

KLP



Interim report

KLP BOLIGKREDITT AS
Q2 2019

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Interim Financial Statement

KLP BOLIGKREDITT AS

Main features in the first half year:

- Operating pre-tax profit NOK 7.3 million
- Lending balance NOK 7.1 billion
- No losses on lending

OBJECTIVE AND OWNERSHIP

The Company's objective is to be the KLP Banken Group's vehicle for issuing mortgage-backed 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 has its head office in Trondheim.

INCOME STATEMENT

Net interest and credit commission revenues at the end of the second quarter were NOK 31.1 (25.8)¹ million.

Operating expenses in the same period amounted to NOK 22.3 (21.1) million. The Company has not had any credit losses and have minimal loan loss provisions. The pre-tax profit as at quarter end was NOK 7.3 (5.9) million. The change in profit is mainly due to higher average lending volume compared to the same period last year.

LENDING

The Company's loans to customers as at 30 June 2019 amounted to NOK 7.1 (7.6) billion. Loans totaling NOK 1.2 (3.8) billion have been purchased from KLP Banken AS during the first half of 2019. Deductions and

redemptions amounted to NOK 1.2 (1.2) billion during the period. Total assets amounted to NOK 7.7 (7.7) billion.

BORROWING

The Company's borrowing comprise mortgage backed covered bonds as well as borrowing from KLP Banken AS. Outstanding intercompany debt amounted to NOK 0.9 (1.5) billion at quarter end. Covered bond debt was NOK 6.2 (5.7) billion at the reporting date. There was no new covered bond issued this quarter (1.8 billion last year).

Restructuring of long-term debt is done regularly to adjust average maturity on funding. This may cause profit or loss. Accounting losses caused by repurchase of own debt amounts to NOK -1.8 (1.2) million so far this year. All covered bonds have AAA rating.

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 certificates and bonds with very high credit quality, principally covered bonds with AAA rating. As at 30 June 2019, the bond portfolio's market value was NOK 356.2 (5.0) million. The net gain associated with liquidity investments amounts to NOK 0.3 million.

¹ Figures in parenthesis are from the corresponding period in 2018.

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 basically 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 and foreign exchange risk arising within the borrowing and lending activity are reduced using derivatives. The Company is to have sufficient long-term financing within set limits. The credit risk in the Company is low and the Company's lending is limited to local government risk. The Company's liquidity is invested in banks satisfying high credit quality requirements and in securities in accordance with Board-approved credit lines.

At the end of the second quarter 2019, core capital i.a.w. the capital adequacy rules was NOK 511.5 (505.5) 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 19.3 (18.1) per cent at the end of the second quarter 2019. The minimum statutory requirement is 15.5 per cent capital adequacy ratio. Leverage ratio was 6.7 (6.5) per cent against the minimum statutory requirement set at 3.0 per cent.

FUTURE PROSPECT KLP

Boligkreditt AS is a licensed mortgage lender and will be developed further by purchasing mortgage loans from KLP Banken AS or KLP. The lending activities will mainly be funded by issuing bonds covered by a portfolio of mortgage loans (OMF).

The Board of Directors believes that there is potential to develop further the Company and that KLP Boligkreditt AS will be able to finance a growing share of KLP Banken's mortgage loans, including forms of financing that contribute to sustainability and the environment. The Company shall contribute to reduce the bank group's borrowing costs and thus be a major contributor to the financing of home loans to KLP's members.

Trondheim, 14. August 2019

Aage Schaanning
Chair
(Sign.)

Marit Barosen
(Sign.)

Kjell Fosse
(Sign.)

Christopher A. Steen
Managing Director
(Sign.)

Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
	Interest income, amortised cost	47 099	36 340	91 648	66 752	150 342
	Interest income at fair value	1 314	11	2 489	20	1 168
3	Total interest income	48 413	36 351	94 138	66 773	151 510
	Interest expense, amortised cost	-32 914	-23 705	-63 077	-40 978	-96 885
3	Total interest costs	-32 914	-23 705	-63 077	-40 978	-96 885
3	Net interest income	15 499	12 646	31 060	25 794	54 625
15	Net gain/(loss) financial instruments	-1 852	303	-1 482	1 193	-937
	Total other operating income	-1 852	303	-1 482	1 193	-937
	Other operating expenses	-11 294	-10 978	-22 281	-21 055	-45 168
16	Net loan losses	-1	-5	-2	-6	-6
	Total operating expenses	-11 295	-10 983	-22 283	-21 061	-45 175
	Operating profit/loss before tax	2 352	1 965	7 296	5 927	8 513
	Tax ordinary income	-517	-452	-1 605	-1 363	-2 043
	Profit for the period	1 835	1 513	5 691	4 563	6 470
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	1 835	1 513	5 691	4 563	6 470

Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	30.06.2019	30.06.2018	31.12.2018
ASSETS				
5	Loans to credit institutions	228 826	147 411	148 414
4,5	Loans to customers	7 096 935	7 559 823	7 227 991
5,6,14	Interest-bearing securities	356 190	5 021	288 357
	Deffered tax assets	269	0	1 874
11	Other assets	7 103	8 573	2 391
Total assets		7 689 321	7 720 827	7 669 027
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	933 231	1 506 328	1 036 913
5,7	Debt securities issued	6 238 911	5 702 930	6 116 113
12	Other liabilities	3 457	4 673	7 971
12	Provision for accrued costs and liabilities	0	773	0
Total liabilities		7 175 599	7 214 704	7 160 997
EQUITY				
	Share capital	220 000	220 000	220 000
	Share premium	270 463	270 463	270 463
	Other owners' equity	17 567	11 097	17 567
	Unallocated profit/loss	5 691	4 563	0
Total owners' equity		513 721	506 123	508 030
Total liabilities and equity		7 689 321	7 720 827	7 669 027

Statement of changes in equity

KLP BOLIGKREDITT AS

2019 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2019	220 000	270 463	17 567	508 030
Profit for the period	0	0	5 691	5 691
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	5 691	5 691
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 30 June 2019	220 000	270 463	23 258	513 721

2018 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2018	160 000	210 463	11 097	381 560
Profit for the period	0	0	4 563	4 563
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	4 563	4 563
Group contribution received	0	0	12 249	12 249
Group contribution made	0	0	-12 249	-12 249
Total transactions with the owners	60 000	60 000	0	120 000
Equity 30 June 2018	220 000	270 463	15 660	506 123

2018 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2018	160 000	210 463	11 097	381 560
Income for the year	0	0	6 470	6 470
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	6 470	6 470
Group contribution received	0	0	12 249	12 249
Group contribution made	0	0	-12 249	-12 249
Paid-up equity in the period	60 000	60 000	0	120 000
Total transactions with the owners	60 000	60 000	0	120 000
Equity 31 December 2018	220 000	270 463	17 567	508 030

Statement of cash flow

KLP BOLIGKREDITT AS

NOK THOUSANDS	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	90 384	64 859	146 856
Disbursements on loans customers & credit institutions	-1 198 713	-3 826 953	-4 871 955
Receipts on loans customers & credit institutions	1 325 746	1 318 029	2 701 522
Net receipts/disbursements on operations	-24 535	-19 392	-43 369
Net receipts/disbursements from operating activities	2 012	-36	-410
Net interest investment accounts	1 176	540	1 504
Income tax paid	0	0	0
Net cash flow from operating activities	196 070	-2 462 953	-2 065 852
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-71 276	-3 986	-291 018
Receipts on sale of securities	3 992	3 991	7 985
Receipts of interest from securities	2 237	19	395
Net cash flow from investment activities	-65 047	24	-282 638
FINANCING ACTIVITIES			
Receipts on loans	0	1 800 000	2 800 000
Repayment and redemption of loans	400 000	400 000	400 000
Payment for loan buybacks	-281 000	-800 000	-1 392 000
Change in internal funding	-103 625	1 005 401	536 279
Net payment of interest on loans	-61 126	-34 729	-87 405
Change in owners' equity	0	120 000	120 000
Group contribution paid	-2 854	-3 868	-3 868
Net cash flows from financing activities	-48 605	2 486 804	2 373 006
Net cash flow during the period	82 418	23 875	24 515
Cash and cash equivalents at the start of the period	140 521	116 006	116 006
Cash and cash equivalents at the end of the period	222 939	139 881	140 521
Net receipts/ disbursements of cash	82 418	23 875	24 515

STATEMENT PURSUANT TO SECTION § 5-6 OF THE SECURITIES TRADING ACT

KLP BOLIGKREDITT AS

We hereby confirm that the half-yearly financial statement for the company for the period 1 January through 30 June 2019 to the best of our knowledge have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company taken as a whole. To the best of our knowledge, the half-yearly report gives a true and fair overview of important events that occurred during the accounting period and their impact on the half-yearly financial statement, and a description of the principal risks and uncertainties facing the company over the next accounting period.

Trondheim, 14. August 2019

Aage Schaanning
Chair
(Sign.)

Marit Barosen
(Sign.)

Kjell Fosse
(Sign.)

Christopher A. Steen
Managing Director
(Sign.)

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 Eu femiasgate 10, Oslo.

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 2019 – 30 June 2019, specifying the earnings trend in Q2. The auditors have performed a limited review of the interim Financial Statement.

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 last annual report.

NOTE 3 Net interest income

NOK THOUSANDS	Q2 2019	Q2 2018	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
Interest income on loans to customers, amortised cost	46 464	36 077	90 470	66 201	148 839
Interest income on loans to credit institutions, amortised cost	635	263	551	551	1 504
Interest income on bonds and certificates, fair value	1 314	11	20	20	1 168
Total interest income	48 413	36 351	94 138	66 773	151 510
Interest expenses on debt to KLP Banken AS, amortised cost	-2 970	-2 079	-6 005	-2 872	-10 471
Interest expenses on issued securities, amortised cost	-29 945	-21 626	-57 073	-38 107	-86 414
Total interest costs	-32 914	-23 705	-63 077	-40 978	-96 885
Net interest income	15 499	12 646	31 060	25 794	54 625

NOTE 4 Loans to customers

NOK THOUSANDS	30.06.2019	30.06.2018	31.12.2018
Loans to customers before write-downs	7 089 128	7 552 735	7 220 903
Provisions and write-downs	-9	0	0
Loans to customers after write-downs	7 089 119	7 552 735	7 220 903
Accrued interest	7 816	7 088	7 088
Loans to customers	7 096 935	7 559 823	7 227 991

NOTE 5 Categories of financial instruments

NOK THOUSANDS	30.06.2019		30.06.2018		31.12.2018	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS FAIR VALUE						
Fixed-income securities	356 190	356 190	5 021	5 021	288 357	288 357
Total financial assets fair value	356 190	356 190	5 021	5 021	288 357	288 357
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	228 826	228 826	147 411	147 411	148 414	148 414
Lending to the retail market	7 096 935	7 096 935	7 559 823	7 559 823	7 227 991	7 227 991
Total financial assets at amortized cost	7 325 760	7 325 760	7 707 234	7 707 234	7 376 405	7 376 405
Total financial assets	7 681 950	7 681 950	7 712 255	7 712 255	7 664 762	7 664 762
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	933 231	933 231	1 506 328	1 506 328	1 036 913	1 036 913
Covered bonds issued	6 238 911	6 276 285	5 702 930	5 746 024	6 116 113	6 141 701
Total financial liabilities at amortized cost	7 172 142	7 209 517	7 209 258	7 252 352	7 153 026	7 178 614
Total financial liabilities	7 172 142	7 209 517	7 209 258	7 252 352	7 153 026	7 178 614

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. It is Oslo Stock Exchange that provides the price (via Bloomberg). The prices are compared with the prices from Reuters 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.

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. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

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. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

Fair value of liabilities to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

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. This is valued in Level 2 in the valuation hierarchy, cf. note 6.

NOTE 6 Fair value hierarchy

30.06.2019 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	3 990	352 200	0	356 190
Total assets at fair value	3 990	352 200	0	356 190

30.06.2018 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	1 997	3 023	0	5 021
Total assets at fair value	1 997	3 023	0	5 021

31.12.2018 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	1 997	286 360	0	288 357
Total assets at fair value	1 997	286 360	0	288 357

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 a mortized cost. Financial assets measured at a mortized cost comprise lending to and due to credit institutions, Norwegian municipalities and retail customers. The stated fair value of these assets is determined on terms qualifying for level 2. Financial liabilities recognized at a mortized 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	30.06.2019	30.06.2018	31.12.2018
Bond debt, nominal amount	6 908 000	6 100 000	6 908 000
Adjustments	-3 853	-10 829	-5 897
Accrued interest	15 764	13 758	14 010
Own holdings, nominal amount	-681 000	-400 000	-800 000
Total debt securities issued	6 238 911	5 702 930	6 116 113

Interest rate on borrowings through the issuance of securities on the reporting date

1.93 % 1.62 % 1.66 %

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 31.12.2018	Issued	Matured/redemed	Other adjustments	Balance sheet 30.06.2019
Bond debt, nominal amount	6 908 000	0	0	0	6 908 000
Adjustments	-5 897	0	0	2 044	-3 853
Accrued interest	14 010	0	0	1 754	15 764
Own holdings, nominal amount	-800 000	0	119 000	0	-681 000
Total debt securities issued	6 116 113	0	119 000	3 798	6 238 911

NOTE 8 Over-collateralisation

NOK THOUSANDS	30.06.2019	30.06.2018	31.12.2018
SECURITY POOL			
Loans to customers ¹	6 996 708	7 452 953	7 141 124
Additional collateral ²	1 199 523	549 303	1 178 939
Total security pool	8 196 231	8 002 256	8 320 064
Outstanding covered bonds incl. own funds and premium/discount	6 945 393	6 132 331	6 926 430
Coverage of the security pool	118.0%	130.5%	120.1%

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

30.06.2019 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2020	150 237	93	150 330
Debt to KLP Banken AS	15.12.2020	152 417	94	152 511
Debt to KLP Banken AS	15.12.2020	130 000	80	130 080
Debt to KLP Banken AS	15.12.2020	296 654	183	296 838
Debt to KLP Banken AS	15.12.2020	203 346	126	203 471
Total liabilities to credit institutions				933 231

Interest rate on debt to credit institutions at the reporting date: 1.59 %

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

30.06.2018 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	16.09.2019	80 000	54	80 054
Debt to KLP Banken AS	16.09.2019	297 833	191	298 025
Debt to KLP Banken AS	16.09.2019	830 000	502	830 502
Debt to KLP Banken AS	16.09.2019	297 568	180	297 747
Total liabilities to credit institutions				1 506 328

Interest rate on debt to credit institutions at the reporting date: 1.36 %

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

31.12.2018 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2020	600 000	370	600 370
Debt to KLP Banken AS	15.12.2020	130 000	75	130 075
Debt to KLP Banken AS	15.12.2020	203 117	125	203 242
Debt to KLP Banken AS	15.12.2020	103 162	64	103 226
Total liabilities to credit institutions				1 036 913

Interest rate on debt to credit institutions at the reporting date: 1.4 %

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

NOTE 10 Transactions with related parties

NOK THOUSANDS	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
KLP Banken AS, interest on borrow ing	6 005	2 872	10 471
KLP Banken AS, administrative services (at cost)	21 740	19 920	43 084
KLP Kapitalforvaltning AS, fees for services provided	8	20	40
KLP Group companies, subsidised interest employee loans	1 541	803	1 413
KLP Banken AS, purchase of loans	1 198 713	3 826 953	4 871 955

NOK THOUSANDS	30.06.2019	30.06.2018	31.12.2018
BALANCES			
KLP Banken AS, borrow ing Group current liabilities	-933 231	-1 506 328	-1 036 913
KLP Banken AS, net internal liabilities	6 277	8 184	2 166
Net outstanding accounts to:			
KLP Banken AS, loan settlement	-3 439	-4 307	-5 089
KLP	564	250	162
KLP Group companies, net other internal accounts	261	138	63

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 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 11 Other assets

NOK THOUSANDS	30.06.2019	30.06.2018	31.12.2018
Intercompany receivables	7 103	8 573	2 391
Total other assets	7 103	8 573	2 391

NOTE 12 Other liabilities and provision for accrued costs

NOK THOUSANDS	30.06.2019	30.06.2018	31.12.2018
Creditors	18	68	29
Intercompany payables	3 439	4 307	5 089
Tax payable	0	0	2 853
Total other liabilities	3 457	4 673	7 971
Accrued expenses	0	773	0
Total accrued costs and liabilities	0	773	0

NOTE 13 Capital adequacy

NOK THOUSANDS	30.06.2019	30.06.2018	31.12.2018
Share capital and share premium fund	490 463	490 463	490 463
Other owners' equity	17 567	11 097	17 567
Total owners' equity	508 030	501 560	508 030
Interim Profit qualifying for tier 1 capital	5 691	0	0
Adjustments due to requirements for proper valuation	-356	-5	-288
Deferred tax asset	-1 874	-1 064	-1 874
Core capital/Tier 1 capital	511 491	500 491	505 868
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)	511 491	500 491	505 868
Capital requirement	212 328	220 722	213 593
Surplus of own funds (Tier 1 and Tier 2 capital)	299 163	279 769	292 275
Estimate basis credit risk:			
Institutions	47 188	31 471	30 162
Investments with mortgage security in real estate	2 483 927	2 645 938	2 529 797
Covered bonds	35 220	302	28 636
Calculation basis credit risk	2 566 335	2 677 711	2 588 595
Credit risk	205 307	214 217	207 088
Operating risk	7 021	6 505	6 505
Total capital requirement assets	212 328	220 722	213 593
Core capital adequacy ratio	19.3 %	18.1 %	18.9 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	19.3 %	18.1 %	18.9 %
Leverage ratio	6.7 %	6.5 %	6.6 %

CAPITAL REQUIREMENT PER 30.06.2019	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	2.0 %	0.0 %	2.0 %
Current capital requirement incl. buffers	12.0 %	3.5 %	15.5 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

NOTE 14 Fixed-income securities

NOK THOUSANDS	30.06.2019		30.06.2018		31.12.2018	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	3 990	3 990	1 997	1 997	1 997	1 997
Bonds	351 350	352 200	3 017	3 023	286 058	286 360
Total fixed-income securities	355 340	356 190	5 014	5 021	288 055	288 357

NOTE 15 Net gain(loss) on financial instruments

NOK THOUSANDS	01.01.2019 -30.06.2019	01.01.2018 -30.06.2018	01.01.2018 -31.12.2018
	Net gain/(loss) on fixed-income securities	303	5
Net gain/(loss) financial derivatives and realized repurchase of own debt	-1 785	1 188	-471
Total net gain/(loss) financial instruments	-1 482	1 193	-937

NOTE 16 Loan loss provision

The annual update of the PD, LGD and EAD models was made in Q2 2019. The models are predicted with one additional year of history. There are no significant changes in total loss provisions as a result of this model update.

Additionally, the limit for significant default is changed from NOK500 to NOK 1 000 in Q2 2019. This change is a part of harmonization of the default reporting in the bank.

No other changes have been made to the assumptions or input to the model for calculating loss provisions. Refer to Note 15 and Note 2 to 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 01.01.2019	7	0	0	7
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	2	0	0	2
New losses	1	0	0	1
Closing balance ECL 30.06.2019	9	0	0	9
Changes (01.01.2019-30.06.2019)	2	0	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 01.01.2019	7 211 133	15 887	0	7 227 020
Transfers to stage 1	12 909	-12 909	0	0
Transfers to stage 2	-5 079	5 079	0	0
Transfers to stage 3	0	0	0	0
Net changes	-163 221	-58	0	-163 278
New lending	1 093 949	1 349	0	1 095 298
Write-offs	-1 060 945	-1 890	0	-1 062 835
Gross lending 30.06.2019	7 088 747	7 458	0	7 096 205

Quarterly earnings trend

NOK MILLIONS	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Interest income	48.4	45.7	43.6	41.2	36.4
Interest expense	-32.9	-30.2	-28.2	-27.7	-23.7
Net interest income	15.5	15.6	15.3	13.5	12.7
Net gain/ (loss) financial instruments	-1.9	0.4	-0.3	-1.9	0.3
Total other operating income	-1.9	0.4	-0.3	-1.9	0.3
Other operating expenses	-11.3	-11.0	-13.9	-10.2	-11.0
Total operating expenses	-11.3	-11.0	-13.9	-10.2	-11.0
Operating profit/loss before tax	2.4	4.9	1.2	1.4	2.0
Tax ordinary income	-0.5	-1.1	-0.4	-0.3	-0.5
Profit for the period	1.8	3.9	0.8	1.1	1.5

Key figures accumulated

NOK MILLIONS	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Pre-tax income	7.3	4.9	8.5	7.3	5.9
Net interest income	31.1	15.6	54.6	39.3	25.8
Other operating cost and depreciation	-22.3	-11.0	-45.2	-31.3	-21.1
Net realized/unrealized change fin. instruments at fair value	-1.5	0.4	-0.9	-0.7	1.2
Housing mortgage lending	7 096.9	7 148.6	7 228.0	6 818.3	7 559.8
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	6 238.9	6 518.8	6 116.1	6 123.7	5 702.9
Other borrowing	933.2	705.2	1 039.9	700.4	1 506.3
Total assets	7 689.3	7 742.5	7 669.0	7 340.1	7 720.8
Average total assets	7 679.2	7 705.8	6 428.4	6 263.9	6 454.3
Equity	513.7	511.9	508.0	507.2	506.1
Interest net	0.40 %	0.20 %	0.85 %	0.63 %	0.40 %
Profit/loss from ordinary operation before taxes	0.10 %	0.06 %	0.13 %	0.12 %	0.09 %
Return on equity	1.93 %	3.86 %	1.67 %	1.29 %	2.32 %
Capital adequacy ratio	19.3 %	18.9 %	18.9 %	19.6 %	18.1 %
Liquidity coverage ratio (LCR)	411 %	209 %	226 %	233 %	151 %



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