

KLP BOLIGKREDITT AS

Interim report

Q4 2014

KLP
Banken



INCOME STATEMENT

BALANCE SHEET

NOTES



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KLP Boligkreditt AS

Interim Financial Statements 4 / 2014

Main features in the fourth quarter:

- The lending balance has increased to NOK 3.0 billion.
- Covered bonds of NOK 1.2 billion were issued in the fourth quarter.

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 2014 were NOK 14.5 million. Operating expenses in the same period amounted to NOK 11.5 million. The Company has not had losses or made loss provisions on loans. Pre-tax profit by the end of 2014 was NOK 2.8 million.

Lending

The Company's loans to customers as at 31 December 2014 amounted to NOK 3.0 billion. All loans have been purchased from other KLP Group Companies.

Borrowing

The Company's borrowing comprises of covered bonds as well as borrowing from its parent company. During the fourth quarter, new covered bond issues amounted to NOK 1.2 billion. Outstanding bond debt was NOK 1.8 billion at the reporting date while intercompany debt amounted to NOK 1.0 billion. 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 31 December 2014, all liquidity investments comprised of bank deposits.

Solvency

At the end of the the fourth quarter 2014, core capital i.a.w. the capital adequacy rules was NOK 250.5 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 23.6 per cent at the end of the fourth quarter 2014. The minimum statutory requirement including buffer requirements is 13.5 per cent.

Income statement

KLP Boligkreditt AS

Notes	NOK thousands	Q4 2014	2014	30.10.2013- 31.12.2013
	Interest income and similar income	22 826	33 497	3
	Cost of interest and similar costs	-12 699	-19 014	0
2	Net interest income	10 127	14 483	3
	Net gain/(loss) on financial instruments	-228	-233	0
	Total net gain/(loss) on financial instruments	-228	-233	0
	Other operating expenses	-7 644	-11 460	-12
	Total other operating expenses	-7 644	-11 460	-12
	Operating profit/loss before tax	2 255	2 790	-9
	Tax on ordinary income	-608	-753	2
	Income	1 647	2 037	-7
	Other comprehensive income	0	0	0
	Other comprehensive income for the period after tax	0	0	0
	COMPREHENSIVE INCOME FOR THE PERIOD	1 647	2 037	-7

Balance Sheet

KLP Boligkreditt AS

Notes	NOK thousands	31.12.2014	31.12.2013
	ASSETS		
	Loans to and receivables from credit institutions	102 785	991
3	Loans to and receivables from customers	2 971 296	0
	Deferred tax assets	2	2
8	Other assets	401	0
	TOTAL ASSETS	3 074 485	993
	LIABILITIES AND OWNERS' EQUITY		
	LIABILITIES		
5	Debt to credit institutions	1 011 240	0
6	Liabilities created on issuance of securities	1 803 395	0
9	Other liabilities	7 096	0
9	Provision for accrued costs and liabilities	253	0
	TOTAL LIABILITIES	2 821 984	0
	OWNERS' EQUITY		
	Share capital	100 000	30
	Share premium	150 463	963
	Unallocated profit/loss	2 037	0
	TOTAL OWNERS' EQUITY	252 500	993
	TOTAL LIABILITIES AND OWNERS' EQUITY	3 074 485	993

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	2 037	2 037
Other comprehensive income	0	0	0	0
Total comprehensive income	0	0	2 037	2 037
Owners' equity received during the period	99 970	149 500	0	249 470
Total transactions with the owners	99 970	149 500	0	249 470
Owners' equity 31 December 2014	100 000	150 463	2 037	252 500

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
Total comprehensive income	30	963	0	993
Total transactions with the owners	0	0	0	0
Owners' equity 31 December 2013	30	963	0	993

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 December	-	99 970	149 500	249 470
As at 31 December 2014	1 000	100 000	150 463	250 463
Accumulated income				2 037
Owners' equity as at 31 December 2014				252 500

Statement of cash flows

KLP Boligkreditt AS

NOK thousands	2014	30.10.2013- 31.12.2013
OPERATING ACTIVITIES		
Payments received from customers - interest, commission & charges	25 509	0
Net receipts/disbursements (-) on lending to customers	-2 965 013	0
Disbursements on operations	-5 025	-12
Net receipts/disbursements - other operating activities	-5	0
Net interest investment accounts	1 467	3
Income tax paid	0	0
Net cash flow from operating activities	-2 943 067	-9
INVESTMENT ACTIVITIES		
Disbursements on purchase of securities	0	0
Receipts on sales of securities	0	0
Interest received from securities	0	0
Net cash flow from investment activities	0	0
FINANCING ACTIVITIES		
Net receipts/disbursements on loans from credit institutions	2 808 437	0
Net payment of interest on loans	-13 051	0
Receipts on issueance of owners' equity	249 470	1 000
Net cash flow from financing activities	3 044 856	1 000
Net cash flow during the period	101 789	991
Cash and cash equivalents at the start of the period	991	0
Cash and cash equivalents at the end of the period	102 780	991
Net receipts/ disbursements of cash	101 789	991

Notes to the accounts

KLP Boligkreditt AS

Note 1 ACCOUNTING PRINCIPLES

This is an interim report for the period
1 January 2014 - 31 December 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.

Note 2 NET INTEREST INCOME

NOK thousands	2014	30.10.2013- 31.12.2013
Interest on loans to and receivables from credit institutions	1 469	3
Interest on loans to customers	32 029	0
Total interest income	33 497	3
Interest on debt to credit institutions (covered bonds)	7 582	0
Interest on debt to KLP Banken	11 549	0
Premium/discount on covered bonds	-116	0
Total interest costs	19 014	0
Net interest income	14 483	3

Note 3 LOANS TO CUSTOMERS

NOK thousands	31.12.2014	31.12.2013
Loans to customers, nominal principal	2 964 774	0
Individual write-downs	0	0
Write-downs by group	0	0
Loans to customers after individual write-downs	2 964 774	0
Accrued interest	6 522	0
Change in fair value resulting from change in interest rates (hedge accounting)	0	0
Loans to customers	2 971 296	0

Note 4 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

NOK thousands	31.12.2014		31.12.2013	
	Book value	Fair value	Book value	Fair value
FINANCIAL ASSETS AT AMORTIZED COST				
Lending to and receivables from credit institutions	102 785	102 785	991	991
Loans to retail customers	2 971 296	2 971 296	0	0
Total financial assets at amortized cost	3 074 081	3 074 081	991	991
Total financial assets	3 074 081	3 074 081	991	991
DEBT TO CREDIT INSTITUTIONS AT AMORTIZED COST				
Debt to credit institutions	1 011 240	1 011 240	0	0
Covered bonds issued	1 803 395	1 803 504	0	0
Total financial liabilities at amortized cost	2 814 635	2 814 744	0	0
Total financial liabilities	2 814 635	2 814 744	0	0

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.

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 5 DEBT TO CREDIT INSTITUTIONS

NOK thousands	Due date	Nominal value	Accrued interest	31.12.2014	31.12.2013
				Book value	Book value
Loan KLP Banken AS	16.03.15	1 010 000	1 240	1 011 240	0
Total debt to credit institutions				1 011 240	0

Note 6 SECURITIES LIABILITIES – STOCK EXCHANGE LISTED COVERED BONDS

NOK thousands							31.12.2014
ISIN code	Nominal value	Currency	Interest	Issued	Due date	Accrued interest	Book value
N00010719875	600 000	NOK	1,84	12.09.14	12.09.19	613	600 613
N00010721244	600 000	NOK	1,77	06.10.14	06.10.17	2 567	602 567
N00010723018	600 000	NOK	1,87	05.11.14	05.11.21	1 777	601 777
Amortization / value adjustments							-1 562
Total covered bonds issued							1 803 395

Note 7 TRANSACTIONS WITH RELATED PARTIES

NOK thousands		2014	2013
INCOME STATEMENT ITEMS			
KLP Banken AS, interest on borrowing		-11 549	0
KLP Banken AS, administrative services (at cost)		-7 941	0
KLP Group companies, subsidized interest employee loans		272	0
TOTAL		-19 218	0

NOK thousands		31.12.2014	31.12.2013
FINANCIAL POSITION STATEMENT ITEMS			
KLP Banken AS, borrowing Group current liabilities		-1 011 240	0
KLP Banken AS, net internal receivables		-6 305	0
KLP Banken AS, loan settlement		239	0
KLP Group companies, net other receivables		162	0
TOTAL		-1 017 144	0

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		31.12.2014	31.12.2013
Intercompany receivables		401	0
Total other assets		401	0

Note 9 OTHER LIABILITIES AND PROVISION FOR ACCRUED COSTS

NOK thousands	31.12.2014	31.12.2013
Creditors	38	0
Receivables between companies in the same Group	6 305	0
Other liabilities	753	0
Total other liabilities	7 096	0
Provisioned costs	253	0
Total accrued costs and liabilities	253	0

Note 10 CAPITAL ADEQUACY

NOK thousands	31.12.2014		
Share capital and share premium fund	250 463		
Other owners' equity	0		
Owners' equity	250 463		
Interim profit/loss	0		
Deferred tax assets	-2		
Core capital	250 461		
Supplementary capital	0		
Supplementary capital	0		
Total eligible own funds (Tier 1 and Tier 2 capital)	250 461		
Capital requirement	84 848		
Surplus of own funds (Tier 1 and Tier 2 capital)	165 612		
CALCULATION BASIS CREDIT RISK			
Institutions	20 635		
Investments with mortgage security in real estate	1 039 966		
Calculation basis credit risk	1 060 601		
Credit risk	84 848		
Operating risk	0		
Total capital requirement assets	84 848		
Core capital adequacy ratio	23,6 %		
Supplementary capital ratio	0,0 %		
Capital adequacy ratio	23,6 %		
Capital requirement per 31.12.2014	Tier 1 capital	Tier 2 capital	Tier 1 and Tier 2 capital
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 %
Current capital requirement incl. buffers	10,0 %	3,5 %	13,5 %

Key figures

Accumulated figures in NOK millions	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Pre-tax profit	2,8	0,5	0,0	0,2	0,0
Net interest income	14,5	4,4	0,9	0,2	0,0
Other operating income	0,0	0,0	0,0	0,0	0,0
Operating costs and depreciation	-11,5	-3,8	-0,9	0,0	0,0
Net realized /unrealized change fin. instruments at fair value	-0,2	0,0	-0,9	0,0	0,0
Lending with public sector guarantee	2 971,3	1 591,6	544,8	0,0	0,0
Defaulted loans	-	-	-	-	-
Borrowing on issuance of securities	1 803,4	500,0	-	-	-
Other borrowing	1 011,2	1 036,2	480,2	0,0	0,0
Total assets	3 074,5	1 688,7	630,9	150,6	1,0
Average total assets	1 537,7	844,9	315,9	75,8	0,5
Owners' equity	252,5	150,9	150,4	150,6	1,0
Interest net	0,94 %	0,52 %	0,28 %	0,21 %	0,00 %
Profit/loss from ordinary operation before tax	0,18 %	0,06 %	-0,01 %	0,21 %	0,00 %
Return on owners' equity before tax	1,11 %	0,36 %	-0,03 %	0,62 %	0,00 %
Capital adequacy ratio	23,6 %	26,1 %	72,4 %	I/A	I/A



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