

KLP



# Interim report

KLP BOLIGKREDITT AS  
Q1 2020

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KLP BOLIGKREDITT AS

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# Interim Financial Statement

## KLP BOLIGKREDITT AS

Main features by first quarter end:

- Balance sheet growth and increased net interest income
- Market value of liquid investments down due to market turmoil
- No recognized losses on lending

### OBJECTIVE AND OWNERSHIP

The Company's objective is to be the KLP Banken Group's vehicle for the issue of mortgage-backed covered bonds. The lending business is principally funded issuing covered bonds.

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

### INCOME STATEMENT

Net interest and credit commission revenues at the end of the first quarter were NOK 20.0 (15.6)<sup>1</sup> million. The change is mainly related to growth in lending volume.

Income effects of financial instruments as at the first quarter amounts to a loss of NOK -3,9 (-0.4) million. The change is due to the negative development of market values on liquid investments as well as loss from repurchasing own bond issues.

Operating expenses in the same period amounted to NOK 12.2 (11.0) million. The Company has not had any credit losses last quarter and have minimal loan loss provisions.

KLP Boligkreditt AS has a pre-tax profit by first quarter of NOK 3.9 (4.9) million. The change in profit is mainly a consequence of decreased market value on investments in liquid securities, due to market turmoil caused by the Covid-19 pandemic.

### LENDING

The Company's loans to customers as at 31 March 2020 amounted to NOK 10.0 (7.1) billion. Loans totaling NOK 3.4 (0.5) billion have been purchased from KLP Banken AS during the quarter. Total assets was NOK 10.6 (7.7) billion.

### BORROWING

The Company's borrowing comprises of covered bonds as well as borrowing from its parent company. Outstanding intercompany debt amounted to NOK 0.9 (0.7) billion at first quarter end, while covered bond debt was NOK 9.0 (6.5) billion. New covered bond issued this quarter amounts to NOK 2.5 (0.0) billion. All covered bonds have AAA rating.

Restructuring of the bond portfolio is done regularly in order to adjust average maturity. This may cause profit or loss. Accounting losses from repurchase of own debt amounts to -1.7 (0.0) by the end of the first quarter.

### LIQUIDITY INVESTMENTS

KLP Boligkreditt AS has strict rules on what assets may be included in the securities holdings. In addition to mortgage loans, the securities holdings comprise secure bonds as well as deposits in other banks. The securities comprise of certificates and bonds of high credit quality, principally investments in covered bonds. As at 31 March 2020, the bond portfolio's market value was NOK 367 (289) million. The net profit and loss associated with realized and unrealized market value changes in the securities portfolio amounted to NOK -2.3 (0.4) million.

### RISK AND CAPITAL ADEQUACY

KLP Boligkreditt AS is exposed to various types of risk. The Company 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 and foreign exchange risk arising within the borrowing and lending activity are reduced using derivatives. The Company is to have responsible long-term financing and limits have been established to ensure that that objective is achieved. 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 credit quality requirements and in securities in accordance with Board-approved credit lines. The Company's securities portfolio has high credit quality.

At the end of the first quarter 2020, core capital i.a.w. the capital adequacy rules was NOK 628.9 (505.9) 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 17.1 (18.9) per cent at the end of the first quarter. The minimum statutory requirement is 14.5 per cent capital adequacy ratio. Leverage ratio was 6.0 (6.5) per cent. The minimum statutory requirement is 3 per cent.

<sup>1</sup>Figures in parenthesis are from the corresponding period in 2019.

**SUMMARY OF PANDEMIC EFFECTS ON THE FINANCIAL STATEMENT**

The market turmoil caused by the corona virus (Covid-19 pandemic) has decreased the market value of the company's liquid investments (see comments under Income Statement above). Further on, the reduced regulatory capital adequacy for the countercyclical capital buffer, has enhanced the company's capital adequacy position relative to the authoritative requirements.

Going forward it is expected that the conducted interest adjustments on lending will decrease lending margins, and thus reduce net interest income in the short term. The companies in the KLP Banken Group meets all statutory requirements for capital adequacy and liquidity and possess capacity for further growth. If the crisis persists it is expected that funding provided from KLP still may be used to maintain the financial capacity towards its members in the retail market.

# Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
	Interest income, amortised cost	62 642	44 549	194 889
	Interest income at fair value	2 677	1 175	6 712
3	<b>Total interest income</b>	<b>65 319</b>	<b>45 725</b>	<b>201 602</b>
	Interest expense, amortised cost	-45 282	-30 163	-138 568
3	<b>Total interest costs</b>	<b>-45 282</b>	<b>-30 163</b>	<b>-138 568</b>
3	<b>Net interest income</b>	<b>20 037</b>	<b>15 561</b>	<b>63 033</b>
15	Net gain/(loss) financial instruments	-3 924	370	-11 837
	<b>Total other operating income</b>	<b>-3 924</b>	<b>370</b>	<b>-11 837</b>
	Other operating expenses	-12 189	-10 986	-46 966
16	Net loan losses	-27	-2	-16
	<b>Total operating expenses</b>	<b>-12 216</b>	<b>-10 988</b>	<b>-46 982</b>
	<b>Operating profit/loss before tax</b>	<b>3 897</b>	<b>4 944</b>	<b>4 215</b>
	Tax ordinary income	297	-1 088	-927
	<b>Profit for the period</b>	<b>4 194</b>	<b>3 856</b>	<b>3 288</b>
	<b>Other comprehensive income for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>Comprehensive income for the period</b>	<b>4 194</b>	<b>3 856</b>	<b>3 288</b>

# Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	31.03.2020	31.03.2019	31.12.2019
<b>ASSETS</b>				
5	Loans to credit institutions	176 172	264 834	128 596
4,5	Loans to customers	9 997 593	7 148 585	7 337 524
5,6,14	Fixed-income securities	367 069	288 782	460 344
	Deferred tax assets	1 244	787	2 101
11	Other assets	16 184	39 535	1 891
<b>Total assets</b>		<b>10 558 263</b>	<b>7 742 521</b>	<b>7 930 456</b>
<b>LIABILITIES AND OWNERS EQUITY</b>				
<b>LIABILITIES</b>				
5,9	Debt to credit institutions	884 058	705 250	387 157
5,7	Debt securities issued	9 034 187	6 518 772	7 027 380
12	Other liabilities	5 425	6 613	4 600
12	Provision for accrued costs and liabilities	235	0	0
<b>Total liabilities</b>		<b>9 923 905</b>	<b>7 230 635</b>	<b>7 419 137</b>
<b>EQUITY</b>				
	Share capital	280 000	220 000	220 000
	Share premium	330 463	270 463	270 463
	Other owners' equity	19 701	17 567	20 855
	Unallocated profit/loss	4 194	3 856	0
<b>Total owners' equity</b>		<b>634 358</b>	<b>511 886</b>	<b>511 318</b>
<b>Total liabilities and equity</b>		<b>10 558 263</b>	<b>7 742 521</b>	<b>7 930 456</b>

# 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	4 194	4 194
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	4 194	4 194
Group contribution received	0	0	0	0
Group contribution made	0	0	0	0
Tax on group contribution given 2019	0	0	-1 154	-1 154
Paid-up equity in the period	60 000	60 000	0	120 000
Total transactions with the owners	60 000	60 000	-1 154	118 846
<b>Equity 31 March 2020</b>	<b>280 000</b>	<b>330 463</b>	<b>23 895</b>	<b>634 358</b>

  

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	3 856	3 856
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	3 856	3 856
Group contribution received	0	0	0	0
Group contribution made	0	0	0	0
Total transactions with the owners	0	0	0	0
<b>Equity 31 March 2019</b>	<b>220 000</b>	<b>270 463</b>	<b>21 423</b>	<b>511 886</b>

  

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
<b>Equity 31 December 2019</b>	<b>220 000</b>	<b>270 463</b>	<b>20 855</b>	<b>511 318</b>

# Statement of cash flow

KLP BOLIGKREDITT AS

NOK THOUSANDS	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
<b>OPERATING ACTIVITIES</b>			
Payments received from customers - interest, commission & charges	58 561	44 089	191 298
Disbursements on loans customers & credit institutions	-3 384 738	-547 690	-2 915 755
Receipts on loans customers & credit institutions	714 012	590 231	2 809 417
Net receipts/disbursements on operations	-11 623	-12 702	-50 028
Net receipts/disbursements from operating activities	-63 680	-1 119	2 636
Net interest investment accounts	611	524	2 305
Income tax paid	0	0	0
<b>Net cash flow from operating activities</b>	<b>-2 686 857</b>	<b>73 333</b>	<b>39 873</b>
<b>INVESTMENT ACTIVITIES</b>			
Payments on the purchase of securities	-4 084	-1 994	-665 584
Receipts on sale of securities	94 878	1 997	493 349
Receipts of interest from securities	2 886	1 115	6 616
<b>Net cash flow from investment activities</b>	<b>93 680</b>	<b>1 118</b>	<b>-165 619</b>
<b>FINANCING ACTIVITIES</b>			
Receipts on loans	2 500 000	0	2 000 000
Repayment and redemption of loans	-646 000	0	-1 744 000
Payment for loan buybacks	150 000	400 000	650 000
Net payment of interest on loans	-40 991	-24 609	-133 022
Receipts in internal funding	3 524 170	547 884	3 472 072
Repayment in internal funding	-3 027 195	-879 409	-4 121 474
Net payment of interest on internal funding	-3 244	-3 035	-12 160
Change in owners' equity	120 000	0	0
Group contribution paid	0	0	-2 853
<b>Net cash flows from financing activities</b>	<b>2 576 740</b>	<b>40 831</b>	<b>108 563</b>
<b>Net cash flow during the period</b>	<b>-16 437</b>	<b>115 282</b>	<b>-17 183</b>
Cash and cash equivalents at the start of the period	123 338	140 521	140 521
Cash and cash equivalents at the end of the period	106 901	255 803	123 338
<b>Net receipts/disbursements of cash</b>	<b>-16 437</b>	<b>115 282</b>	<b>-17 183</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), 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 2020 – 31 March 2020, specifying the earnings trend in Q1. 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, will have 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	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Interest income on loans to customers, amortised cost	61 698	44 006	192 584
Interest income on loans to credit institutions, amortised cost	944	543	2 305
<b>Total interest income, amortised cost</b>	<b>62 642</b>	<b>44 549</b>	<b>194 889</b>
Interest income on bonds and certificates, fair value	2 677	1 175	6 712
<b>Total interest income</b>	<b>65 319</b>	<b>45 725</b>	<b>201 602</b>
Interest expenses on debt to KLP Banken AS, amortised cost	-3 169	-3 035	-11 806
Interest expenses on issued securities, amortised cost	-42 113	-27 128	-126 762
<b>Total interest costs</b>	<b>-45 282</b>	<b>-30 163</b>	<b>-138 568</b>
<b>Net interest income</b>	<b>20 037</b>	<b>15 561</b>	<b>63 033</b>

**NOTE 4** Loans to customers

NOK THOUSANDS	31.03.2020	31.03.2019	31.12.2019
Loans to customers before write-downs	9 985 112	7 140 088	7 328 032
Provisions and write-downs	-50	-8	-23
<b>Loans to customers after write-downs</b>	<b>9 985 063</b>	<b>7 140 080</b>	<b>7 328 009</b>
Premium/discount	379	859	499
Accrued interest	12 152	7 646	9 015
<b>Loans to customers</b>	<b>9 997 593</b>	<b>7 148 585</b>	<b>7 337 524</b>

**NOTE 5** Categories of financial instruments

NOK THOUSANDS	31.03.2020		31.03.2019		31.12.2019	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
<b>FINANCIAL ASSETS FAIR VALUE</b>						
Fixed-income securities	367 069	367 069	288 782	288 782	460 344	460 344
<b>Total financial assets fair value</b>	<b>367 069</b>	<b>367 069</b>	<b>288 782</b>	<b>288 782</b>	<b>460 344</b>	<b>460 344</b>
<b>FINANCIAL ASSETS AT AMORTIZED COST</b>						
Loans to and receivables from credit institutions	176 172	176 172	264 834	264 834	128 596	128 596
Loans to and receivables from customers	9 997 593	9 997 593	7 148 585	7 148 585	7 337 524	7 337 524
<b>Total financial assets at amortized cost</b>	<b>10 173 765</b>	<b>10 173 765</b>	<b>7 413 418</b>	<b>7 413 418</b>	<b>7 466 119</b>	<b>7 466 119</b>
<b>Total financial assets</b>	<b>10 540 834</b>	<b>10 540 834</b>	<b>7 702 200</b>	<b>7 702 200</b>	<b>7 926 463</b>	<b>7 926 463</b>
<b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>						
Liabilities to credit institutions	884 058	884 058	705 250	705 250	387 157	387 157
Covered bonds issued	9 034 187	9 005 816	6 518 772	6 557 303	7 027 380	7 048 842
<b>Total financial liabilities at amortized cost</b>	<b>9 918 245</b>	<b>9 889 874</b>	<b>7 224 021</b>	<b>7 262 553</b>	<b>7 414 537</b>	<b>7 435 999</b>
<b>Total financial liabilities</b>	<b>9 918 245</b>	<b>9 889 874</b>	<b>7 224 021</b>	<b>7 262 553</b>	<b>7 414 537</b>	<b>7 435 999</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**

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. 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. 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

31.03.2020 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	3 998	363 072	0	367 069
<b>Total assets at fair value</b>	<b>3 998</b>	<b>363 072</b>	<b>0</b>	<b>367 069</b>

31.03.2019 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
<b>ASSETS BOOKED AT FAIR VALUE</b>				
Fixed-income securities	1 995	286 787	0	288 782
<b>Total assets at fair value</b>	<b>1 995</b>	<b>286 787</b>	<b>0</b>	<b>288 782</b>

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

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	31.03.2020	31.03.2019	31.12.2019
Bond debt, nominal amount	9 018 000	6 908 000	7 164 000
Adjustments	3 722	-4 598	-583
Accrued interest	12 465	15 370	13 963
Own holdings, nominal amount	0	-400 000	-150 000
<b>Total debt securities issued</b>	<b>9 034 187</b>	<b>6 518 772</b>	<b>7 027 380</b>

Interest rate on borrowings through the issuance of securities on the reporting date: 1.83 % 1.77 % 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 31.03.2020
Bond debt, nominal amount	7 164 000	2 500 000	-646 000	0	9 018 000
Adjustments	-583	0	0	4 306	3 722
Accrued interest	13 963	0	0	-1 498	12 465
Own holdings, nominal amount	-150 000	0	150 000	0	0
<b>Total debt securities issued</b>	<b>7 027 380</b>	<b>2 500 000</b>	<b>-496 000</b>	<b>2 807</b>	<b>9 034 187</b>

**NOTE 8** Over-collateralisation

NOK THOUSANDS	31.03.2020	31.03.2019	31.12.2019
SECURITY POOL			
Loans to customers <sup>1</sup>	9 703 549	7 012 625	7 100 277
Additional collateral <sup>2</sup>	517 849	952 216	583 587
<b>Total security pool</b>	<b>10 221 398</b>	<b>7 964 841</b>	<b>7 683 864</b>
Outstanding covered bonds incl. own funds and premium/discount	9 003 041	6 943 525	7 185 627
<b>Coverage of the security pool</b>	<b>113.5%</b>	<b>114.7%</b>	<b>106.9%</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 per cent of the value of the outstanding covered bonds.

**NOTE 9** Liabilities to credit institutions

31.03.2020 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2021	130 000	95	130 095
Debt to KLP Banken AS	15.12.2021	233 992	64	234 056
Debt to KLP Banken AS	15.12.2021	287 607	26	287 633
Debt to KLP Banken AS	15.12.2021	232 253	21	232 274
<b>Total liabilities to credit institutions</b>		<b>883 852</b>	<b>206</b>	<b>884 058</b>

Interest rate on debt to credit institutions at the reporting date: 1.64 %

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

31.03.2019 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2020	50 952	36	50 987
Debt to KLP Banken AS	15.12.2020	53 802	38	53 840
Debt to KLP Banken AS	15.12.2020	600 000	422	600 422
<b>Total liabilities to credit institutions</b>		<b>704 754</b>	<b>496</b>	<b>705 250</b>

Interest rate on debt to credit institutions at the reporting date: 1.49 %

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
<b>Total liabilities to credit institutions</b>		<b>386 877</b>	<b>280</b>	<b>387 157</b>

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	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
KLP Banken AS, interest on borrowing	3 169	3 035	11 806
KLP Banken AS, administrative services (at cost)	11 348	10 567	43 837
KLP Kapitalforvaltning AS, fees for services provided	0	4	17
KLP Group companies, subsidised interest employee loans	2 319	642	4 616
KLP Banken AS, purchase of loans	3 384 738	547 690	2 915 755

NOK THOUSANDS	31.03.2020	31.03.2019	31.12.2019
<b>BALANCES</b>			
KLP Banken AS, borrowing Group current liabilities	-884 058	-705 250	-387 157
KLP Banken AS, net internal liabilities	14 050	38 950	257
<b>Net outstanding accounts to:</b>			
KLP Banken AS	-4 223	-3 729	-3 370
KLP	1 393	400	1 082
KLP Group companies, net other internal accounts	741	185	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.

**NOTE 11** Other assets

NOK THOUSANDS	31.03.2020	31.03.2019	31.12.2019
Intercompany receivables	16 184	39 535	1 891
<b>Total other assets</b>	<b>16 184</b>	<b>39 535</b>	<b>1 891</b>

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

NOK THOUSANDS	31.03.2020	31.03.2019	31.12.2019
Creditors	47	32	75
Intercompany payables	4 223	3 729	3 370
Tax payable	1 155	2 853	1 155
<b>Total other liabilities</b>	<b>5 425</b>	<b>6 613</b>	<b>4 600</b>
Accrued expenses	235	0	0
<b>Total accrued costs and liabilities</b>	<b>235</b>	<b>0</b>	<b>0</b>



**NOTE 13** Capital adequacy

NOK THOUSANDS	31.03.2020	31.03.2019	31.12.2019
Share capital and share premium fund	610 463	490 463	490 463
Other owners' equity	20 855	17 567	20 855
<b>Total owners' equity</b>	<b>631 318</b>	<b>508 030</b>	<b>511 318</b>
Adjustments due to requirements for proper valuation	-367	-289	-460
Deferred tax asset	-2 101	-1 874	-2 101
<b>Core capital/Tier 1 capital</b>	<b>628 850</b>	<b>505 867</b>	<b>508 756</b>
Supplementary capital/Tier 2 capital	0	0	0
<b>Supplementary capital/Tier 2 capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total eligible own funds (Tier 1 and Tier 2 capital)	628 850	505 867	508 756
Capital requirement	294 604	214 346	220 068
<b>Surplus of own funds (Tier 1 and Tier 2 capital)</b>	<b>334 247</b>	<b>291 521</b>	<b>288 688</b>
Estimate basis credit risk:			
Institutions	35 175	60 875	25 719
Investments with mortgage security in real estate	3 499 158	2 502 005	2 568 133
Covered bonds	36 307	28 679	45 635
Other holdings	2 432	0	1 890
<b>Calculation basis credit risk</b>	<b>3 573 071</b>	<b>2 591 559</b>	<b>2 641 378</b>
Credit risk	285 846	207 325	211 310
Operating risk	8 758	7 021	8 758
<b>Total capital requirement assets</b>	<b>294 604</b>	<b>214 346</b>	<b>220 068</b>
Core capital adequacy ratio	17.1 %	18.9 %	18.5 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
<b>Capital adequacy ratio</b>	<b>17.1 %</b>	<b>18.9 %</b>	<b>18.5 %</b>
<b>Leverage ratio</b>	<b>6.0 %</b>	<b>6.5 %</b>	<b>6.4 %</b>

CAPITAL REQUIREMENT PER 31.03.2020	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 %
<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	31.03.2020		31.03.2019		31.12.2019	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	4 000	3 998	1 995	1 995	3 989	3 992
Bonds	364 746	363 072	286 058	286 786	456 195	456 352
<b>Total fixed-income securities</b>	<b>368 746</b>	<b>367 069</b>	<b>288 053</b>	<b>288 782</b>	<b>460 184</b>	<b>460 344</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	Q1 2020	Q1 2019	01.01.2019 -31.12.2019
Net gain/(loss) on fixed-income securities	-2 265	370	-325
Net gain/(loss) financial derivatives and realized repurchase of own debt	-1 659	0	-11 512
<b>Total net gain/(loss) financial instruments</b>	<b>-3 924</b>	<b>370</b>	<b>-11 837</b>

**NOTE 16** Loan loss provision

During the first quarter of 2020 KLP Boligkreditt AS has purchased mortgage loans from KLP Banken AS for in total NOK 3.4 billion. This also increases the loan loss provisions in the first quarter. In addition to this, loans that are granted payment facilitation are moved to stage 2. In total the loan loss provision is more than doubled in the first quarter of 2020, of which 15 percent is due to the migration of loans to stage 2.

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, AMORTISED COST</b>				
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	9	2	0	11
New losses	14	3	0	16
Write-offs	0	0	0	0
<b>Closing balance ECL 31.03.2020</b>	<b>45</b>	<b>5</b>	<b>0</b>	<b>50</b>
Changes (01.01.2020-31.03.2020)	22	5	0	27

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 - AMORTISED COST</b>				
Gross lending 01.01.2020	7 325 676	11 372	0	7 337 048
Transfers to stage 1	3 294	-3 294	0	0
Transfers to stage 2	-219 042	219 042	0	0
Transfers to stage 3	0	0	0	0
Net changes	-56 949	3 034	0	-53 914
New lending	3 066 282	178 221	0	3 244 503
Write-offs	-523 525	-6 847	0	-530 372
<b>Gross lending 31.03.2020</b>	<b>9 595 736</b>	<b>401 528</b>	<b>0</b>	<b>9 997 264</b>

## Quarterly earnings trend

NOK MILLIONS	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Interest income	65.3	56.6	50.9	48.4	45.7
Interest expense	-45.3	-39.6	-35.9	-32.9	-30.2
<b>Net interest income</b>	<b>20.0</b>	<b>16.9</b>	<b>15.0</b>	<b>15.5</b>	<b>15.6</b>
Net gain/ (loss) financial instruments	-3.9	-1.6	-8.8	-1.9	0.4
<b>Total other operating income</b>	<b>-3.9</b>	<b>-1.6</b>	<b>-8.8</b>	<b>-1.9</b>	<b>0.4</b>
Other operating expenses	-12.2	-13.9	-10.8	-11.3	-11.0
<b>Total operating expenses</b>	<b>-12.2</b>	<b>-13.9</b>	<b>-10.8</b>	<b>-11.3</b>	<b>-11.0</b>
<b>Operating profit/loss before tax</b>	<b>3.9</b>	<b>1.4</b>	<b>-4.5</b>	<b>2.4</b>	<b>4.9</b>
Tax ordinary income	0.3	-0.3	1.0	-0.5	-1.1
<b>Profit for the period</b>	<b>4.2</b>	<b>1.1</b>	<b>-3.5</b>	<b>1.8</b>	<b>3.9</b>

## Key figures accumulated

NOK MILLIONS	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Pre-tax income	3.9	4.2	2.8	7.3	4.9
Net interest income	20.0	63.0	46.1	31.1	15.6
Other operating expenses	-12.2	-47.0	-33.0	-22.3	-11.0
Net realized/unrealized change fin. instruments at fair value	-3.9	-11.8	-10.3	-1.5	0.4
Housing mortgage lending	9 997.6	7 337.5	7 167.0	7 096.9	7 148.6
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	9 034.2	7 027.4	6 677.5	6 238.9	6 518.8
Other borrowing	884.1	387.2	802.6	933.2	705.2
Total assets	10 558.3	7 930.5	8 006.7	7 689.3	7 742.5
Average total assets	9 244.4	7 799.7	7 837.9	7 679.2	7 705.8
Equity	634.4	511.3	510.2	513.7	511.9
Interest net	0.22 %	0.81 %	0.59 %	0.40 %	0.20 %
Profit/loss from ordinary operation before taxes	0.04 %	0.05 %	0.04 %	0.10 %	0.06 %
Return on equity	3.05 %	0.96 %	1.29 %	1.93 %	3.86 %
Capital adequacy ratio	17.1 %	18.5 %	18.8 %	19.3 %	18.9 %
Liquidity coverage ratio (LCR)	1 378 %	775 %	5 655 %	411 %	209 %



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