

KLP BOLIGKREDITT AS

# Interim report Q4 2015



[INCOME STATEMENT](#)

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## KLP Boligkreditt AS

# Interim Financial Statements 4 / 2015

### Main features by fourth quarter end:

- Operating profit before tax amounted to NOK 18.5 million.
- The lending balance has decreased slightly to NOK 3.7 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 2015 were NOK 47.3 million. Operating expenses in the same period amounted to NOK 27.9 million. The Company has not had losses or made loss provisions on loans. Pre-tax profit by year end was NOK 18.5 million.

### Lending

The Company's loans to customers as at 31 December 2015 amounted to NOK 3.7 billion. All loans have been purchased from other KLP Group Companies. Total assets amounted to NOK 4.0 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 2.9 billion at the reporting date while intercompany debt amounted to NOK 0.8 billion. All covered bonds have an AAA rating. New covered bond issues in the fourth quarter amounted to NOK 1.0 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 31 December 2015, the bond portfolio's market value was NOK 0.1 billion. The net loss associated with liquidity investments amounted to NOK 0.9 million during the year.

### Capital adequacy

At the end of the fourth 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 18.6 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	Q4 2015	Q4 2014	2015	2014
	Interest income	28 293	22 826	117 064	33 497
	Interest expense	-15 720	-12 699	-69 795	-19 014
3	<b>Net interest income</b>	<b>12 573</b>	<b>10 127</b>	<b>47 269</b>	<b>14 483</b>
	Net gain/ (loss) financial instruments	769	-228	-932	-233
	<b>Total other operating income</b>	<b>769</b>	<b>-228</b>	<b>-932</b>	<b>-233</b>
	Other operating expenses	-8 303	-7 644	-27 863	-11 460
	<b>Total operating expenses</b>	<b>-8 303</b>	<b>-7 644</b>	<b>-27 863</b>	<b>-11 460</b>
	<b>Operating profit/loss before tax</b>	<b>5 039</b>	<b>2 255</b>	<b>18 474</b>	<b>2 790</b>
	Tax ordinary income	-1 361	-609	-4 957	-753
	<b>Profit for the period</b>	<b>3 678</b>	<b>1 646</b>	<b>13 518</b>	<b>2 037</b>
	Other comprehensive income	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>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3 678</b>	<b>1 646</b>	<b>13 518</b>	<b>2 037</b>

# Balance sheet

KLP Boligkreditt AS

Note	NOK thousands	31.12.2015	31.12.2014
	<b>ASSETS</b>		
	Loans to credit institutions	122 973	102 785
4	Loans to customers	3 743 448	2 971 296
13	Interest-bearing securities	90 575	0
10	Other assets	1 826	401
	<b>TOTAL ASSETS</b>	<b>3 958 822</b>	<b>3 074 482</b>
	<b>LIABILITIES AND OWNERS EQUITY</b>		
	<b>LIABILITIES</b>		
8	Debt to credit institutions	825 732	1 011 240
7	Debt securities issued	2 854 556	1 803 395
	Deffered tax liabilities	0	751
11	Other Liabilities	12 217	6 343
11	Provision for accrued costs and liabilities	299	253
	<b>TOTAL LIABILITIES</b>	<b>3 692 806</b>	<b>2 821 982</b>
	<b>EQUITY</b>		
	Share capital	100 000	100 000
	Share premium	150 463	150 463
	Retained earnings	15 554	2 037
	<b>TOTAL EQUITY</b>	<b>266 017</b>	<b>252 500</b>
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3 958 822</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	13 518	13 518
Other comprehensive income	0	0	0	0
<b>Total comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>13 518</b>	<b>13 518</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 31 December 2015</b>	<b>100 000</b>	<b>150 463</b>	<b>15 554</b>	<b>266 017</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	2015	2014
<b>OPERATING ACTIVITIES</b>		
Payments received from customers - interest, commission & charges	114 057	25 509
Net receipts/disbursements on loans customers & credit institutions	-774 690	-2 965 013
Net receipts/disbursements on operations	-26 951	-5 025
Net receipts/disbursements from operating activities	-5 114	-5
Net interest investment accounts	2 738	1 467
Income tax paid	0	0
<b>Net cash flow from operating activities</b>	<b>-689 960</b>	<b>-2 943 067</b>
<b>INVESTMENT ACTIVITIES</b>		
Payments on the purchase of securities	-101 361	0
Receipts on sale of securities	10 059	0
Receipts of interest from securities	1 196	0
<b>Net cash flow from investment activities</b>	<b>-90 106</b>	<b>0</b>
<b>FINANCING ACTIVITIES</b>		
Net receipts/disbursements on loans from credit institutions	864 293	2 808 437
Net payment of interest on loans	-68 434	-13 051
Change in owners' equity	-719	249 470
<b>Net cash flows from financing activities</b>	<b>795 140</b>	<b>3 044 856</b>
<b>Net cash flow during the period</b>	<b>15 074</b>	<b>101 789</b>
Cash and cash equivalents at the start of the period	102 780	991
Cash and cash equivalents at the end of the period	117 854	102 780
<b>Net receipts/ disbursements (-) of cash</b>	<b>15 074</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 - 31 December 2015. 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 2015 that have been of significance for the interim Financial Statements following the fourth quarter. Attention is drawn to KLP Boligkreditt's Annual Report for 2014 for detailed description of accounting principles.

The annual report is available at [klp.no](http://klp.no).

## Note 3 NET INTEREST INCOME

NOK thousands	2015	2014
Interest on loans to and receivables from credit institutions	2 739	1 469
Interest on loans to customers	112 920	32 029
Interest on securities	1 405	0
<b>Total interest income</b>	<b>117 064</b>	<b>33 497</b>
Interest on covered bonds	38 381	7 582
Interest on liabilities to KLP Banken	31 191	11 549
Premium/discount on covered bonds	222	-116
<b>Total interest costs</b>	<b>69 795</b>	<b>19 014</b>
<b>Net interest income</b>	<b>47 269</b>	<b>14 483</b>

## Note 4 LOANS TO CUSTOMERS

NOK thousands	31.12.2015	31.12.2014
Loans to cutomers before write-downs	3 738 063	2 964 774
Individual write-downs	0	0
Write-downs by group	0	0
<b>Loans to cutomers after write-downs</b>	<b>3 738 063</b>	<b>2 964 774</b>
Accured interest	5 385	6 522
Change in fair value due to interest rate changes (fair value hedging)	0	0
<b>Loans to customers</b>	<b>3 743 448</b>	<b>2 971 296</b>



**Note 5 CATEGORIES OF FINANCIAL INSTRUMENTS**

NOK thousands	31.12.2015		31.12.2014	
	Capitalized value	Fair value	Capitalized value	Fair value
<b>FINANCIAL ASSETS AT FAIR VALUE</b>				
Fixed-income securities	90 575	90 575	0	0
<b>Total financial assets at fair value</b>	<b>90 575</b>	<b>90 575</b>	<b>0</b>	<b>0</b>
<b>FINANCIAL ASSETS AT AMORTIZED COST</b>				
Loans to and receivables from credit institutions	122 973	122 973	102 785	102 785
Loans to and receivables from customers	3 743 448	3 743 448	2 971 296	2 971 296
<b>Total financial assets at amortized cost</b>	<b>3 866 421</b>	<b>3 866 421</b>	<b>3 074 081</b>	<b>3 074 081</b>
<b>Total financial assets</b>	<b>3 956 997</b>	<b>3 956 997</b>	<b>3 074 081</b>	<b>3 074 081</b>
<b>LIABILITIES TO CREDIT INSTITUTIONS AT AMORTIZED COST</b>				
Liabilities to credit institutions	825 732	825 732	1 011 240	1 011 240
Covered bonds issued	2 854 556	2 797 035	1 803 395	1 803 504
<b>Total financial liabilities at amortized cost</b>	<b>3 680 289</b>	<b>3 622 768</b>	<b>2 814 635</b>	<b>2 814 744</b>
<b>Total financial liabilities</b>	<b>3 680 289</b>	<b>3 622 768</b>	<b>2 814 635</b>	<b>2 814 744</b>

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

**The different financial instruments are thus priced in the following way:****Fixed-income securities - 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. 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 Norwegian Fund and Asset Management Association. 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 31.12.2015
<b>ASSETS</b>				
Interest-bearing securities	0	90 575	0	90 575
Financial derivatives	0	0	0	0
<b>Total financial assets at fair value</b>	<b>0</b>	<b>90 575</b>	<b>0</b>	<b>90 575</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 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	31.12.2015	31.12.2014
Bond debt, nominal amount	3 400 000	1 800 000
Adjustments	-2 269	-1 562
Accrued interest	6 825	4 957
Own holdings, nominal amount	-550 000	0
<b>Total debt securities issued</b>	<b>2 854 556</b>	<b>1 803 395</b>

NOK thousands	Balance sheet 31.12.2015	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.12.2014
<b>CHANGES IN DEBET SECURITIES ISSUED</b>					
Bond debt, nominal amount	3 400 000	1 600 000	0	0	1 800 000
Adjustments	-2 269	0	0	-707	-1 562
Accrued interest	6 825	0	0	1 868	4 957
Own holdings, nominal amount	-550 000	0	-550 000	0	0
<b>Total debt securities issued</b>	<b>2 854 556</b>	<b>1 600 000</b>	<b>-550 000</b>	<b>1 161</b>	<b>1 803 395</b>

**Note 8 LIABILITIES TO CREDIT INSTITUTIONS**

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
<b>Total liabilities to credit institutions</b>				<b>825 732</b>

NOK thousands	Due date	Nominal	Accrued interest	31.12.2014 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	2015	2014
INCOME STATEMENT ITEMS		
KLP Banken AS, interest on borrowing	-31 191	-11 549
KLP Banken AS, administrative services (at cost)	-25 611	-7 941
KLP Group companies, subsidised interest employee loans	573	272
<b>Total</b>	<b>-56 230</b>	<b>-19 218</b>

NOK thousands	31.12.2015	31.12.2014
FINANCIAL POSITION STATEMENT ITEMS		
KLP Banken AS, borrowing Group current liabilities	-825 732	-1 011 240
KLP Banken AS, net internal liabilities	-7 229	-6 305
KLP Banken AS, loan settlement	1 640	239
KLP Group companies, net other internal accounts	186	162
<b>Total</b>	<b>-831 135</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	31.12.2015	31.12.2014
Intercompany receivables	1 826	401
<b>Total</b>	<b>1 826</b>	<b>401</b>

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

NOK thousands	31.12.2015	31.12.2014
Creditors	0	38
Intercompany payables	7 229	6 305
Other liabilities	4 988	0
<b>Total other liabilities</b>	<b>12 217</b>	<b>6 343</b>
VAT	23	21
Accrued expenses	276	232
<b>Total accrued costs and liabilities</b>	<b>299</b>	<b>253</b>

**Note 12 CAPITAL ADEQUACY**

NOK thousands	31.12.2015		31.12.2014	
Share capital and share premium fund	250 463		250 463	
Other owners' equity	2 037		2 037	
<b>Total owners' equity</b>	<b>252 500</b>		<b>252 500</b>	
Interim profit/loss	0		0	
Deferred tax asset	0		0	
<b>Core capital/Tier 1 capital</b>	<b>252 500</b>		<b>252 500</b>	
Supplementary capital/Tier 2 capital	0		0	
<b>Supplementary capital/Tier 2 capital</b>	<b>0</b>		<b>0</b>	
Total eligible own funds (Tier 1 and Tier 2 capital)	252 500		252 500	
Capital requirement	108 573		84 848	
<b>Surplus of own funds (Tier 1 and Tier 2 capital)</b>	<b>143 927</b>		<b>167 652</b>	
ESTIMATE BASIS CREDIT RISK				
Institutions	25 300		20 635	
Investments with mortgage security in real estate	1 309 374		1 039 966	
Covered bonds	9 128		0	
<b>Calculation basis credit risk</b>	<b>1 343 802</b>		<b>1 060 601</b>	
Credit risk	107 504		84 848	
Operating risk	1 069		0	
<b>Total capital requirement assets</b>	<b>108 573</b>		<b>84 848</b>	
Core capital adequacy ratio	18.6 %		23.8 %	
Supplementary capital ratio	0.0 %		0.0 %	
<b>Capital adequacy ratio</b>	<b>18.6 %</b>		<b>23.8 %</b>	
<b>Leverage ratio</b>	<b>6.4 %</b>		<b>8.2 %</b>	
<b>Capital requirement per 31.12.2015</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	31.12.2015		31.12.2014	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	0	0	0	0
Bonds	91 281	90 575	0	0
<b>Total fixed-income securities</b>	<b>91 281</b>	<b>90 575</b>	<b>0</b>	<b>0</b>

## Key figures

Accumulated figures in NOK millions	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014
Pre-tax income	18.5	13.4	8.8	4.6	2.8
Net interest income	47.3	34.7	22.5	11.5	14.5
Other operating income	0.0	0.0	0.0	0.0	0.0
Other operating cost and depreciation	-27.9	-19.6	-13.4	-6.7	-11.5
Net realized/unrealized change fin. Instruments at fair value	-0.9	-1.7	-0.3	-0.2	-0.2
Housing mortgage lending	3 743.4	4 155.7	3 783.3	3 968.7	2 971.3
Non-performing loans	-	-	-	-	-
Lending with public sector guarantee	2 854.6	2 403.8	2 304.3	2 303.9	1 803.4
Other borrowing	825.7	1 678.0	1 521.5	1 870.4	1 011.2
Total assets	3 958.8	4 354.4	4 094.3	4 438.5	3 074.5
Average total assets	3 516.7	3 714.4	3 584.4	3 756.5	1 537.7
Equity	266.0	262.3	259.0	255.9	252.5
Interest net	1.34 %	0.93 %	0.63 %	0.31 %	0.94 %
Profit/loss from ordinary operation before taxes	0.53 %	0.36 %	0.25 %	0.12 %	0.18 %
Return on equity	6.94 %	5.12 %	3.40 %	1.81 %	1.11 %
Capital adequacy ratio	18.6 %	16.7 %	18.5 %	16.9 %	23.8 %



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