

KLP



Interim report

KLP BOLIGKREDITT AS
Q3 2021

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KLP BOLIGKREDITT AS

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Interim Financial Statement

KLP BOLIGKREDITT AS

Main features by third quarter end:

- Good lending growth
- Increased operating revenues
- No recognized losses on lending

OBJECTIVE

The Company's purpose is to finance KLP Banken's mortgage loans at preferable terms, mainly through the issuance of covered bonds (OMF).

KLP Boligkreditt AS is a wholly owned subsidiary of KLP Banken AS. The KLP Banken Group is owned by Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP).

INCOME STATEMENT

Net interest and credit commission revenues at the end of the third quarter were NOK 84.5 (63.7)¹ million. The positive development is mainly due to reduced funding costs as well as increased lending volume.

Net profit and loss effects from market value changes on financial instruments is so far this year NOK -5.6 (-17.1) million and comprise both assets and liabilities.

Operating expenses in the period was NOK 48.5 (39.5) million. Apart from ordinary price increase, the change is mainly due to a higher proportion of the mortgage lending from KLP Banken AS being bought by the Company. The Company has not had any lending credit losses and have very low loan loss provisions.

The pre-tax profit at the end of the third quarter was NOK 30.5 (7.1) million. The change is mainly related to that the increased lending balance, reduced funding costs as well as lower loss effects from restructuring the lending portfolio are compensating for the increase in operating expenses.

LENDING

The Company's loans to customers as of 30 September 2021 amounted to NOK 11.7 (10.6) billion. The Company has purchased loans from the parent company KLP Banken AS amounting to NOK 4.3 (6.1) billion so far this year. Total assets were NOK 13.1 (11.3) 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 consist of secure bonds as well as deposits in other banks. The securities consist of

certificates and bonds of high credit quality, principally investments in covered bonds. As of 30 September 2021, the securities portfolio's market value was NOK 1 028 (569) million. The net loss associated with realized and unrealized market value changes in the securities portfolio has so far this year given a profit and loss effect of NOK -0.7 (0.3) million.

BORROWING

The Company's borrowing consists of covered bonds (OMF) secured by mortgage loans as well as loans from its parent company, KLP Banken AS. Outstanding intercompany debt amounted to NOK 0.8 (0.1) billion at third quarter end. Covered bond debt was NOK 11.6 (10.4) billion. New covered bonds issued so far this year amounts to NOK 2.5 (5.5) billion.

The Company regularly restructures its borrowing with the purpose of adjusting average duration. This may cause profit or loss. Accounting losses from repurchase of own debt amounts to -4.9 (-16.8) so far this year. All covered bonds have achieved AAA rating.

RISK AND CAPITAL ADEQUACY

KLP Boligkreditt AS has established a framework for risk management aimed at ensuring that risks are identified, analyzed and subject to management, using policies, limits, routines and instructions. The Company is to have a prudent risk profile and earnings are to be principally a result of the borrowing and lending activity as well as liquidity management. This means that the Company is to have low market risk. Interest risk arising within the borrowing and lending activity are reduced using derivatives. The Company shall have sufficient long-term financing within set limits. The credit risk in the Company is very low and the Company's lending is limited to loans with liens on housing property. Management of the Company's liquidity is conducted through investments in banks and securities satisfying high credit quality requirements.

At the end of the third quarter 2021, core capital according to the capital adequacy rules was NOK 745 (729) million. Mortgage loans are risk-weighted by 35 per cent in accordance with the authorities' capital adequacy regulations. KLP Boligkreditt AS had a core capital adequacy and capital adequacy ratio of 17.0 (18.8) percent at the end of the third quarter. The minimum statutory requirement is 14.5 per cent capital adequacy ratio. Leverage ratio was 5.7 (6.5) percent. The minimum statutory requirement is 3.0 percent.

¹Figures in parenthesis are from the corresponding period last year.

Oslo, 27 October 2021

Aage Schaanning
Chair

Aina Slettedal Eide

Lill Stabell

Kristian Lie-Pedersen

Christopher A. Steen
Managing Director

Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q3 2021	Q3 2020	01.01.2021 -30.09.2021	01.01.2020 -30.09.2020	01.01.2020 -31.12.2020
	Interest income, effective interest method	45 972	46 416	138 860	161 037	209 790
	Other interest income	1 808	1 171	4 155	5 492	6 735
3	Total interest income	47 779	47 587	143 015	166 529	216 525
	Interest expenses, effective interest method	-16 482	-18 158	-58 519	-102 852	-118 398
3	Total interest costs	-16 482	-18 158	-58 519	-102 852	-118 398
3	Net interest income	31 297	29 429	84 496	63 677	98 127
15	Net gain/(loss) financial instruments	-1 720	-11 098	-5 554	-17 053	-20 114
	Total other operating income	-1 720	-11 098	-5 554	-17 053	-20 114
	Other operating expenses	-16 539	-11 293	-48 487	-39 374	-58 817
16	Net loan losses	-11	76	3	-128	-2
	Total operating expenses	-16 550	-11 217	-48 484	-39 502	-58 819
	Operating profit/loss before tax	13 027	7 115	30 459	7 122	19 194
	Tax ordinary income	-2 866	-1 565	-5 331	-412	-3 068
	Profit for the period	10 161	5 550	25 128	6 709	16 126
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	10 161	5 550	25 128	6 709	16 126

Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
ASSETS				
5	Loans to credit institutions	383 695	122 498	129 852
4,5	Loans to customers	11 690 652	10 572 289	10 823 740
5,6,14	Fixed-income securities	1 028 427	569 484	518 860
	Deferred tax assets	0	535	0
11	Other assets	21 600	24 325	3 239
Total assets		13 124 374	11 289 130	11 475 690
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	758 491	130 002	103 373
5,7	Debt securities issued	11 583 526	10 418 159	10 616 951
	Deferred tax liabilities	752	0	2 122
12	Other liabilities	11 208	4 096	6 955
12	Provision for accrued costs and liabilities	350	0	0
Total liabilities		12 354 327	10 552 257	10 729 400
EQUITY				
	Share capital	330 000	330 000	330 000
	Share premium	380 463	380 463	380 463
	Other owners' equity	34 457	19 701	35 827
	Unallocated profit/loss	25 128	6 709	0
Total owners' equity		770 048	736 873	746 290
Total liabilities and equity		13 124 374	11 289 130	11 475 690

Statement of changes in equity

KLP BOLIGKREDITT AS

2021 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2021	330 000	380 463	35 827	746 290
Profit for the period	0	0	25 128	25 128
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	25 128	25 128
Group contribution received	0	0	4 857	4 857
Group contribution made	0	0	-6 227	-6 227
Total transactions with the owners	0	0	-1 370	-1 370
Equity 30 September 2021	330 000	380 463	59 585	770 048
2020 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2020	220 000	270 463	20 855	511 318
Profit for the period	0	0	6 709	6 709
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	6 709	6 709
Group contribution received	0	0	4 093	4 093
Group contribution made	0	0	-5 248	-5 248
Paid-up equity in the period	110 000	110 000	0	220 000
Total transactions with the owners	110 000	110 000	-1 155	218 845
Equity 30 September 2020	330 000	380 463	26 410	736 873
2020 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2020	220 000	270 463	20 855	511 318
Income for the year	0	0	16 126	16 126
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	16 126	16 126
Group contribution received	0	0	4 093	4 093
Group contribution made	0	0	-5 248	-5 248
Paid-up equity in the period	110 000	110 000	0	220 000
Total transactions with the owners	110 000	110 000	-1 155	218 845
Equity 31 December 2020	330 000	380 463	35 827	746 290

Statement of cash flow

KLP BOLIGKREDITT AS

NOK THOUSANDS	01.01.2021 -30.09.2021	01.01.2020 -30.09.2020	01.01.2020 -31.12.2020
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	139 044	161 960	210 047
Disbursements on loans customers & credit institutions	-4 332 557	-6 079 345	-7 459 189
Receipts on loans customers & credit institutions	3 446 624	2 820 608	3 970 442
Disbursements on operations	-50 502	-39 221	-55 622
Net receipts/disbursements from operating activities	865	-1 071	-2 933
Net interest investment accounts	399	812	1 268
Net cash flow from operating activities	-796 127	-3 136 256	-3 335 985
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-582 263	-474 641	-629 585
Receipts on sale of securities	72 348	364 721	570 298
Receipts of interest from securities	3 790	5 955	7 188
Net cash flow from investment activities	-506 125	-103 964	-52 100
FINANCING ACTIVITIES			
Receipts on loans from credit institutions	2 500 000	5 500 000	6 000 000
Repayment and redemption of loans	-2 216 000	-1 026 000	-1 127 457
Change in buyback of securities debt	684 218	-1 100 000	-1 284 000
Net payment of interest on loans	-61 596	-98 418	-131 794
Receipts in internal funding	4 673 024	6 471 203	8 335 579
Repayment in internal funding	-4 018 084	-6 728 081	-8 619 111
Net payment of interest on internal funding	-3 253	-4 817	-5 652
Change in owners' equity	0	220 000	220 000
Group contribution paid	-1 370	-1 155	-1 155
Net cash flows from financing activities	1 556 939	3 232 733	3 386 410
Net cash flow during the period	254 687	-7 488	-1 676
Cash and cash equivalents at the start of the period	121 661	123 338	123 338
Cash and cash equivalents at the end of the period	376 348	115 850	121 661
Net receipts/disbursements of cash	254 687	-7 488	-1 676

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, with a branch office in Dronning Eufemiasgate 10, Oslo.

The company is a wholly owned subsidiary of KLP Banken AS which is in turn wholly owned by Kommunal Landspensjonskasse (KLP). 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 2021 – 30 September 2021, specifying the earnings trend in Q3. The interim Financial Statements has not been audited.

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

Other accounting principles and calculations are the same in the interim financial statement as in the annual report for 2020, please see the annual report for further information.

NOTE 3 Net interest income

NOK THOUSANDS	Q3 2021	Q3 2020	01.01.2021 -30.09.2021	01.01.2020 -30.09.2020	01.01.2020 -31.12.2020
Interest income on loans to customers	45 841	46 280	138 441	159 904	208 521
Interest income on loans to credit institutions	131	136	419	1 132	1 269
Total interest income, effective interest method	45 972	46 416	138 860	161 037	209 790
Interest income on bonds and certificates	1 808	1 171	4 155	5 492	6 735
Total interest income	47 779	47 587	143 015	166 529	216 525
Interest expenses on debt to KLP Banken AS	-775	-352	-3 431	-4 539	-5 399
Interest expenses on issued securities	-15 708	-17 806	-55 088	-98 313	-112 998
Total interest expenses, effective interest method	-16 482	-18 158	-58 519	-102 852	-118 398
Net interest income	31 297	29 429	84 496	63 677	98 127

NOTE 4 Loans to customers

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
Loans to customers before write-downs	11 683 788	10 565 340	10 816 200
Provisions and write-downs	-21	-150	-24
Loans to customers after write-downs	11 683 767	10 565 190	10 816 176
Premium/discount	0	139	74
Accrued interest	6 885	6 960	7 489
Loans to customers	11 690 652	10 572 289	10 823 740

NOTE 5 Categories of financial instruments

NOK THOUSANDS	30.09.2021		30.09.2020		31.12.2020	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS FAIR VALUE						
Fixed-income securities	1 028 427	1 028 427	569 484	569 484	518 860	518 860
Total financial assets fair value	1 028 427	1 028 427	569 484	569 484	518 860	518 860
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	383 695	383 695	122 498	122 498	129 852	129 852
Loans to and receivables from customers	11 690 652	11 690 652	10 572 289	10 572 289	10 823 740	10 823 740
Total financial assets at amortized cost	12 074 348	12 074 348	10 694 787	10 694 787	10 953 592	10 953 592
Total financial assets	13 102 775	13 102 775	11 264 271	11 264 271	11 472 452	11 472 452
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	758 491	758 491	130 002	130 002	103 373	103 373
Covered bonds issued	11 583 526	12 382 205	10 418 159	10 447 753	10 616 951	10 655 078
Total financial liabilities at amortized cost	12 342 017	13 140 696	10 548 161	10 577 755	10 720 324	10 758 450
Total financial liabilities	12 342 017	13 140 696	10 548 161	10 577 755	10 720 324	10 758 450

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

The different financial instruments are thus priced in the following way:**Fixed-income securities - government**

Bloomberg is used as a source for pricing Norwegian government bonds. The prices are compared with the prices from Nordic Bond Pricing to reveal any errors.

Fixed-income securities - other than government

Norwegian fixed-income securities except government are generally priced using prices from Nordic Bond Pricing. Those securities that are not included in Nordic Bond Pricing are priced theoretically. The theoretical price is based on the assumed present value on the sale of the position. A zero-coupon curve is used for discounting. The zero-coupon curve is adjusted upwards by means of a credit spread, which is to take account of the risk the bond entails. The credit spread is calculated on the

basis of a spread curve taking account of the duration of the bond. Nordic Bond Pricing is the main source of spread curves. They provide company-specific curves for Norwegian saving banks, municipalities and energy. Saving banks have various spread curves based on total assets. For companies where Nordic Bond Pricing do not deliver spread curves, the Group use spread curves from three Norwegian banks. When spread curves are available from more than one of these banks, an equal-weighted average is used. If a bond lacks an appropriate spread curve, spread from a comparable bond from the same issuer is used.

Fair value of loans to retail costumers

Fair value of lending without fixed interest rates is considered virtually the same as book value since the contract terms are continuously changed in step with market interest rates. Fair value of fixed rate loans is calculated by discounting contractual cash flows by the marked rate including a relevant risk margin on the reporting date.

Fair value of loans to and receivables from credit institutions

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

Fair value of liabilities to credit institutions

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

Liabilities created on issuance of covered bonds

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

NOTE 6 Fair value hierarchy

30.09.2021 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	3 999	1 024 428	0	1 028 427
Total assets at fair value	3 999	1 024 428	0	1 028 427

30.09.2020 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	4 000	565 483	0	569 484
Total assets at fair value	4 000	565 483	0	569 484

31.12.2020 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	4 000	514 860	0	518 860
Total assets at fair value	4 000	514 860	0	518 860

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 5 discloses the fair value of financial assets and financial liabilities that are recognized at amortized cost. Financial assets measured at amortized cost comprise lending to and due to credit institutions and retail customers. The stated fair value of these assets is determined on terms qualifying for Level 2. Financial liabilities recognized at amortized cost consist of debt securities issued and deposits. The stated fair value of these liabilities is determined by methods qualifying for Level 2.

There have been no transfers between Level 1 and Level 2.

NOTE 7 Debt securities issued - stock exchange listed covered bonds and certificates

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
Bond debt, nominal amount	12 302 000	11 638 000	12 018 000
Adjustments	23 727	27 931	30 743
Accrued interest	3 800	2 228	2 208
Own holdings, nominal amount	-746 000	-1 250 000	-1 434 000
Total debt securities issued	11 583 526	10 418 159	10 616 951

Interest rate on borrowings through the issuance of securities on the reporting date: 0.82 % 0.64 % 0.64 %

The interest rate is calculated as a weighted average of the act/360 basis. It includes interest rate effects and amortization costs.

NOK THOUSANDS	Balance sheet 31.12.2020	Issued	Matured/ redeemed	Other adjustments	Balance sheet 30.09.2021
Bond debt, nominal amount	12 018 000	2 500 000	-2 216 000	0	12 302 000
Adjustments	30 743	0	0	-7 016	23 727
Accrued interest	2 208	0	0	1 592	3 800
Own holdings, nominal amount	-1 434 000	0	688 000	0	-746 000
Total debt securities issued	10 616 951	2 500 000	-1 528 000	-5 425	11 583 526

NOTE 8 Over-collateralisation

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
SECURITY POOL			
Loans to customers ¹	11 284 762	10 498 821	10 800 414
Additional collateral ²	2 135 528	1 919 565	2 060 109
Total security pool	13 420 290	12 418 386	12 860 524
Outstanding covered bonds incl. own funds and premium/discount	12 389 982	11 700 661	12 092 108
Coverage of the security pool	108.3%	106.1%	106.4%

¹ Excluding mortgage loans that do not qualify for security pool.

² Additional collateral includes loans to and receivables from credit institutions and bonds and certificates. Liquid assets used in the LCR liquidity reserve are not included in additional collateral.

Section 11-7 of the Regulations on Financial Institutions lays down a requirement for over-collateralisation by at least 2 per cent of the value of the outstanding covered bonds.

NOTE 9 Liabilities to credit institutions

30.09.2021 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2022	298 532	81	298 612
Debt to KLP Banken AS	15.12.2022	297 984	81	298 065
Debt to KLP Banken AS	15.12.2022	161 770	44	161 814
Total liabilities to credit institutions		758 285	206	758 491

Interest rate on debt to credit institutions at the reporting date: 0.61 %

The interest rate is calculated as a weighted average of the act/360 basis.

30.09.2020 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2021	130 000	2	130 002
Total liabilities to credit institutions		130 000	2	130 002

Interest rate on debt to credit institutions at the reporting date: 0.56 %

The interest rate is calculated as a weighted average of the act/360 basis.

31.12.2020 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2022	103 345	28	103 373
Total liabilities to credit institutions		103 345	28	103 373

Interest rate on debt to credit institutions at the reporting date: 0.56 %

The interest rate is calculated as a weighted average of the act/360 basis.

NOTE 10 Transactions with related parties

NOK THOUSANDS	01.01.2021 -30.09.2021	01.01.2020 -30.09.2020	01.01.2020 -31.12.2020
KLP Banken AS, interest on borrowing	3 431	4 539	5 399
KLP Banken AS, interest on deposits	-422	-123	-267
KLP Banken AS, administrative services (at cost)	44 870	37 233	54 387
KLP Kapitalforvaltning AS, fees for services provided	9	12	20
KLP Group companies, subsidised interest employee loans	5 413	6 423	8 584
KLP Banken AS, purchase of loans	4 332 557	6 079 345	7 459 189

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
BALANCES			
KLP Banken AS, borrowing Group current liabilities	-758 491	-130 002	-103 373
KLP Banken AS, deposit	100 689	100 123	100 267
KLP Banken AS, net internal liabilities	19 678	22 174	1 262
Net outstanding accounts to:			
KLP Banken AS	-4 507	-4 096	-6 889
KLP	1 040	1 212	1 281
KLP Group companies, net other internal accounts	578	697	696

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

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

NOTE 11 Other assets

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
Intercompany receivables	21 295	24 083	3 239
Prepaid expenses	304	242	0
Total other assets	21 600	24 325	3 239

NOTE 12 Other liabilities and provision for accrued costs and liabilities

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
Creditors	0	0	66
Intercompany payables	4 507	4 096	6 889
Other liabilities	6 701	0	0
Total other liabilities	11 208	4 096	6 955
VAT	350	0	0
Total accrued costs and liabilities	350	0	0

NOTE 13 Capital adequacy

NOK THOUSANDS	30.09.2021	30.09.2020	31.12.2020
Share capital and share premium fund	710 463	710 463	710 463
Other owners' equity	35 827	20 855	35 827
Total owners' equity	746 290	731 318	746 290
Adjustments due to requirements for proper valuation	-1 028	-569	-519
Deferred tax asset	0	-2 101	0
Core capital/Tier 1 capital	745 261	728 648	745 771
Supplementary capital/Tier 2 capital	0	0	0
Supplementary capital/Tier 2 capital	0	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	745 261	728 648	745 771
Capital requirement	351 141	310 501	318 069
Surplus of own funds (Tier 1 and Tier 2 capital)	394 121	418 147	427 702
Estimate basis credit risk:			
Institutions	80 883	29 177	26 479
Investments with mortgage security in real estate	4 091 728	3 700 301	3 788 309
Covered bonds	102 443	56 548	51 486
Other holdings	882	939	696
Calculation basis credit risk	4 275 936	3 786 965	3 866 970
Credit risk	342 075	302 957	309 358
Operating risk	9 066	7 544	8 711
Total capital requirement assets	351 141	310 501	318 069
Core capital adequacy ratio	17.0 %	18.8 %	18.8 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	17.0 %	18.8 %	18.8 %
Leverage ratio	5.7 %	6.5 %	6.5 %

CAPITAL REQUIREMENT PER 30.09.2021	Core capital/ Tier 1 capital	Supplementary capital/Tier 2 capital	Own funds
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 %
Current capital requirement including buffers	11.0 %	3.5 %	14.5 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

NOTE 14 Fixed-income securities

NOK THOUSANDS	30.09.2021		30.09.2020		31.12.2020	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	3 999	3 999	4 000	4 000	4 000	4 000
Bonds	1 024 335	1 024 428	565 584	565 483	514 855	514 860
Total fixed-income securities	1 028 335	1 028 427	569 584	569 484	518 855	518 860

Fixed income securities are brought to account at market value, including accrued but not due interests.

NOTE 15 Net gain(loss) on financial instruments

NOK THOUSANDS	Q3 2021	Q3 2020	01.01.2021 -30.09.2021	01.01.2020 -30.09.2020	01.01.2020 -31.12.2020
Net gain/(loss) on fixed-income securities	-435	442	-685	-298	-290
Net gain/(loss) financial derivatives and realized repurchase of own debt	-1 285	-11 540	-4 869	-16 755	-19 824
Total net gain/(loss) financial instruments	-1 720	-11 098	-5 554	-17 053	-20 114

NOTE 16 Loan loss provision

In the third quarter of 2021 the bank has not made adjustments in the expected loss model.

As the loan loss provisions in the portfolio are small, changes in individual loans can have a large percentage effect on the loan loss provisions, which is the case in this quarter.

Refer to Note 15 and Note 2 in the annual report for more details of the model.

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
EXPECTED CREDIT LOSS (ECL) - LOANS TO CUSTOMERS, AMORTIZED COST				
Opening balance ECL 01.01.2021	22	3	0	25
Transfers to stage 1	0	0	0	0
Transfers to stage 2	0	0	0	0
Transfers to stage 3	0	0	0	0
Net changes	-10	0	0	-9
New losses	16	0	0	16
Write-offs	-7	-2	0	-9
Change in risk model	1	0	0	1
Closing balance ECL 30.09.2021	21	1	0	22
Changes (01.01.2021-30.09.2021)	0	-3	0	-3

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
VALUE OF LENDING AND RECEIVABLES FOR CUSTOMERS RECOGNISED IN THE BALANCE SHEET - AMORTIZED COST				
Gross lending 01.01.2021	10 722 112	101 578	0	10 823 690
Transfers to stage 1	6 335	-6 335	0	0
Transfers to stage 2	-2 117	2 117	0	0
Transfers to stage 3	0	0	0	0
Net changes	-358 748	-1 544	0	-360 292
New lending	3 611 181	2 078	0	3 613 259
Write-offs	-2 356 567	-29 416	0	-2 385 983
Gross lending 30.09.2021	11 622 195	68 479	0	11 690 674

Quarterly earnings trend

NOK MILLIONS	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Interest income	47.8	47.6	47.7	50.0	47.6
Interest expense	-16.5	-21.2	-20.8	-15.5	-18.2
Net interest income	31.3	26.4	26.9	34.5	29.4
Net gain/ (loss) financial instruments	-1.7	-1.8	-2.1	-3.1	-11.1
Total other operating income	-1.7	-1.8	-2.1	-3.1	-11.1
Other operating expenses	-16.5	-16.3	-15.7	-19.3	-11.2
Total operating expenses	-16.5	-16.3	-15.7	-19.3	-11.2
Operating profit/loss before tax	13.0	8.3	9.1	12.1	7.1
Tax ordinary income	-2.9	-1.8	-0.6	-2.7	-1.6
Profit for the period	10.2	6.5	8.5	9.4	5.5

Key figures accumulated

NOK MILLIONS	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Pre-tax income	30.5	17.4	9.1	19.2	7.1
Net interest income	84.5	53.2	26.9	98.1	63.7
Other operating expenses	-48.5	-31.9	-15.7	-58.8	-39.5
Net gain/ (loss) financial instruments	-5.6	-3.8	-2.1	-20.1	-17.1
Housing mortgage lending	11 690.7	11 627.5	12 055.3	10 823.7	10 572.3
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	11 583.5	11 562.5	10 395.4	10 617.0	10 418.2
Other borrowing	758.5	640.1	1 571.8	103.4	130.0
Total assets	13 124.4	12 973.6	12 730.4	11 475.7	11 289.1
Average total assets	12 300.0	12 224.6	12 103.1	9 703.1	9 609.8
Equity	770.0	759.9	753.4	746.3	736.9
Interest net	0.69 %	0.44 %	0.22 %	1.01 %	0.66 %
Profit/loss from ordinary operation before taxes	0.25 %	0.14 %	0.08 %	0.20 %	0.07 %
Return on equity	5.44 %	4.67 %	4.08 %	3.75 %	1.86 %
Capital adequacy ratio	17.0 %	17.1 %	16.9 %	18.8 %	18.8 %
Liquidity coverage ratio (LCR)	1 844 %	5 138 %	7 506 %	68 894 %	1 134 %



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