

KLP



# Interim report

KLP BOLIGKREDITT AS  
Q4 2021

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KLP BOLIGKREDITT AS

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# Interim Financial Statement

KLP BOLIGKREDITT AS

Main features by fourth quarter end:

- Increased lending volume
- Decreased margins
- 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 fourth quarter were NOK 108,0 (98.1)<sup>1</sup> million. The positive development is mainly due to increased lending volumes. Lending margins have on average been lower than last year.

Net profit and loss effects from market value changes on financial instruments is so far this year NOK -8.5 (-20.1) million and comprise both assets and liabilities.

Operating expenses in 2021 was NOK 66.6 (58.8) 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 fourth quarter was NOK 32.9 (19.2) million. The change is mainly related to an increased lending balance and lower loss effects from restructuring the lending portfolio which are compensating for the increase in operating expenses.

## LENDING

The Company's loans to customers as of 31 December 2021 amounted to NOK 12.3 (10.8) billion. The Company has purchased loans from the parent company KLP Banken AS amounting to NOK 6.0 (7.5) billion during 2021. Total assets were NOK 14.3 (11.5) 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 31 December 2021, the securities portfolio's market value was NOK 1 704.1 (518.9) 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 -3,6 (-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 1.1 (0.1) billion by quarters end. Covered bond debt was NOK 12.4 (10.6) billion. New covered bonds issued in 2021 amounts to NOK 3.5 (6.0) 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 NOK -4.9 (-19.8) million in 2021. 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 fourth quarter 2021, core capital according to the capital adequacy rules was NOK 770.2 (745.8) million. Mortgage loans are risk-weighted by 35 percent in accordance with the authorities' capital adequacy regulations. KLP Boligkreditt AS had a core capital adequacy and capital adequacy ratio of 16.4 (18.8) percent at the end of the fourth quarter. The minimum statutory requirement is 14.5 percent capital adequacy ratio. Leverage ratio was 5.4 (6.5) percent. The minimum statutory requirement is 3.0 percent.

<sup>1</sup> Figures in parenthesis are from the corresponding period last year.

Trondheim, 8 February 2022

Aage Schaanning  
Chair

Aina Slettedal Eide

Lill Stabell

Kristian Lie-Pedersen

Christopher A. Steen  
Managing Director

# Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q4 2021	Q4 2020	01.01.2021 -31.12.2021	01.01.2020 -31.12.2020
	Interest income, effective interest method	48 045	48 753	186 905	209 790
	Other interest income	3 672	1 243	7 827	6 735
3	<b>Total interest income</b>	<b>51 717</b>	<b>49 996</b>	<b>194 732</b>	<b>216 525</b>
	Interest expenses, effective interest method	-28 242	-15 545	-86 760	-118 398
3	<b>Total interest costs</b>	<b>-28 242</b>	<b>-15 545</b>	<b>-86 760</b>	<b>-118 398</b>
3	<b>Net interest income</b>	<b>23 476</b>	<b>34 451</b>	<b>107 972</b>	<b>98 127</b>
15	Net gain/(loss) on financial instruments	-2 958	-3 061	-8 512	-20 114
	<b>Total net gain/(loss) on financial instruments</b>	<b>-2 958</b>	<b>-3 061</b>	<b>-8 512</b>	<b>-20 114</b>
	Other operating expenses	-18 106	-19 443	-66 593	-58 817
16	Net loan losses	-4	126	-1	-2
	<b>Total operating expenses</b>	<b>-18 110</b>	<b>-19 317</b>	<b>-66 594</b>	<b>-58 819</b>
	<b>Operating profit/loss before tax</b>	<b>2 407</b>	<b>12 073</b>	<b>32 866</b>	<b>19 194</b>
	Tax ordinary income	-530	-2 656	-5 860	-3 068
	<b>Profit for the period</b>	<b>1 878</b>	<b>9 417</b>	<b>27 005</b>	<b>16 126</b>
	<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>1 878</b>	<b>9 417</b>	<b>27 005</b>	<b>16 126</b>

# Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	31.12.2021	31.12.2020
<b>ASSETS</b>			
5	Loans to credit institutions	273 318	129 852
4,5	Loans to customers	12 331 526	10 823 740
5,6,14	Fixed-income securities	1 704 134	518 860
11	Other assets	4 687	3 239
<b>Total assets</b>		<b>14 313 666</b>	<b>11 475 690</b>
<b>LIABILITIES AND OWNERS EQUITY</b>			
<b>LIABILITIES</b>			
5,9	Debt to credit institutions	1 094 579	103 373
5,7	Debt securities issued	12 433 452	10 616 951
	Deferred tax liabilities	7 982	2 122
12	Other liabilities	5 700	6 955
12	Provision for accrued costs and liabilities	28	0
<b>Total liabilities</b>		<b>13 541 741</b>	<b>10 729 400</b>
<b>EQUITY</b>			
	Share capital	330 000	330 000
	Share premium	380 463	380 463
	Other owners' equity	61 462	35 827
<b>Total owners' equity</b>		<b>771 925</b>	<b>746 290</b>
<b>Total liabilities and equity</b>		<b>14 313 666</b>	<b>11 475 690</b>

# 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
Income for the year	0	0	27 005	27 005
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	27 005	27 005
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
<b>Equity 31 December 2021</b>	<b>330 000</b>	<b>380 463</b>	<b>61 462</b>	<b>771 925</b>

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
<b>Equity 31 December 2020</b>	<b>330 000</b>	<b>380 463</b>	<b>35 827</b>	<b>746 290</b>

# Statement of cash flow

KLP BOLIGKREDITT AS

NOK THOUSANDS	01.01.2021 -31.12.2021	01.01.2020 -31.12.2020
<b>OPERATING ACTIVITIES</b>		
Payments received from customers - interest, commission & charges	185 695	210 047
Disbursements on loans customers & credit institutions	-6 006 193	-7 459 189
Receipts on loans customers & credit institutions	4 496 969	3 970 442
Disbursements on operations	-67 556	-55 622
Net receipts/disbursements from operating activities	-3 163	-2 933
Net interest investment accounts	978	1 268
<b>Net cash flow from operating activities</b>	<b>-1 393 271</b>	<b>-3 335 985</b>
<b>INVESTMENT ACTIVITIES</b>		
Payments on the purchase of securities	-1 748 791	-629 585
Receipts on sale of securities	561 545	570 298
Receipts of interest from securities	6 133	7 188
<b>Net cash flow from investment activities</b>	<b>-1 181 113</b>	<b>-52 100</b>
<b>FINANCING ACTIVITIES</b>		
Receipts on loans from credit institutions	3 500 000	6 000 000
Repayment and redemption of loans	-2 518 000	-1 127 457
Buy-back of securities debt	834 899	-1 284 000
Net payment of interest on loans	-87 463	-131 794
Receipts in internal funding	7 427 296	8 335 579
Repayment in internal funding	-6 436 333	-8 619 111
Net payment of interest on internal funding	-4 342	-5 652
Change in owners' equity	0	220 000
Group contribution paid	-1 370	-1 155
<b>Net cash flows from financing activities</b>	<b>2 714 686</b>	<b>3 386 410</b>
<b>Net cash flow during the period</b>	<b>140 303</b>	<b>-1 676</b>
Cash and cash equivalents at the start of the period	121 661	123 338
Cash and cash equivalents at the end of the period	261 964	121 661
<b>Net receipts/disbursements</b>	<b>140 303</b>	<b>-1 676</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, 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 – 31 December 2021, 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".

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	Q4 2021	Q4 2020	01.01.2021 -31.12.2021	01.01.2020 -31.12.2020
Interest income on loans to customers	47 488	48 617	185 929	208 521
Interest income on loans to credit institutions	557	136	976	1 269
<b>Total interest income, effective interest method</b>	<b>48 045</b>	<b>48 753</b>	<b>186 905</b>	<b>209 790</b>
Interest income on bonds and certificates	3 672	1 243	7 827	6 735
<b>Total interest income</b>	<b>51 717</b>	<b>49 996</b>	<b>194 732</b>	<b>216 525</b>
Interest expenses on debt to KLP Banken AS	-1 155	-861	-4 586	-5 399
Interest expenses on issued securities	-27 087	-14 685	-82 175	-112 998
<b>Total interest expenses, effective interest method</b>	<b>-28 242</b>	<b>-15 545</b>	<b>-86 760</b>	<b>-118 398</b>
<b>Net interest income</b>	<b>23 476</b>	<b>34 451</b>	<b>107 972</b>	<b>98 127</b>

**NOTE 4** Loans to customers

NOK THOUSANDS	31.12.2021	31.12.2020
Loans to customers before write-downs	12 323 830	10 816 200
Provisions and write-downs	-25	-24
<b>Loans to customers after write-downs</b>	<b>12 323 805</b>	<b>10 816 176</b>
Premium/discount	0	74
Accrued interest	7 722	7 489
<b>Loans to customers</b>	<b>12 331 526</b>	<b>10 823 740</b>

**NOTE 5** Categories of financial instruments

NOK THOUSANDS	31.12.2021		31.12.2020	
	Capitalized value	Fair value	Capitalized value	Fair value
<b>FINANCIAL ASSETS AT FAIR VALUE</b>				
Fixed-income securities	1 704 134	1 704 134	518 860	518 860
<b>Total financial assets at fair value</b>	<b>1 704 134</b>	<b>1 704 134</b>	<b>518 860</b>	<b>518 860</b>
<b>FINANCIAL ASSETS AT AMORTIZED COST</b>				
Loans to and receivables from credit institutions	273 318	273 318	129 852	129 852
Loans to and receivables from customers	12 331 526	12 331 526	10 823 740	10 823 740
<b>Total financial assets at amortized cost</b>	<b>12 604 844</b>	<b>12 604 844</b>	<b>10 953 592</b>	<b>10 953 592</b>
<b>Total financial assets</b>	<b>14 308 979</b>	<b>14 308 979</b>	<b>11 472 452</b>	<b>11 472 452</b>
<b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>				
Liabilities to credit institutions	1 094 579	1 094 579	103 373	103 373
Covered bonds issued	12 433 452	12 464 959	10 616 951	10 655 078
<b>Total financial liabilities at amortized cost</b>	<b>13 528 031</b>	<b>13 559 539</b>	<b>10 720 324</b>	<b>10 758 450</b>
<b>Total financial liabilities</b>	<b>13 528 031</b>	<b>13 559 539</b>	<b>10 720 324</b>	<b>10 758 450</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 - government**

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

31.12.2021 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	3 997	1 700 138	0	1 704 134
<b>Total assets at fair value</b>	<b>3 997</b>	<b>1 700 138</b>	<b>0</b>	<b>1 704 134</b>

31.12.2020 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	4 000	514 860	0	518 860
<b>Total assets at fair value</b>	<b>4 000</b>	<b>514 860</b>	<b>0</b>	<b>518 860</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 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	31.12.2021	31.12.2020
Bond debt, nominal amount	13 000 000	12 018 000
Adjustments	21 847	30 743
Accrued interest	7 605	2 208
Own holdings, nominal amount	-596 000	-1 434 000
<b>Total debt securities issued</b>	<b>12 433 452</b>	<b>10 616 951</b>

Interest rate on borrowings through the issuance of securities on the reporting date: 1.10 % 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 31.12.2021
Bond debt, nominal amount	12 018 000	3 500 000	-2 518 000	0	13 000 000
Adjustments	30 743	0	0	-8 896	21 847
Accrued interest	2 208	0	0	5 397	7 605
Own holdings, nominal amount	-1 434 000	0	838 000	0	-596 000
<b>Total debt securities issued</b>	<b>10 616 951</b>	<b>3 500 000</b>	<b>-1 680 000</b>	<b>-3 499</b>	<b>12 433 452</b>

**NOTE 8** Over-collateralisation

NOK THOUSANDS	31.12.2021	31.12.2020
SECURITY POOL		
Loans to customers <sup>1</sup>	11 978 685	10 800 414
Additional collateral <sup>2</sup>	2 445 850	2 060 109
<b>Total security pool</b>	<b>14 424 536</b>	<b>12 860 524</b>
Outstanding covered bonds incl. own funds and premium/discount	13 060 145	12 092 108
<b>Coverage of the security pool</b>	<b>110.4%</b>	<b>106.4%</b>

<sup>1</sup> Excluding mortgage loans that do not qualify for security pool.

<sup>2</sup> 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 percent of the value of the outstanding covered bonds.

**NOTE 9** Liabilities to credit institutions

31.12.2021 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2023	800 000	219	800 219
Debt to KLP Banken AS	15.12.2023	294 308	52	294 360
<b>Total liabilities to credit institutions</b>		<b>1 094 308</b>	<b>271</b>	<b>1 094 579</b>

Interest rate on debt to credit institutions at the reporting date: 0.58 %

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
<b>Total liabilities to credit institutions</b>		<b>103 345</b>	<b>28</b>	<b>103 373</b>

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 -31.12.2021	01.01.2020 -31.12.2020
KLP Banken AS, interest on borrowing	-4 586	-5 399
KLP Banken AS, interest on deposits	785	267
KLP Banken AS, administrative services (at cost)	-62 267	-54 387
KLP Kapitalforvaltning AS, fees for services provided	-17	-20
KLP Group companies, subsidised interest employee loans	7 273	8 584
KLP Banken AS, purchase of loans	-6 006 193	-7 459 189

NOK THOUSANDS	31.12.2021	31.12.2020
<b>BALANCES</b>		
KLP Banken AS, borrowing Group current liabilities	-1 094 579	-103 373
KLP Banken AS, deposit	201 052	100 267
KLP Banken AS, net internal liabilities	2 982	1 262
<b>Net outstanding accounts to:</b>		
KLP Banken AS	-5 612	-6 889
KLP	1 118	1 281
KLP Group companies, net other internal accounts	587	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	31.12.2021	31.12.2020
Intercompany receivables	4 687	3 239
<b>Total other assets</b>	<b>4 687</b>	<b>3 239</b>

**NOTE 12** Other liabilities and provision for accrued costs and liabilities

NOK THOUSANDS	31.12.2021	31.12.2020
Creditors	88	66
Intercompany payables	5 612	6 889
<b>Total other liabilities</b>	<b>5 700</b>	<b>6 955</b>
VAT	28	0
<b>Total accrued costs and liabilities</b>	<b>28</b>	<b>0</b>



**NOTE 13** Capital adequacy

NOK THOUSANDS	31.12.2021	31.12.2020
Share capital and share premium fund	710 463	710 463
Other owners' equity	61 462	35 827
<b>Total owners' equity</b>	<b>771 925</b>	<b>746 290</b>
Adjustments due to requirements for proper valuation	-1 704	-519
<b>Core capital/Tier 1 capital</b>	<b>770 221</b>	<b>745 771</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)	770 221	745 771
Capital requirement	374 663	318 069
<b>Surplus of own funds (Tier 1 and Tier 2 capital)</b>	<b>395 558</b>	<b>427 702</b>
Estimate basis credit risk:		
Institutions	55 484	26 479
Investments with mortgage security in real estate	4 316 034	3 788 309
Covered bonds	170 014	51 486
Other holdings	587	696
<b>Calculation basis credit risk</b>	<b>4 542 119</b>	<b>3 866 970</b>
Credit risk	363 369	309 358
Operating risk	11 294	8 711
<b>Total capital requirement assets</b>	<b>374 663</b>	<b>318 069</b>
Core capital adequacy ratio	16.4 %	18.8 %
Supplementary capital ratio	0.0 %	0.0 %
<b>Capital adequacy ratio</b>	<b>16.4 %</b>	<b>18.8 %</b>
<b>Leverage ratio</b>	<b>5.4 %</b>	<b>6.5 %</b>

CAPITAL REQUIREMENT PER 31.12.2021	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 %
<b>Current capital requirement including buffers</b>	<b>11.0 %</b>	<b>3.5 %</b>	<b>14.5 %</b>
<b>Capital requirement leverage ratio</b>	<b>3.0 %</b>	<b>0.0 %</b>	<b>3.0 %</b>

**NOTE 14** Fixed-income securities

NOK THOUSANDS	31.12.2021		31.12.2020	
	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	3 997	3 997	4 000	4 000
Bonds	1 700 645	1 700 138	514 855	514 860
<b>Total fixed-income securities</b>	<b>1 704 642</b>	<b>1 704 134</b>	<b>518 855</b>	<b>518 860</b>

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	Q4 2021	Q4 2020	01.01.2021 -31.12.2021	01.01.2020 -31.12.2020
Net gain/(loss) on fixed-income securities	-2 937	8	-3 622	-290
Net gain/(loss) financial derivatives and realized repurchase of own debt	-21	-3 069	-4 890	-19 824
<b>Total net gain/(loss) financial instruments</b>	<b>-2 958</b>	<b>-3 061</b>	<b>-8 512</b>	<b>-20 114</b>

**NOTE 16** Loan loss provision

In the fourth 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
<b>EXPECTED CREDIT LOSS (ECL) - LOANS TO CUSTOMERS - MORTGAGE</b>				
Opening balance ECL 01.01.2021	22	3	0	25
Transfers to stage 1	0	0	0	0
Transfers to stage 2	-1	1	0	0
Transfers to stage 3	0	0	0	0
Net changes	-8	-1	0	-8
New losses	20	2	0	21
Write-offs	-10	-2	0	-12
Change in risk model	0	0	0	0
<b>Closing balance ECL 31.12.2021</b>	<b>23</b>	<b>3</b>	<b>0</b>	<b>26</b>
Changes (01.01.2021-31.12.2021)	1	0	0	1

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
<b>VALUE OF LENDING AND RECEIVABLES FOR CUSTOMERS RECOGNISED IN THE BALANCE SHEET - MORTGAGE</b>				
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	-211 607	211 607	0	0
Transfers to stage 3	0	0	0	0
Net changes	-436 655	-10 237	0	-446 891
New lending	4 881 324	22 679	0	4 904 003
Write-offs	-2 905 678	-43 572	0	-2 949 249
<b>Lending 31.12.2021</b>	<b>12 055 831</b>	<b>275 721</b>	<b>0</b>	<b>12 331 552</b>

## Quarterly earnings trend

NOK MILLIONS	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Interest income	51.7	47.8	47.6	47.7	50.0
Interest expense	-28.2	-16.5	-21.2	-20.8	-15.5
<b>Net interest income</b>	<b>23.5</b>	<b>31.3</b>	<b>26.4</b>	<b>26.9</b>	<b>34.5</b>
Net gain/ (loss) on financial instruments	-3.0	-1.7	-1.8	-2.1	-3.1
<b>Total net gain/(loss) on financial instruments</b>	<b>-3.0</b>	<b>-1.7</b>	<b>-1.8</b>	<b>-2.1</b>	<b>-3.1</b>
Other operating expenses	-18.1	-16.5	-16.3	-15.7	-19.3
<b>Total operating expenses</b>	<b>-18.1</b>	<b>-16.5</b>	<b>-16.3</b>	<b>-15.7</b>	<b>-19.3</b>
<b>Operating profit/loss before tax</b>	<b>2.4</b>	<b>13.0</b>	<b>8.3</b>	<b>9.1</b>	<b>12.1</b>
Tax ordinary income	-0.5	-2.9	-1.8	-0.6	-2.7
<b>Profit for the period</b>	<b>1.9</b>	<b>10.2</b>	<b>6.5</b>	<b>8.5</b>	<b>9.4</b>

## Key figures accumulated

NOK MILLIONS	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Pre-tax income	32.9	30.5	17.4	9.1	19.2
Net interest income	108.0	84.5	53.2	26.9	98.1
Other operating expenses	-66.6	-48.5	-31.9	-15.7	-58.8
Net gain/ (loss) financial instruments	-8.5	-5.6	-3.8	-2.1	-20.1
Housing mortgage lending	12 331.5	11 690.7	11 627.5	12 055.3	10 823.7
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	12 433.5	11 583.5	11 562.5	10 395.4	10 617.0
Other borrowing	1 094.6	758.5	640.1	1 571.8	103.4
Total assets	14 313.7	13 124.4	12 973.6	12 730.4	11 475.7
Average total assets	12 894.7	12 300.0	12 224.6	12 103.1	9 703.1
Equity	771.9	770.0	759.9	753.4	746.3
Interest net	0.84 %	0.69 %	0.44 %	0.22 %	1.01 %
Profit/loss from ordinary operation before taxes	0.25 %	0.25 %	0.14 %	0.08 %	0.20 %
Return on equity	4.40 %	5.44 %	4.67 %	4.40 %	3.75 %
Capital adequacy ratio	16.4 %	17.0 %	17.1 %	16.9 %	18.8 %
Liquidity coverage ratio (LCR)	789 %	1 844 %	5 138 %	7 506 %	68 894 %



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