

KLP



Interim report

KLP BOLIGKREDITT AS
Q4 2020

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KLP BOLIGKREDITT AS

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Interim Financial Statement

KLP BOLIGKREDITT AS

Main features by fourth quarter end:

- Significant growth in lending
- 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 Banken has, as part of a customer owned enterprise, taken its share of responsibility for handling the situation caused by the pandemic, through quick interest rate reductions and postponement of installments for members in need.

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

INCOME STATEMENT

Net interest and credit commission revenues at the end of the fourth quarter were NOK 98.1 (63.0)¹ million.

By the fourth quarter, lending margins fell somewhat compared to the third quarter, and have consequently returned to more normal levels following the market turmoil that followed the pandemic. Interest rates fell hard at the start of the pandemic in March, and this led to reduced lending margins towards the summer. Net interest income in the fourth quarter alone has increased significantly compared to the same period last year, mainly due to strong lending growth in 2020.

Net profit effects of financial instruments as of the fourth quarter were NOK -20.1 (-11.8) million.

Operating expenses for the fourth quarter amounted to NOK 58.8 (47.0) million. The change is mainly due to an increased share of KLP Banken AS' lending being sold to the company and a corresponding share of the costs is consequently transferred. The Company has not had any credit losses and still have minimal loan loss provisions.

The pre-tax profit at the end of the fourth quarter was NOK 19.2 (4.2) million. The change in earnings is primarily an effect of lending growth.

LENDING

The Company's loans to customers as of 31 December 2020 amounted to NOK 10.8 (7.3) billion. The Company has purchased loans from the parent company KLP Banken AS amounting to NOK 7.5 (2.9) billion by years end. Total assets were NOK 11.5 (7.9) billion.

LIQUIDITY INVESTMENTS

There are strict rules on which 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 31 December 2020, the securities portfolio's market value was NOK 0.5 (0.5) billion. The net loss associated with realized and unrealized market value changes in the securities portfolio amounted to NOK a loss of 0.3 (0.3) million.

BORROWING

The company's borrowing consists of covered bonds in a loan portfolio consisting of mortgages and loans from KLP Banken AS. Outstanding intercompany debt amounted to NOK 0.1 (0.4) billion by quarters end. Covered bond debt was NOK 10.6 (7.0) billion. New covered bonds issued in 2020 amounts to NOK 6.0 (2.0) billion and net repurchase of previous issues was NOK 2.4 (0.6) billion. All covered bonds have achieved AAA rating.

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 19.8 (11.5) by fourth quarter.

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, procedures, 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 must have sufficient long-term financing within set limits. The credit risk in the Company is low and the Company's lending is limited to loans with liens on housing and leisure property. Management of the Company's liquidity is conducted through investments in banks satisfying high credit quality requirements and in securities in accordance with Board-approved credit lines.

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

At the end of the fourth quarter 2020, core capital according to the capital adequacy rules was NOK 746 (509) 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 18.8 (18.5) percent at the end of the fourth quarter. The minimum statutory requirement is 14.5 per cent capital adequacy ratio. Leverage ratio was 6.5 (6.4) percent. The minimum statutory requirement is 3 percent.

SUMMARY OF PANDEMIC EFFECTS ON THE FINANCIAL STATEMENT

The market turmoil due to the pandemic, had a negative effect on the company's lending margins in the second quarter, but has since normalized during the second half of the year.
(see comments under Income Statement above).

The reduced regulatory capital adequacy for the countercyclical capital buffer, has enhanced the company's capital adequacy position relative to the authoritative requirements.

Trondheim, 10. February 2021

Aage Schaanning
Chair
(Sign.)

Aina Slettedal Eide
(Sign.)

Lill Stabell
(Sign.)

Kristian Lie-Pedersen
(Sign.)

Christopher A. Steen
Managing Director
(Sign.)

Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
	Interest income, amortised cost	48 753	53 730	209 790	194 889
	Interest income at fair value	1 243	2 833	6 735	6 712
3	Total interest income	49 996	56 563	216 525	201 602
	Interest expense, amortised cost	-15 545	-39 638	-118 398	-138 568
3	Total interest costs	-15 545	-39 638	-118 398	-138 568
3	Net interest income	34 451	16 925	98 127	63 033
15	Net gain/(loss) financial instruments	-3 061	-1 575	-20 114	-11 837
	Total other operating income	-3 061	-1 575	-20 114	-11 837
	Other operating expenses	-19 443	-13 945	-58 817	-46 966
16	Net loan losses	126	-2	-2	-16
	Total operating expenses	-19 317	-13 947	-58 819	-46 982
	Operating profit/loss before tax	12 073	1 403	19 194	4 215
	Tax ordinary income	-2 656	-309	-3 068	-927
	Profit for the period	9 417	1 094	16 126	3 288
	Other comprehensive income for the period	0	0	0	0
	Comprehensive income for the period	9 417	1 094	16 126	3 288

Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	31.12.2020	31.12.2019
ASSETS			
5	Loans to credit institutions	129 852	128 596
4,5	Loans to customers	10 823 740	7 337 524
5,6,14	Fixed-income securities	518 860	460 344
	Deffered tax assets	0	2 101
11	Other assets	3 239	1 891
	Total assets	11 475 690	7 930 456
LIABILITIES AND OWNERS EQUITY			
LIABILITIES			
5,9	Debt to credit institutions	103 373	387 157
5,7	Debt securities issued	10 616 951	7 027 380
	Deffered tax liabilities	752	0
12	Other liabilities	8 325	4 600
	Total liabilities	10 729 400	7 419 137
EQUITY			
	Share capital	330 000	220 000
	Share premium	380 463	270 463
	Other owners' equity	35 827	20 855
	Total owners' equity	746 290	511 318
	Total liabilities and equity	11 475 690	7 930 456

Statement of changes in equity

KLP BOLIGKREDITT AS

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	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	-4 093	-4 093
Tax on group contribution given 2019	0	0	-1 155	-1 155
Paid-up equity for 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

2019 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2019	220 000	270 463	17 567	508 030
Income for the year	0	0	3 288	3 288
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	3 288	3 288
Group contribution received	0	0	9 551	9 551
Group contribution made	0	0	-9 551	-9 551
Total transactions with the owners	0	0	0	0
Equity 31 December 2019	220 000	270 463	20 855	511 318

Statement of cash flow

KLP BOLIGKREDITT AS

NOK THOUSANDS	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
OPERATING ACTIVITIES		
Payments received from customers - interest, commission & charges	210 047	191 298
Disbursements on loans customers & credit institutions	-7 459 189	-2 915 755
Receipts on loans customers & credit institutions	3 970 442	2 809 417
Net receipts/disbursements on operations	-55 622	-50 028
Net receipts/disbursements from operating activities	-2 933	2 636
Net interest investment accounts	1 268	2 305
Net cash flow from operating activities	-3 335 985	39 873
INVESTMENT ACTIVITIES		
Payments on the purchase of securities	-629 585	-665 584
Receipts on sale of securities	570 298	493 349
Receipts of interest from securities	7 188	6 616
Net cash flow from investment activities	-52 100	-165 619
FINANCING ACTIVITIES		
Receipts on loans	6 000 000	2 000 000
Repayment and redemption of loans	-1 146 000	-1 744 000
Payment for loan buybacks	-1 284 000	650 000
Net payment of interest on loans	-113 251	-133 022
Receipts in internal funding	8 335 579	3 472 072
Repayment in internal funding	-8 619 111	-4 121 474
Net payment of interest on internal funding	-5 652	-12 160
Change in owners' equity	220 000	0
Group contribution paid	-1 155	-2 853
Net cash flows from financing activities	3 386 410	108 563
Net cash flow during the period	-1 676	-17 183
Cash and cash equivalents at the start of the period	123 338	140 521
Cash and cash equivalents at the end of the period	121 661	123 338
Net receipts/disbursements of cash	-1 676	-17 183

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 2020 – 31 December 2020, specifying the earnings trend in Q4. 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".

The amendments to IAS 12 Income Tax, effective from 2019, have had an effect on the interim financial statements. The tax effect of all distributions in 2019 shall be recognized in period profit or loss, other income and expenses or in equity in accordance with where the

company originally recognized the transactions that generated the distribution. This entails an income recognition of the tax effect on the group contribution provided in the income statement, which is recognized in other owners' equity. At the same time, this is offset against higher earnings, so that the net effect on equity is zero. Comparative figures are not changed.

Other accounting principles and calculations are the same in the interim financial statement as in the annual report for 2019, please see the annual report for further information.

NOTE 3 Net interest income

NOK THOUSANDS	Q4 2020	Q4 2019	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
Interest income on loans to customers, amortised cost	48 617	53 179	208 521	192 584
Interest income on loans to credit institutions, amortised cost	136	552	1 269	2 305
Total interest income, amortised cost	48 753	53 730	209 790	194 889
Interest income on bonds and certificates, fair value	1 243	2 833	6 735	6 712
Total interest income	49 996	56 563	216 525	201 602
Interest expenses on debt to KLP Banken AS, amortised cost	-861	-2 353	-5 399	-11 806
Interest expenses on issued securities, amortised cost	-14 685	-37 286	-112 998	-126 762
Total interest costs	-15 545	-39 638	-118 398	-138 568
Net interest income	34 451	16 925	98 127	63 033

NOTE 4 Loans to customers

NOK THOUSANDS	31.12.2020	31.12.2019
Loans to customers before write-downs	10 816 200	7 328 032
Provisions and write-downs	-24	-23
Loans to customers after write-downs	10 816 176	7 328 009
Premium/discount	74	499
Accrued interest	7 489	9 015
Loans to customers	10 823 740	7 337 524

NOTE 5 Categories of financial instruments

NOK THOUSANDS	31.12.2020		31.12.2019	
	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS FAIR VALUE				
Fixed-income securities	518 860	518 860	460 344	460 344
Total financial assets fair value	518 860	518 860	460 344	460 344
FINANCIAL ASSETS AT AMORTIZED COST				
Loans to and receivables from credit institutions	129 852	129 852	128 596	128 596
Loans to and receivables from customers	10 823 740	10 823 740	7 337 524	7 337 524
Total financial assets at amortized cost	10 953 592	10 953 592	7 466 119	7 466 119
Total financial assets	11 472 452	11 472 452	7 926 463	7 926 463
FINANCIAL LIABILITIES AT AMORTIZED COST				
Liabilities to credit institutions	103 373	103 373	387 157	387 157
Covered bonds issued	10 616 951	10 655 078	7 027 380	7 048 842
Total financial liabilities at amortized cost	10 720 324	10 758 450	7 414 537	7 435 999
Total financial liabilities	10 720 324	10 758 450	7 414 537	7 435 999

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

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

31.12.2019 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	3 992	456 352	0	460 344
Total assets at fair value	3 992	456 352	0	460 344

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.

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

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.

NOTE 7 Securities liabilities - stock exchange listed covered bonds and certificates

NOK THOUSANDS	31.12.2020	31.12.2019
Bond debt, nominal amount	12 018 000	7 164 000
Adjustments	30 743	-583
Accrued interest	2 208	13 963
Own holdings, nominal amount	-1 434 000	-150 000
Total debt securities issued	10 616 951	7 027 380

Interest rate on borrowings through the issuance of securities on the reporting date: 0.64 % 2.22 %

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 31.12.2019	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.12.2020
Bond debt, nominal amount	7 164 000	6 000 000	-1 146 000	0	12 018 000
Adjustments	-583	0	0	31 326	30 743
Accrued interest	13 963	0	0	-11 755	2 208
Own holdings, nominal amount	-150 000	0	-1 284 000	0	-1 434 000
Total debt securities issued	7 027 380	6 000 000	-2 430 000	19 571	10 616 951

NOTE 8 Over-collateralisation

NOK THOUSANDS	31.12.2020	31.12.2019
SECURITY POOL		
Loans to customers ¹	10 800 414	7 100 277
Additional collateral ²	2 060 109	583 587
Total security pool	12 860 524	7 683 864
Outstanding covered bonds incl. own funds and premium/discount	12 092 108	7 185 627
Coverage of the security pool	106.4%	106.9%

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

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.

31.12.2019 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2021	143 259	104	143 363
Debt to KLP Banken AS	15.12.2021	97 020	70	97 090
Debt to KLP Banken AS	15.12.2021	146 598	106	146 704
Total liabilities to credit institutions		386 877	280	387 157

Interest rate on debt to credit institutions at the reporting date: 1.63 %

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

NOTE 10 Transactions with related parties

NOK THOUSANDS	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
KLP Banken AS, interest on borrowing	5 399	11 806
KLP Banken AS, interest on deposits	-267	0
KLP Banken AS, administrative services (at cost)	54 387	43 837
KLP Kapitalforvaltning AS, fees for services provided	20	17
KLP Group companies, subsidised interest employee loans	8 584	4 616
KLP Banken AS, purchase of loans	7 459 189	2 915 755

NOK THOUSANDS	31.12.2020	31.12.2019
BALANCES		
KLP Banken AS, borrowing Group current liabilities	-103 373	-387 157
KLP Banken AS, deposit	100 267	0
KLP Banken AS, net internal liabilities	1 262	257
Net outstanding accounts to:		
KLP Banken AS	-6 889	-3 370
KLP	1 281	1 082
KLP Group companies, net other internal accounts	696	551

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.

OTE 11 Other assets

NOK THOUSANDS	31.12.2020	31.12.2019
Intercompany receivables	3 239	1 891
Total other assets	3 239	1 891

NOTE 12 Other liabilities and provision for accrued costs and liabilities

NOK THOUSANDS	31.12.2020	31.12.2019
Creditors	66	75
Intercompany payables	6 889	3 370
Tax payable	1 370	1 155
Total other liabilities	8 325	4 600

NOTE 13 Capital adequacy

NOK THOUSANDS	31.12.2020	31.12.2019
Share capital and share premium fund	710 463	490 463
Other owners' equity	35 827	20 855
Total owners' equity	746 290	511 318
Adjustments due to requirements for proper valuation	-519	-460
Deferred tax asset	0	-2 101
Core capital/Tier 1 capital	745 771	508 756
Supplementary capital/Tier 2 capital	0	0
Supplementary capital/Tier 2 capital	0	0
Total eligible own funds (Tier 1 and Tier 2 capital)	745 771	508 756
Capital requirement	318 069	220 068
Surplus of own funds (Tier 1 and Tier 2 capital)	427 702	288 688
Estimate basis credit risk:		
Institutions	26 479	25 719
Investments with mortgage security in real estate	3 788 309	2 568 133
Covered bonds	51 486	45 635
Other holdings	696	1 890
Calculation basis credit risk	3 866 970	2 641 378
Credit risk	309 358	211 310
Operating risk	8 711	8 758
Total capital requirement assets	318 069	220 068
Core capital adequacy ratio	18.8 %	18.5 %
Supplementary capital ratio	0.0 %	0.0 %
Capital adequacy ratio	18.8 %	18.5 %
Leverage ratio	6.5 %	6.4 %

CAPITAL REQUIREMENT PER 31.12.2020	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	31.12.2020		31.12.2019	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	4 000	4 000	3 989	3 992
Bonds	514 855	514 860	456 195	456 352
Total fixed-income securities	518 855	518 860	460 184	460 344

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	01.01.2020 -31.12.2020	01.01.2019 -31.12.2019
	Net gain/(loss) on fixed-income securities	-290
Net gain/(loss) financial derivatives and realized repurchase of own debt	-19 824	-11 512
Total net gain/(loss) financial instruments	-20 114	-11 837

NOTE 16 Loan loss provision

In the fourth quarter of 2020 the bank has adjusted the LGD-calculation to take into account the changes in the LGD in the stress scenarios. This change increased the loan loss provisions in KLP Boligkreditt AS. The bank has also improved the data quality of the bank's mortgage portfolio to get more correct valuations of the mortgage objects in the quarterly update of the market values from Eiendomsverdi AS. As a result of better data quality some loans have a significant reduction in both LTV and LGD. Based on this, the loan loss provisions are significantly reduced in fourth quarter. 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, AMORTISED COST				
Opening balance ECL 01.01.2020	23	0	0	23
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	132	21	0	153
New losses	15	3	0	19
Write-offs	-3	0	0	-3
Change in risk model	-145	-21	0	-166
Closing balance ECL 31.12.2020	22	3	0	25
Changes (01.01.2020-31.12.2020)	-1	3	0	2

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 - AMORTISED COST				
Gross lending 01.01.2020	7 325 676	11 372	0	7 337 048
Transfers to stage 1	9 948	-9 948	0	0
Transfers to stage 2	-5 799	5 799	0	0
Transfers to stage 3	0	0	0	0
Net changes	-258 392	2 751	0	-255 641
New lending	5 529 628	93 028	0	5 622 656
Write-offs	-1 878 948	-1 424	0	-1 880 372
Gross lending 31.12.2020	10 722 112	101 578	0	10 823 690

Quarterly earnings trend

NOK MILLIONS	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Interest income	50.0	47.6	53.6	65.3	56.6
Interest expense	-15.5	-18.2	-39.4	-45.3	-39.6
Net interest income	34.5	29.4	14.2	20.0	16.9
Net gain/ (loss) financial instruments	-3.1	-11.1	-2.0	-3.9	-1.6
Total other operating income	-3.1	-11.1	-2.0	-3.9	-1.6
Other operating expenses	-19.3	-11.2	-16.1	-12.2	-13.9
Total operating expenses	-19.3	-11.2	-16.1	-12.2	-13.9
Operating profit/loss before tax	12.1	7.1	-3.9	3.9	1.4
Tax ordinary income	-2.7	-1.6	0.9	0.3	-0.3
Profit for the period	9.4	5.5	-3.0	4.2	1.1

Key figures accumulated

NOK MILLIONS	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Pre-tax income	19.2	7.1	0.0	3.9	4.2
Net interest income	98.1	63.7	34.2	20.0	63.0
Other operating expenses	-58.8	-39.5	-28.3	-12.2	-47.0
Net gain/ (loss) financial instruments	-20.1	-17.1	-6.0	-3.9	-11.8
Housing mortgage lending	10 823.7	10 572.3	10 274.7	9 997.6	7 337.5
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	10 617.0	10 418.2	10 383.8	9 034.2	7 027.4
Other borrowing	103.4	130.0	65.1	884.1	387.2
Total assets	11 475.7	11 289.1	11 086.7	10 558.3	7 930.5
Average total assets	9 703.1	9 609.8	9 508.6	9 244.4	7 799.7
Equity	746.3	736.9	631.3	634.4	511.3
Interest net	1.01 %	0.66 %	0.36 %	0.22 %	0.81 %
Profit/loss from ordinary operation before taxes	0.20 %	0.07 %	0.00 %	0.04 %	0.05 %
Return on equity	3.75 %	1.86 %	0.00 %	3.05 %	0.96 %
Capital adequacy ratio	18.8 %	18.8 %	16.6 %	17.1 %	18.5 %
Liquidity coverage ratio (LCR)	68 894 %	1 134 %	2 711 %	1 378 %	775 %



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