to be listed in an active market if the listed price is simply and regularly available from a stock market, dealer, broker, industry grouping, price setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length. If the market for the security is not active, or the security is not listed on a stock market or similar, the Group uses valuation techniques 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:**

**Fair value of loans to retail customers and deposits from retail customers.**

Fair value of lending and deposits 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 rate 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 change in market interest rates.

**Fair value of debt to credit institutions**

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

**Note 5 DEBT TO CREDIT INSTITUTIONS**

NOK thousands	30.09.2014			31.12.2013	
	Due date	Nominal value	Accrued interest	Book value	Book value
Loan KLP Banken AS	15.12.14	1 035 000	1 233	1 036 233	0
<b>Total debt to credit institutions</b>				<b>1 036 233</b>	<b>0</b>

**Note 6 SECURITIES LIABILITIES – STOCK EXCHANGE LISTED COVERED BONDS**

NOK thousands							30.09.2014
ISIN code	Nominal value	Currency	Interest	Issued	Due date	Accrued interest	Book value
N00010719875	500 000	NOK	1,95	12.09.14	12.09.19	515	500 515
Amortization / value adjustments							-475
<b>Total covered bonds issued</b>							<b>500 039</b>

**Note 7 TRANSACTIONS WITH RELATED PARTIES**

NOK thousands	0.1.01.2014- 30.09.2014	31.12.2013
INCOME STATEMENT ITEMS		
KLP Banken AS, interest on borrowing	-5 800	0
KLP Banken AS, administrative services (at cost)	-1 630	0
KLP Group companies, subsidized interest employee loans	104	0
<b>TOTAL</b>	<b>-7 327</b>	<b>0</b>
NOK thousands	30.09.2014	31.12.2013
FINANCIAL POSITION STATEMENT ITEMS		
KLP Banken AS, borrowing Group current liabilities	-1 036 232	0
KLP Banken AS, net internal receivables	-1 366	0
KLP Banken AS, loan settlement	2 066	0
KLP Group companies, net other receivables	100	0
<b>TOTAL</b>	<b>-1 035 432</b>	<b>0</b>

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

Transactions with related parties are carried out on general market terms, with the exception of the Company's share of common functions, which is allocated at cost. Allocation is based on actual use. All intra-Group receivables are settled as they arise.

**Note 8 OTHER ASSETS**

NOK thousands	30.09.2014	31.12.2013
Receivables between companies in the same Group	2 166	0
<b>Total other assets</b>	<b>2 166</b>	<b>0</b>

**Note 9 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS**

NOK thousands	30.09.2014	31.12.2013
Receivables between companies in the same Group	1 366	0
Other liabilities	145	0
<b>Total other liabilities</b>	<b>1 511</b>	<b>0</b>
Provisioned costs	1 442	0
<b>Total accrued costs and liabilities</b>	<b>1 442</b>	<b>0</b>

**Note 10 CAPITAL ADEQUACY**

NOK thousands	30.09.2014		
Share capital and share premium fund			150 463
Other owners' equity			0
<b>Owners' equity</b>			<b>150 463</b>
Interim profit/loss			0
Deferred tax assets			-2
<b>Core capital</b>			<b>150 461</b>
Supplementary capital			0
<b>Supplementary capital</b>			<b>0</b>
Total eligible own funds (Tier 1 and Tier 2 capital)			150 461
Capital requirement			46 140
<b>Surplus of own funds (Tier 1 and Tier 2 capital)</b>			<b>104 321</b>
<b>CALCULATION BASIS CREDIT RISK</b>			
Institutions			19 703
Investments with mortgage security in real estate			557 052
<b>Calculation basis credit risk</b>			<b>576 755</b>
Credit risk			46 140
Operating risk			0
<b>Total capital requirement assets</b>			<b>46 140</b>
Core capital adequacy ratio			26,1 %
Supplementary capital ratio			0,0 %
<b>Capital adequacy ratio</b>			<b>26,1 %</b>
<b>Capital requirement per 30.09.2014</b>	<b>Tier 1 capital</b>	<b>Tier 2 capital</b>	<b>Tier 1 and Tier 2 capital</b>
Minimum requirement without buffers	4,5 %	3,5 %	8,0 %
Protective buffers	2,5 %	0,0 %	2,5 %
System risk buffers	3,0 %	0,0 %	3,0 %
<b>Current capital requirement incl. buffers</b>	<b>10,0 %</b>	<b>3,5 %</b>	<b>13,5 %</b>



To the Board of Directors of KLP Boligkreditt AS

## **Report on Review of Interim Financial Information**

### *Introduction*

We have reviewed the accompanying balance sheet of KLP Boligkreditt AS as of 30 September 2014 and the related statements of income, changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with standards on auditing adopted by Den Norske Revisorforening, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Trondheim, 29 October 2014  
**PricewaterhouseCoopers AS**

Rune Kenneth S. Lædre  
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

## Key figures

Accumulated figures in NOK millions	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Pre-tax profit	0,5	0,0	0,2	0,0
Net interest income	4,4	0,9	0,2	0,0
Other operating income	0,0	0,0	0,0	0,0
Operating costs and depreciation	-3,8	-0,9	0,0	0,0
Net realized / unrealized change fin. instruments at fair value	0,0	-0,9	0,0	0,0
Lending with public sector guarantee	1 591,6	544,8	0,0	0,0
Defaulted loans	-	-	-	-
Borrowing on issuance of securities	500,0	-	-	-
Other borrowing	1 036,2	480,2	0,0	0,0
Total assets	1 690,1	630,9	150,6	1,0
Average total assets	845,5	315,9	75,8	0,5
Owners' equity	150,9	150,4	150,6	1,0
Interest net	0,52 %	0,28 %	0,21 %	0,00 %
Profit/loss from ordinary operation before tax	0,06 %	-0,01 %	0,21 %	0,00 %
Return on owners' equity before tax	0,36 %	-0,03 %	0,62 %	0,00 %
Capital adequacy ratio	26,1 %	72,4 %	I/A	I/A



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