

KLP BOLIGKREDITT AS

# Interim report Q3 2015

**KLP**  
Banken



[INCOME STATEMENT](#)

[BALANCE SHEET](#)

[NOTES](#)

A close-up photograph of a person's hand holding several smooth, dark, rounded stones. The stones have various shades of dark brown, black, and grey, with some showing lighter, reddish-brown spots. The hand is positioned in the lower-left quadrant of the page, with the fingers gently cupping the stones. The background is a soft, out-of-focus blue and white, suggesting a person's clothing.

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## KLP Boligkreditt AS

# Interim Financial Statements 3 / 2015

### Main features by third quarter end:

- Operating profit before tax amounted to NOK 13.4 million.
- The lending balance has increased to NOK 4.2 billion.

### 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 2015 were NOK 34.7 million. Operating expenses in the same period amounted to NOK 19.6 million. The Company has not had losses or made loss provisions on loans. Pre-tax profit by quarter end was NOK 13.4 million.

### Lending

The Company's loans to customers as at 30 September 2015 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 2.4 billion at the reporting date while intercompany debt amounted to NOK 1.7 billion. All covered bonds have an AAA rating. By third quarter end, new covered bond issues in 2015 amounted to NOK 0.6 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 30 September 2015, the bond portfolio's market value was NOK 0.1 billion. The net loss associated with liquidity investments amounted to NOK 0.8 million.

### Capital adequacy

At the end of the third quarter 2015, core capital i.a.w. the capital adequacy rules was NOK 252.5 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 16.7 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                                    | Q3 2015       | Q3 2014       | 01.01.2015-<br>30.09.2015 | 01.01.2014-<br>30.09.2014 | 2014           |
|------|--|---------------|---------------|---------------------------|---------------------------|----------------|
|      | Interest income                                  | 30 262        | 9 606         | 88 771                    | 10 671                    | 33 497         |
|      | Interest expense                                 | -18 051       | -6 140        | -54 075                   | -6 315                    | -19 014        |
| 3    | <b>Net interest income</b>                       | <b>12 211</b> | <b>3 466</b>  | <b>34 696</b>             | <b>4 356</b>              | <b>14 483</b>  |
|      | Net gain/ (loss) financial instruments           | -1 447        | -5            | -1 701                    | -5                        | -233           |
|      | <b>Total other operating income</b>              | <b>-1 447</b> | <b>-5</b>     | <b>-1 701</b>             | <b>-5</b>                 | <b>-233</b>    |
|      | Other operating expenses                         | -6 142        | -2 883        | -19 560                   | -3 816                    | -11 460        |
|      | <b>Total operating expenses</b>                  | <b>-6 142</b> | <b>-2 883</b> | <b>-19 560</b>            | <b>-3 816</b>             | <b>-11 460</b> |
|      | <b>Operating profit/loss before tax</b>          | <b>4 622</b>  | <b>578</b>    | <b>13 435</b>             | <b>536</b>                | <b>2 790</b>   |
|      | Tax ordinary income                              | -1 248        | -156          | -3 596                    | -145                      | -753           |
|      | <b>Profit for the period</b>                     | <b>3 374</b>  | <b>422</b>    | <b>9 839</b>              | <b>391</b>                | <b>2 037</b>   |
|      | Other comprehensive income                       | 0             | 0             | 0                         | 0                         | 0              |
|      | <b>Other comprehensive income for the period</b> | <b>0</b>      | <b>0</b>      | <b>0</b>                  | <b>0</b>                  | <b>0</b>       |
|      | <b>COMPREHENSIVE INCOME FOR THE PERIOD</b>       | <b>3 374</b>  | <b>422</b>    | <b>9 839</b>              | <b>391</b>                | <b>2 037</b>   |

# Balance sheet

KLP Boligkreditt AS

| Note                                 | NOK thousands                               | 30.09.2015       | 30.09.2014       | 31.12.2014       |
|--------------------------------------|---|------------------|------------------|------------------|
| <b>ASSETS</b>                        |   |                  |                  |                  |
|                                      | Loans to credit institutions                | 102 137          | 96 361           | 102 785          |
| 4                                    | Loans to customers                          | 4 155 724        | 1 591 551        | 2 971 296        |
| 13                                   | Interest-bearing securities                 | 90 712           | 0                | 0                |
|                                      | Deffered tax assets                         | 0                | 2                | 0                |
| 10                                   | Other assets                                | 5 793            | 2 166            | 401              |
|                                      | <b>TOTAL ASSETS</b>                         | <b>4 354 367</b> | <b>1 690 080</b> | <b>3 074 482</b> |
| <b>LIABILITIES AND OWNERS EQUITY</b> |   |                  |                  |                  |
| <b>LIABILITIES</b>                   |   |                  |                  |                  |
| 8                                    | Debt to credit institutions                 | 1 677 982        | 1 036 233        | 1 011 240        |
| 7                                    | Debt securities issued                      | 2 403 833        | 500 039          | 1 803 395        |
|                                      | Deffered tax liabilities                    | 0                | 0                | 751              |
| 11                                   | Other Liabilities                           | 9 516            | 1 511            | 6 343            |
| 11                                   | Provision for accrued costs and liabilities | 697              | 1 442            | 253              |
|                                      | <b>TOTAL LIABILITIES</b>                    | <b>4 092 028</b> | <b>1 539 225</b> | <b>2 821 982</b> |
| <b>EQUITY</b>                        |   |                  |                  |                  |
|                                      | Share capital                               | 100 000          | 75 000           | 100 000          |
|                                      | Share premium                               | 150 463          | 75 463           | 150 463          |
|                                      | Retained earnings                           | 11 876           | 391              | 2 037            |
|                                      | <b>TOTAL EQUITY</b>                         | <b>262 339</b>   | <b>150 854</b>   | <b>252 500</b>   |
|                                      | <b>TOTAL LIABILITIES AND EQUITY</b>         | <b>4 354 367</b> | <b>1 690 080</b> | <b>3 074 482</b> |

# Statement of changes in equity

KLP Boligkreditt AS

| NOK thousands                                    | Share capital  | Share premium  | Retained earnings | Total equity   |
|--|----------------|----------------|-------------------|----------------|
| Equity 1 January 2015                            | 100 000        | 150 463        | 2 037             | 252 500        |
| Profit for the period                            | 0              | 0              | 9 839             | 9 839          |
| Other comprehensive income                       | 0              | 0              | 0                 | 0              |
| <b>Total comprehensive income for the period</b> | <b>0</b>       | <b>0</b>       | <b>9 839</b>      | <b>9 839</b>   |
| Group contribution received                      | 0              | 0              | 2 665             | 2 665          |
| Group contribution made                          | 0              | 0              | -2 665            | -2 665         |
| <b>Total transactions with the owners</b>        | <b>0</b>       | <b>0</b>       | <b>0</b>          | <b>0</b>       |
| <b>Equity 30 September 2015</b>                  | <b>100 000</b> | <b>150 463</b> | <b>11 876</b>     | <b>262 339</b> |
| Equity 1 January 2014                            | 30             | 963            | 0                 | 993            |
| Profit for the period                            | 0              | 0              | 391               | 391            |
| Other comprehensive income                       | 0              | 0              | 0                 | 0              |
| <b>Total comprehensive income for the period</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>Equity 30 September 2014</b>                  | <b>75 000</b>  | <b>75 463</b>  | <b>391</b>        | <b>150 854</b> |
| Equity 1 January 2014                            | 30             | 963            | 0                 | 993            |
| Profit for the period                            | 0              | 0              | 2 037             | 2 037          |
| Other comprehensive income                       | 0              | 0              | 0                 | 0              |
| <b>Total comprehensive income for the period</b> | <b>0</b>       | <b>0</b>       | <b>2 037</b>      | <b>2 037</b>   |
| Owners' equity received during the period        | 99 970         | 149 500        | 0                 | 249 470        |
| <b>Total transactions with the owners</b>        | <b>99 970</b>  | <b>149 500</b> | <b>0</b>          | <b>249 470</b> |
| <b>Equity 31 December 2014</b>                   | <b>100 000</b> | <b>150 463</b> | <b>2 037</b>      | <b>252 500</b> |

# Statement of cash flow

KLP Boligkreditt AS

| NOK thousands   | 01.01.2015-<br>30.09.2015 | 01.01.2014-<br>30.09.2014 | 2014              |
|---|---------------------------|---------------------------|-------------------|
| <b>OPERATING ACTIVITIES</b>   |                           |                           |                   |
| Payments received from customers - interest, commission & charges   | 85 825                    | 6 670                     | 25 509            |
| Net receipts/disbursements on loans customers & credit institutions | -1 190 305                | -1 590 747                | -2 965 013        |
| Net receipts/disbursements on operations                            | -19 494                   | -1 107                    | -5 025            |
| Net receipts/disbursements from operating activities                | -19 608                   | -5                        | -5                |
| Net interest investment accounts                                    | 2 323                     | 736                       | 1 467             |
| Income tax paid   | 0                         | 0                         | 0                 |
| <b>Net cash flow from operating activities</b>                      | <b>-1 141 259</b>         | <b>-1 584 453</b>         | <b>-2 943 067</b> |
| <b>INVESTMENT ACTIVITIES</b>  |                           |                           |                   |
| Payments on the purchase of securities                              | -101 360                  | 0                         | 0                 |
| Receipts on sale of securities                                      | 10 059                    | 0                         | 0                 |
| Receipts of interest from securities                                | 771                       | 0                         | 0                 |
| <b>Net cash flow from investment activities</b>                     | <b>-90 530</b>            | <b>0</b>                  | <b>0</b>          |
| <b>FINANCING ACTIVITIES</b>   |                           |                           |                   |
| Net receipts/disbursements on loans from credit institutions        | 1 266 304                 | 1 534 525                 | 2 808 437         |
| Net payment of interest on loans                                    | -54 093                   | -4 573                    | -13 051           |
| Change in owners' equity  | 0                         | 149 470                   | 249 470           |
| Group contribution paid   | -719                      | 0                         | 0                 |
| <b>Net cash flows from financing activities</b>                     | <b>1 211 491</b>          | <b>1 679 422</b>          | <b>3 044 856</b>  |
| <b>Net cash flow during the period</b>                              | <b>-20 298</b>            | <b>94 969</b>             | <b>101 789</b>    |
| Cash and cash equivalents at the start of the period                | 102 780                   | 991                       | 991               |
| Cash and cash equivalents at the end of the period                  | 82 482                    | 95 960                    | 102 780           |
| <b>Net receipts/ disbursements (-) of cash</b>                      | <b>-20 298</b>            | <b>94 969</b>             | <b>101 789</b>    |

# 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. It's head office is at Beddingen 8 in Trondheim.

The company is a wholly owned subsidiary of KLP Banken AS which is in turn wholly owned by Kommunal Landspensjonskasse (KLP), through KLP Bankholding AS. KLP is a mutual insurance company.

## Note 2 ACCOUNTING PRINCIPLES

The interim report includes the interim Financial Statements of KLP Boligkreditt AS for the period 1 January 2015 - 30 September 2015. The Auditor has reviewed the interim Financial Statements of KLP Boligkreditt AS.

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

There are no changes in the accounting principles in 2015 that have been of significance for the interim Financial Statements following the third quarter. Attention is drawn to KLP Boligkreditt's Annual Report for 2014 for detailed description of accounting principles.

## Note 3 NET INTEREST INCOME

| NOK thousands   | 01.01.2015-<br>30.09.2015 | 01.01.2014-<br>30.09.2014 | 2014          |
|---|---------------------------|---------------------------|---------------|
| Interest on loans to and receivables from credit institutions | 2 367                     | 1 110                     | 1 469         |
| Interest on loans to customers                                | 85 412                    | 9 562                     | 32 029        |
| Interest on securities  | 992                       | 0                         | 0             |
| <b>Total interest income</b>                                  | <b>88 771</b>             | <b>10 671</b>             | <b>33 497</b> |
| Interest on covered bonds                                     | 28 495                    | 515                       | 7 582         |
| Interest on liabilities to KLP Banken                         | 25 369                    | 5 800                     | 11 549        |
| Premium/discount on covered bonds                             | 211                       | 0                         | -116          |
| <b>Total interest costs</b>                                   | <b>54 075</b>             | <b>6 315</b>              | <b>19 014</b> |
| <b>Net interest income</b>                                    | <b>34 696</b>             | <b>4 356</b>              | <b>14 483</b> |

## Note 4 LOANS TO CUSTOMERS

| NOK thousands  | 30.09.2015       | 30.09.2014       | 31.12.2014       |
|--|------------------|------------------|------------------|
| Loans to cutomers before write-downs                                   | 4 149 614        | 1 588 681        | 2 964 774        |
| Individual write-downs   | 0                | 0                | 0                |
| Write-downs by group   | 0                | 0                | 0                |
| <b>Loans to cutomers after write-downs</b>                             | <b>4 149 614</b> | <b>1 588 681</b> | <b>2 964 774</b> |
| Accured interest   | 6 110            | 2 870            | 6 522            |
| Change in fair value due to interest rate changes (fair value hedging) | 0                | 0                | 0                |
| <b>Loans to customers</b>  | <b>4 155 724</b> | <b>1 591 551</b> | <b>2 971 296</b> |



**Note 5 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

| NOK thousands   | 30.09.2015        |                  | 30.09.2014        |                  | 31.12.2014        |                  |
|---|-------------------|------------------|-------------------|------------------|-------------------|------------------|
|   | Capitalized value | Fair value       | Capitalized value | Fair value       | Capitalized value | Fair value       |
| <b>FINANCIAL ASSETS AT FAIR VALUE</b>                       |                   |                  |                   |                  |                   |                  |
| Fixed-income securities                                     | 90 712            | 90 712           | 0                 | 0                | 0                 | 0                |
| <b>Total financial assets at fair value</b>                 | <b>90 712</b>     | <b>90 712</b>    | <b>0</b>          | <b>0</b>         | <b>0</b>          | <b>0</b>         |
| <b>FINANCIAL ASSETS AT AMORTIZED COST</b>                   |                   |                  |                   |                  |                   |                  |
| Loans to and receivables from credit institutions           | 102 137           | 102 137          | 96 361            | 96 361           | 102 785           | 102 785          |
| Loans to and receivables from customers                     | 4 155 724         | 4 155 724        | 1 591 551         | 1 591 551        | 2 971 296         | 2 971 296        |
| <b>Total financial assets at amortized cost</b>             | <b>4 257 862</b>  | <b>4 257 862</b> | <b>1 687 912</b>  | <b>1 687 912</b> | <b>3 074 081</b>  | <b>3 074 081</b> |
| <b>Total financial assets</b>                               | <b>4 348 574</b>  | <b>4 348 574</b> | <b>1 687 912</b>  | <b>1 687 912</b> | <b>3 074 081</b>  | <b>3 074 081</b> |
| <b>LIABILITIES TO CREDIT INSTITUTIONS AT AMORTIZED COST</b> |                   |                  |                   |                  |                   |                  |
| Liabilities to credit institutions                          | 1 677 982         | 1 677 982        | 1 036 233         | 1 036 233        | 1 011 240         | 1 011 240        |
| Covered bonds issued  | 2 403 833         | 2 362 067        | 500 039           | 500 039          | 1 803 395         | 1 803 504        |
| <b>Total financial liabilities at amortized cost</b>        | <b>4 081 814</b>  | <b>4 040 049</b> | <b>1 536 272</b>  | <b>1 536 272</b> | <b>2 814 635</b>  | <b>2 814 744</b> |
| <b>Total financial liabilities</b>                          | <b>4 081 814</b>  | <b>4 040 049</b> | <b>1 536 272</b>  | <b>1 536 272</b> | <b>2 814 635</b>  | <b>2 814 744</b> |

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

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

**Fixed-income securities - other than government**  
Norwegian fixed-income securities, except government are priced directly on prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. In theoretical pricing a zero-coupon curve is used as well as yield spread curves for the pricing. Reuters is used as a source for the zero-coupon curve from 0 to 10 years. From 12 years and over, Bloomberg is used as the source since Reuters does not provide prices over 10 years. The yield curve spreads are received from Nordic Bond Pricing. 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 costumers**  
Fair value of lending without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates. Lending with fixed interest is valued using a valuation model, including relevant credit spread adjustments obtained from the market.

**Fair value of loans to and receivables from credit institutions**

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

**Fair value of liabilities to credit institutions**

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

**Liabilities created on issuance of securities**

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

**Note 6 FAIR VALUE HIERARCHY**

| NOK thousands                                    | Level 1  | Level 2       | Level 3  | Total<br>30.09.2015 |
|--|----------|---------------|----------|---------------------|
| <b>ASSETS</b>                                    |          |               |          |                     |
| Interest-bearing securities                      | 0        | 90 712        | 0        | 90 712              |
| Financial derivatives                            | 0        | 0             | 0        | 0                   |
| <b>Total financial assets at fair value</b>      | <b>0</b> | <b>90 712</b> | <b>0</b> | <b>90 712</b>       |
| <b>LIABILITIES</b>                               |          |               |          |                     |
| Financial derivatives                            | 0        | 0             | 0        | 0                   |
| <b>Total financial liabilities at fair value</b> | <b>0</b> | <b>0</b>      | <b>0</b> | <b>0</b>            |

| NOK thousands                                    | Level 1  | Level 2  | Level 3  | Total<br>30.09.2014 |
|--|----------|----------|----------|---------------------|
| <b>ASSETS</b>                                    |          |          |          |                     |
| Interest-bearing securities                      | 0        | 0        | 0        | 0                   |
| Financial derivatives                            | 0        | 0        | 0        | 0                   |
| <b>Total financial assets at fair value</b>      | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>            |
| <b>LIABILITIES</b>                               |          |          |          |                     |
| Financial derivatives                            | 0        | 0        | 0        | 0                   |
| <b>Total financial liabilities at fair value</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>            |

| NOK thousands                                    | Level 1  | Level 2  | Level 3  | Total<br>31.12.2014 |
|--|----------|----------|----------|---------------------|
| <b>ASSETS</b>                                    |          |          |          |                     |
| Interest-bearing securities                      | 0        | 0        | 0        | 0                   |
| Financial derivatives                            | 0        | 0        | 0        | 0                   |
| <b>Total financial assets at fair value</b>      | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>            |
| <b>LIABILITIES</b>                               |          |          |          |                     |
| Financial derivatives                            | 0        | 0        | 0        | 0                   |
| <b>Total financial liabilities at fair value</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</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                       | 30.09.2015       | 30.09.2014     | 31.12.2014       |
|-------------------------------------|------------------|----------------|------------------|
| Bond debt, nominal amount           | 2 400 000        | 500 000        | 1 800 000        |
| Adjustments                         | -1 951           | -476           | -1 562           |
| Accured interest                    | 5 783            | 515            | 4 957            |
| <b>Total debt securities issued</b> | <b>2 403 833</b> | <b>500 039</b> | <b>1 803 395</b> |

| NOK thousands                       | Balance sheet<br>30.09.2015 | Issued         | Matured/<br>redeemed | Other<br>adjustments | Balance sheet<br>31.12.2014 |
|-------------------------------------|-----------------------------|----------------|----------------------|----------------------|-----------------------------|
| CHANGES IN DEBT SECURITIES ISSUED   |                             |                |                      |                      |                             |
| Bond debt, nominal amount           | 2 400 000                   | 600 000        | 0                    | 0                    | 1 800 000                   |
| Adjustments                         | -1 951                      | 0              | 0                    | -389                 | -1 562                      |
| Accured interest                    | 5 783                       | 0              | 0                    | 826                  | 4 957                       |
| <b>Total debt securities issued</b> | <b>2 403 833</b>            | <b>600 000</b> | <b>0</b>             | <b>438</b>           | <b>1 803 395</b>            |

**Note 8 LIABILITIES TO CREDIT INSTITUTIONS**

| NOK thousands                                   | Due date   | Nominal   | Accrued interest | 30.09.2015<br>Book value |
|---|------------|-----------|------------------|--------------------------|
| Debt to KLP Banken AS                           | 15.12.2015 | 1 265 270 | 1 125            | 1 266 395                |
| Debt to KLP Banken AS                           | 15.12.2015 | 180 000   | 78               | 180 078                  |
| Debt to KLP Banken AS                           | 15.12.2015 | 231 423   | 86               | 231 509                  |
| <b>Total liabilities to credit institutions</b> |            |           |                  | <b>1 677 982</b>         |

| NOK thousands                                   | Due date   | Nominal   | Accrued interest | 30.09.2014<br>Book value |
|---|------------|-----------|------------------|--------------------------|
| Debt to KLP Banken AS                           | 15.12.2014 | 1 035 000 | 1 233            | 1 036 233                |
| <b>Total liabilities to credit institutions</b> |            |           |                  | <b>1 036 233</b>         |

| NOK thousands                                   | Due date   | Nominal   | Accrued interest | 31.12.2014<br>Book value |
|---|------------|-----------|------------------|--------------------------|
| Debt to KLP Banken AS                           | 16.03.2015 | 1 010 000 | 1 240            | 1 011 240                |
| <b>Total liabilities to credit institutions</b> |            |           |                  | <b>1 011 240</b>         |

**Note 9 TRANSACTIONS WITH RELATED PARTIES**

| NOK thousands   | 01.01.2015<br>-30.09.2015 | 01.01.2014<br>-30.09.2014 | 2014           |
|---|---------------------------|---------------------------|----------------|
| INCOME STATEMENT ITEMS                                  |                           |                           |                |
| KLP Banken AS, interest on borrowing                    | -25 369                   | -5 800                    | -11 549        |
| KLP Banken AS, administrative services (at cost)        | -18 375                   | -1 630                    | -7 941         |
| KLP Group companies, subsidised interest employee loans | 380                       | 104                       | 272            |
| <b>Total</b>  | <b>-43 365</b>            | <b>-7 327</b>             | <b>-19 218</b> |

| NOK thousands                                      | 30.09.2015        | 30.09.2014        | 31.12.2014        |
|--|-------------------|-------------------|-------------------|
| FINANCIAL POSITION STATEMENT ITEMS                 |                   |                   |                   |
| KLP Banken AS, borrowing Group current liabilities | -1 677 982        | -1 036 232        | -1 011 240        |
| KLP Banken AS, net internal liabilities            | -5 889            | -1 366            | -6 305            |
| KLP Banken AS, loan settlement                     | 5 704             | 2 066             | 239               |
| KLP Group companies, net other internal accounts   | 89                | 100               | 162               |
| <b>Total</b>                                       | <b>-1 678 077</b> | <b>-1 035 432</b> | <b>-1 017 144</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            | 30.09.2015   | 30.09.2014   | 31.12.2014 |
|--------------------------|--------------|--------------|------------|
| Intercompany receivables | 5 793        | 2 166        | 401        |
| <b>Total</b>             | <b>5 793</b> | <b>2 166</b> | <b>401</b> |

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

| NOK thousands                              | 30.09.2015   | 30.09.2014   | 31.12.2014   |
|--|--------------|--------------|--------------|
| Creditors                                  | 0            | 0            | 38           |
| Intercompany payables                      | 5 889        | 1 366        | 6 305        |
| Other liabilities                          | 3 628        | 145          | 0            |
| <b>Total other liabilities</b>             | <b>9 516</b> | <b>1 511</b> | <b>6 343</b> |
| VAT  | 0            | 0            | 21           |
| Accrued expenses                           | 697          | 1 442        | 232          |
| <b>Total accrued costs and liabilities</b> | <b>697</b>   | <b>1 442</b> | <b>253</b>   |

**Note 12 CAPITAL ADEQUACY**

| NOK thousands   | 30.09.2015            | 30.09.2014            | 31.12.2014                       |
|---|-----------------------|-----------------------|----------------------------------|
| Share capital and share premium fund                    | 250 463               | 150 463               | 250 463                          |
| Other owners' equity                                    | 2 037                 | 0                     | 2 037                            |
| <b>Total owners' equity</b>                             | <b>252 500</b>        | <b>150 463</b>        | <b>252 500</b>                   |
| Interim profit/loss                                     | 0                     | 0                     | 0                                |
| Deferred tax asset                                      | 0                     | -2                    | 0                                |
| <b>Core capital/Tier 1 capital</b>                      | <b>252 500</b>        | <b>150 461</b>        | <b>252 500</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)    | 252 500               | 150 461               | 252 500                          |
| Capital requirement                                     | 120 608               | 46 140                | 84 848                           |
| <b>Surplus of own funds (Tier 1 and Tier 2 capital)</b> | <b>131 892</b>        | <b>104 321</b>        | <b>167 652</b>                   |
| <b>ESTIMATE BASIS CREDIT RISK</b>                       |                       |                       |                                  |
| Institutions  | 39 727                | 19 703                | 20 635                           |
| Investments with mortgage security in real estate       | 1 454 510             | 557 052               | 1 039 966                        |
| <b>Calculation basis credit risk</b>                    | <b>1 494 237</b>      | <b>576 755</b>        | <b>1 060 601</b>                 |
| Credit risk   | 119 539               | 46 140                | 84 848                           |
| Operating risk  | 1 069                 | 0                     | 0                                |
| <b>Total capital requirement assets</b>                 | <b>120 608</b>        | <b>46 140</b>         | <b>84 848</b>                    |
| Core capital adequacy ratio                             | 16.7 %                | 26.1 %                | 23.8 %                           |
| Supplementary capital ratio                             | 0.0 %                 | 0.0 %                 | 0.0 %                            |
| <b>Capital adequacy ratio</b>                           | <b>16.7 %</b>         | <b>26.1 %</b>         | <b>23.8 %</b>                    |
| <b>Leverage ratio</b>                                   | <b>5.8 %</b>          |                       | <b>8.2 %</b>                     |
| <b>Capital requirement per 30.09.2015</b>               | <b>Tier 1 capital</b> | <b>Tier 2 capital</b> | <b>Tier 1 and Tier 2 capital</b> |
| 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                        | 30.09.2015       |               | 30.09.2014       |              | 31.12.2014       |              |
|--------------------------------------|------------------|---------------|------------------|--------------|------------------|--------------|
|                                      | Acquisition cost | Market value  | Acquisition cost | Market value | Acquisition cost | Market value |
| Certificates                         | 0                | 0             | 0                | 0            | 0                | 0            |
| Bonds                                | 91 281           | 90 712        | 0                | 0            | 0                | 0            |
| <b>Total fixed-income securities</b> | <b>91 281</b>    | <b>90 712</b> | <b>0</b>         | <b>0</b>     | <b>0</b>         | <b>0</b>     |

## Key figures

| Accumulated figures in NOK millions                           | Q3 2015 | Q2 2015 | Q1 2015 | Q4 2014 | Q3 2014 |
|---|---------|---------|---------|---------|---------|
| Pre-tax income  | 13.4    | 8.8     | 4.6     | 2.8     | 0.5     |
| Net interest income   | 34.7    | 22.5    | 11.5    | 14.5    | 4.4     |
| Other operating income  | 0.0     | 0.0     | 0.0     | 0.0     | 0.0     |
| Other operating cost and depreciation                         | -19.6   | -13.4   | -6.7    | -11.5   | -3.8    |
| Net realized/unrealized change fin. Instruments at fair value | -1.7    | -0.3    | -0.2    | -0.2    | 0.0     |
| Deposits  | 4 155.7 | 3 783.3 | 3 968.7 | 2 971.3 | 1 591.6 |
| Housing mortgage lending                                      | -       | -       | -       | -       | -       |
| Non-performing loans  | 2 403.8 | 2 304.3 | 2 303.9 | 1 803.4 | 500.0   |
| Total liabilities created on issuance of securities           | 1 678.0 | 1 521.5 | 1 870.4 | 1 011.2 | 1 036.2 |
| Total assets  | 4 354.4 | 4 094.3 | 4 438.5 | 3 074.5 | 1 690.1 |
| Average total assets  | 3 714.4 | 3 584.4 | 3 756.5 | 1 537.7 | 844.9   |
| Equity  | 262.3   | 259.0   | 255.9   | 252.5   | 150.9   |
| Interest net  | 0.93 %  | 0.63 %  | 0.31 %  | 0.94 %  | 0.52 %  |
| Profit/loss from ordinary operation before taxes              | 0.36 %  | 0.25 %  | 0.12 %  | 0.18 %  | 0.06 %  |
| Return on equity  | 5.12 %  | 3.40 %  | 1.81 %  | 1.11 %  | 0.36 %  |
| Capital adequacy ratio  | 16.7 %  | 18.5 %  | 16.9 %  | 23.8 %  | 26.1 %  |



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 2015 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 condensed 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 2015  
**PricewaterhouseCoopers AS**

Rune Kenneth S. Lædre  
State Authorised Public Accountant

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



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