



Interim report

KLP BOLIGKREDIT AS
Q2 2020

Table of contents

KLP BOLIGKREDITT AS

INTERIM FINANCIAL STATEMENT	3
INCOME STATEMENT	5
BALANCE SHEET	6
STATEMENT OF CHANGES IN EQUITY	7
STATEMENT OF CASH FLOW	8
STATEMENT PURSUANT TO SECTION § 5-6 OF THE SECURITIES TRADING ACT	9
NOTES TO THE ACCOUNTS	10
NOTE 1 General information	10
NOTE 2 Accounting principles	10
NOTE 3 Net interest income	11
NOTE 4 Loans to customers	11
NOTE 5 Categories of financial instruments	12
NOTE 6 Fair value hierarchy	13
NOTE 7 Securities liabilities - stock exchange listed covered bonds and certificates	14
NOTE 8 Over-collateralisation	14
NOTE 9 Liabilities to credit institutions	15
NOTE 10 Transactions with related parties	16
NOTE 11 Other assets	17
NOTE 12 Other liabilities and provision for accrued costs and liabilities	17
NOTE 13 Capital adequacy	18
NOTE 14 Fixed-income securities	19
NOTE 15 Net gain(loss) on financial instruments	19
NOTE 16 Loan loss provision	20
Quarterly earnings trend	21
Key figures accumulated	21

Interim Financial Statement

KLP BOLIGKREDITT AS

Main features by the first half year:

- Significant growth in lending
- P&L affected by the pandemic
- 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).

The second quarter of 2020 was characterized by the special situation caused by the pandemic. KLP Banken has, as part of a customer owned enterprise, taken its share of responsibility for handling the situation through quick interest rate reductions and postponement of installments for members needing it.

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 second quarter were NOK 34.2 (31.1)¹ million.

In the second quarter there was a marginal increase in net interest income compared to last year, despite mortgage lending rates was set down just after the central bank (Norges Bank) reduced the key rate as a response to the market turmoil arising from the pandemic. As the bank deposit interest rates and other financing costs could not be reduced immediately, lending margins dropped through the quarter. Strong increase in lending volume has partly compensated the lower margins.

Operating expenses in the period amounted to NOK -28.3 (-22.3) million. The Company has not had any credit losses last quarter and have minimal loan loss provisions.

The pre-tax profit at the end of the second quarter was NOK 0.0 (7.3) million. The change in earnings is mainly related to lower margins compared to the same period last year.

LENDING

The Company's loans to customers as of 30 June 2020 amounted to NOK 10.3 (7.1) billion. The Company has purchased loans from the parent company KLP Banken AS amounting to NOK 4.7 (1.2) billion during the first half year period. Repayments and redemptions amount to NOK 1.7 (1.2) billion during the period. Total assets were NOK 11.1 (7.7) billion.

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

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 of high credit quality, principally investments in covered bonds. As at 30 June 2020 the securities portfolio's market value was NOK 569 (356) million. The net loss associated with realized and unrealized market value changes in the securities portfolio amounted to NOK -0.7 (0.3) million.

BORROWING

The Company's borrowing comprises of covered bonds (OMF) as well as borrowing from its parent company. Outstanding intercompany debt amounted to NOK 0.1 (0.9) billion at second quarter end. Covered bond debt was NOK 10.4 (6.2) billion. New covered bonds issued in the first half year period amounts to NOK 4.5 (0.0) billion.

The Company evenly restructures its borrowing with the purpose of adjusting average duration. This may cause profit and loss. Accounting losses from repurchase of own debt amounts to -5.2 (-1.8) so far this year. All covered bonds have achieved AAA rating.

RISK AND CAPITAL ADEQUACY

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

At the end of the second quarter 2020, core capital according to the capital adequacy rules was NOK 629 (512) 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 16.6 (19.3) percent at the end of the second quarter. The minimum statutory requirement is 14.5 per cent capital adequacy ratio. Leverage ratio was 5.7 (6.7) percent. The minimum statutory requirement is 3 percent.

SUMMARY OF PANDEMIC EFFECTS ON THE FINANCIAL STATEMENT

The market turmoil caused by the pandemic has affected the Company's lending margins (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.

FUTURE PROSPECTS

In the next quarter it is expected that the Bank's funding costs will adapt to the present interest rate levels and that lending margins will stabilize on more normal levels.

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 covered bonds (OMF) covered by a portfolio of mortgage loans.

The Board believes that the potential for further development of the Company is present and that a significant proportion of KLP Banken's lending to residential purposes can be financed by KLP Boligkreditt AS, including forms of financing that contribute positively to environment protection and sustainability. The Company will contribute to reduce the KLP Banken Group's borrowing costs and thus be an important contributor to financing of home loans to KLP's members.

Trondheim, 12. August 2020

Aage Schaanning

Chair
(Sign.)

Kjell Fosse

(Sign.)

Lill Stabell

(Sign.)

Karianne Oldernes Tung

(Sign.)

Christopher A. Steen

Managing Director
(Sign.)

Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
	Interest income, amortised cost	51 979	47 099	114 621	91 648	194 889
	Interest income at fair value	1 644	1 314	4 322	2 489	6 712
3	Total interest income	53 623	48 413	118 942	94 138	201 602
	Interest expense, amortised cost	-39 413	-32 914	-84 695	-63 077	-138 568
3	Total interest costs	-39 413	-32 914	-84 695	-63 077	-138 568
3	Net interest income	14 210	15 499	34 247	31 060	63 033
15	Net gain/(loss) financial instruments	-2 032	-1 852	-5 956	-1 482	-11 837
	Total other operating income	-2 032	-1 852	-5 956	-1 482	-11 837
	Other operating expenses	-15 892	-11 294	-28 081	-22 281	-46 966
16	Net loan losses	-176	-1	-203	-2	-16
	Total operating expenses	-16 069	-11 295	-28 285	-22 283	-46 982
	Operating profit/loss before tax	-3 890	2 352	7	7 296	4 215
	Tax ordinary income	856	-517	1 153	-1 605	-927
	Profit for the period	-3 034	1 835	1 160	5 691	3 288
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	-3 034	1 835	1 160	5 691	3 288

Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	30.06.2020	30.06.2019	31.12.2019
ASSETS				
5	Loans to credit institutions	223 346	228 826	128 596
4,5	Loans to customers	10 274 740	7 096 935	7 337 524
5,6,14	Fixed-income securities	568 600	356 190	460 344
	Deferred tax assets	2 100	270	2 101
11	Other assets	17 885	7 102	1 891
Total assets		11 086 671	7 689 321	7 930 456
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	65 097	933 231	387 157
5,7	Debt securities issued	10 383 825	6 238 911	7 027 380
12	Other liabilities	6 398	3 457	4 600
12	Provision for accrued costs and liabilities	28	0	0
Total liabilities		10 455 348	7 175 599	7 419 137
EQUITY				
	Share capital	280 000	220 000	220 000
	Share premium	330 463	270 463	270 463
	Other owners' equity	19 700	17 567	20 855
	Unallocated profit/loss	1 160	5 691	0
Total owners' equity		631 323	513 721	511 318
Total liabilities and equity		11 086 671	7 689 321	7 930 456

Statement of changes in equity

KLP BOLIGKREDITT AS

2020 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2020	220 000	270 463	20 855	511 318
Profit for the period	0	0	1 160	1 160
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	1 160	1 160
Group contribution received	0	0	4 093	4 093
Group contribution made	0	0	-4 093	-4 093
Tax on group contribution given 2019	0	0	-1 155	-1 155
Paid-up equity in the period	60 000	60 000	0	120 000
Total transactions with the owners	60 000	60 000	-1 155	118 845
Equity 30 June 2020	280 000	330 463	20 860	631 323

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

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

Statement of cash flow

KLP BOLIGKREDITT AS

NOK THOUSANDS	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	115 816	90 384	191 298
Disbursements on loans customers & credit institutions	-4 673 896	-1 198 713	-2 915 755
Receipts on loans customers & credit institutions	1 719 202	1 325 746	2 809 417
Net receipts/disbursements on operations	-25 796	-24 535	-50 028
Net receipts/disbursements from operating activities	-5 348	2 010	2 636
Net interest investment accounts	684	1 176	2 305
Income tax paid	0	0	0
Net cash flow from operating activities	-2 869 338	196 068	39 873
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-248 860	-71 276	-665 584
Receipts on sale of securities	139 341	3 992	493 349
Receipts of interest from securities	4 832	2 237	6 616
Net cash flow from investment activities	-104 687	-65 047	-165 619
FINANCING ACTIVITIES			
Receipts on loans	4 500 000	0	2 000 000
Repayment and redemption of loans	-846 000	0	-1 744 000
Payment for loan buybacks	-300 000	119 000	650 000
Net payment of interest on loans	-83 482	-55 062	-133 022
Receipts in internal funding	4 979 167	1 399 543	3 472 072
Repayment in internal funding	-5 300 977	-1 503 168	-4 121 474
Net payment of interest on internal funding	-4 437	-6 062	-12 160
Change in owners' equity	120 000	0	0
Group contribution paid	-1 155	-2 854	-2 853
Net cash flows from financing activities	3 063 116	-48 603	108 563
Net cash flow during the period	89 091	82 418	-17 183
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	212 429	222 939	123 338
Net receipts/disbursements of cash	89 091	82 418	-17 183

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 2020 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, 12. August 2020

Aage Schaanning

Chair

(Sign.)

Kjell Fosse

(Sign.)

Lill Stabell

(Sign.)

Karianne Oldernes Tung

(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 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 – 30 June 2020, specifying the earnings trend in Q2. 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	Q2 2020	Q2 2019	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Interest income on loans to customers, amortised cost	51 927	46 464	113 624	90 470	192 584
Interest income on loans to credit institutions, amortised cost	52	635	996	1 178	2 305
Total interest income, amortised cost	51 979	47 099	114 621		194 889
Interest income on bonds and certificates, fair value	1 644	1 314	4 322	2 489	6 712
Total interest income	53 623	48 413	118 942	94 138	201 602
Interest expenses on debt to KLP Banken AS, amortised cost	-1 018	-2 970	-4 187	-6 005	-11 806
Interest expenses on issued securities, amortised cost	-38 395	-29 945	-80 508	-57 073	-126 762
Total interest costs	-39 413	-32 914	-84 695	-63 077	-138 568
Net interest income	14 210	15 499	34 247	31 060	63 033

NOTE 4 Loans to customers

NOK THOUSANDS	30.06.2020	30.06.2019	31.12.2019
Loans to cutomers before write-downs	10 267 884	7 088 389	7 328 032
Provisions and write-downs	-226	-9	-23
Loans to cutomers after write-downs	10 267 658	7 088 380	7 328 009
Premium/discount	259	739	499
Accrued interest	6 823	7 816	9 015
Loans to customers	10 274 740	7 096 935	7 337 524

NOTE 5 Categories of financial instruments

NOK THOUSANDS	30.06.2020		30.06.2019		31.12.2019	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS FAIR VALUE						
Fixed-income securities	568 600	568 600	356 190	356 190	460 344	460 344
Total financial assets fair value	568 600	568 600	356 190	356 190	460 344	460 344
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	223 346	223 346	228 826	228 826	128 596	128 596
Loans to and receivables from customers	10 274 740	10 274 740	7 096 935	7 096 935	7 337 524	7 337 524
Total financial assets at amortized cost	10 498 087	10 498 087	7 325 760	7 325 760	7 466 119	7 466 119
Total financial assets	11 066 686	11 066 686	7 681 950	7 681 950	7 926 463	7 926 463
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	65 097	65 097	933 231	933 231	387 157	387 157
Covered bonds issued	10 383 825	10 408 401	6 238 911	6 276 285	7 027 380	7 048 842
Total financial liabilities at amortized cost	10 448 922	10 473 499	7 172 142	7 209 517	7 414 537	7 435 999
Total financial liabilities	10 448 922	10 473 499	7 172 142	7 209 517	7 414 537	7 435 999

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

The different financial instruments are thus priced in the following way:

Fixed-income securities - government

Bloomberg is used as a source for pricing Norwegian government bonds. 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

30.06.2020 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	3 999	564 600	0	568 600
Total assets at fair value	3 999	564 600	0	568 600

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

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

Fair value shall be a representative price based on what a corresponding asset or liability would have been traded for at normal market terms and conditions. Highest quality in regard to fair value is based on listed prices in an active market. A financial instrument is considered as listed in an active market if listed prices are simply and regularly available from a stock market, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring transactions at arm's length.

LEVEL 1:

Instruments at this level obtain fair value from listed prices in an active market for identical assets or liabilities to which the entity has access at the reporting date. Examples of instruments in Level 1 are stock market listed securities.

LEVEL 2:

Instruments at this level obtain fair value from observable market data. This includes prices based on identical instruments, but where the instrument does not maintain a high enough trading frequency and is not therefore considered to be traded in an active market, as well as prices based on corresponding assets and price-leading indicators that can be confirmed from market

information. Example instruments at Level 2 are fixed-income securities priced on the basis of interest rate paths.

LEVEL 3:

Instruments at Level 3 contain non-observable market data or are traded in markets considered to be inactive. The price is based generally on discrete calculations where the actual fair value may deviate if the instrument were to be traded.

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

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

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

NOK THOUSANDS	30.06.2020	30.06.2019	31.12.2019
Bond debt, nominal amount	10 818 000	6 908 000	7 164 000
Adjustments	10 957	-3 853	-583
Accrued interest	4 868	15 764	13 963
Own holdings, nominal amount	-450 000	-681 000	-150 000
Total debt securities issued	10 383 825	6 238 911	7 027 380

Interest rate on borrowings through the issuance of securities on the reporting date: 0.78 % 1.93 % 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 30.06.2020
Bond debt, nominal amount	7 164 000	4 500 000	-846 000	0	10 818 000
Adjustments	-583	0	0	11 540	10 957
Accrued interest	13 963	0	0	-9 096	4 868
Own holdings, nominal amount	-150 000	0	-300 000	0	-450 000
Total debt securities issued	7 027 380	4 500 000	-1 146 000	2 445	10 383 825

NOTE 8 Over-collateralisation

NOK THOUSANDS	30.06.2020	30.06.2019	31.12.2019
SECURITY POOL			
Loans to customers ¹	10 174 476	6 988 217	7 100 277
Additional collateral ²	1 218 904	1 199 523	583 587
Total security pool	11 393 380	8 187 740	7 683 864
Outstanding covered bonds incl. own funds and premium/discount	10 870 382	6 945 393	7 185 627
Coverage of the security pool	104.8%	117.9%	106.9%

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

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

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

NOTE 9 Liabilities to credit institutions

30.06.2020 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2021	20 460	10	20 470
Debt to KLP Banken AS	15.12.2021	44 608	20	44 627
Total liabilities to credit institutions		65 067	30	65 097

Interest rate on debt to credit institutions at the reporting date: 1.14 %

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

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		932 655	577	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.

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

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

NOTE 10 Transactions with related parties

NOK THOUSANDS	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
KLP Banken AS, interest on borrowing	4 187	6 005	11 806
KLP Banken AS, administrative services (at cost)	26 299	21 740	43 837
KLP Kapitalforvaltning AS, fees for services provided	12	8	17
KLP Group companies, subsidised interest employee loans	4 358	1 541	4 616
KLP Banken AS, purchase of loans	4 673 896	1 198 713	2 915 755

NOK THOUSANDS	30.06.2020	30.06.2019	31.12.2019
BALANCES			
KLP Banken AS, borrowing Group current liabilities	-65 097	-933 231	-387 157
KLP Banken AS, net internal liabilities	15 543	6 277	257
Net outstanding accounts to:			
KLP Banken AS	-5 412	-3 439	-3 370
KLP	1 195	564	1 082
KLP Group companies, net other internal accounts	664	261	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	30.06.2020	30.06.2019	31.12.2019
Intercompany receivables	17 401	7 102	1 891
Prepaid expenses	484	0	0
Total other assets	17 885	7 102	1 891

NOTE 12 Other liabilities and provision for accrued costs and liabilities

NOK THOUSANDS	30.06.2020	30.06.2019	31.12.2019
Creditors	986	18	75
Intercompany payables	5 412	3 439	3 370
Tax payable	0	0	1 155
Total other liabilities	6 398	3 457	4 600
VAT	28	0	0
Total accrued costs and liabilities	28	0	0

NOTE 13 Capital adequacy

NOK THOUSANDS	30.06.2020	30.06.2019	31.12.2019
Share capital and share premium fund	610 463	490 463	490 463
Other owners' equity	20 855	17 567	20 855
Total owners' equity	631 318	508 030	511 318
Interim Profit qualifying for tier 1 capital	0	5 691	0
Adjustments due to requirements for proper valuation	-569	-356	-460
Deferred tax asset	-2 101	-1 874	-2 101
Core capital/Tier 1 capital	628 649	511 491	508 756
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)	628 649	511 491	508 756
Capital requirement	303 686	212 328	220 068
Surplus of own funds (Tier 1 and Tier 2 capital)	324 962	299 163	288 688
Estimate basis credit risk:			
Institutions	48 017	47 188	25 719
Investments with mortgage security in real estate	3 596 159	2 483 927	2 568 133
Covered bonds	56 460	35 220	45 635
Other holdings	1 148	0	1 890
Calculation basis credit risk	3 701 784	2 566 335	2 641 378
Credit risk	296 143	205 307	211 310
Operating risk	7 544	7 021	8 758
Total capital requirement assets	303 686	212 328	220 068
Core capital adequacy ratio	16.6 %	19.3 %	18.5 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	16.6 %	19.3 %	18.5 %
Leverage ratio	5.7 %	6.7 %	6.4 %

CAPITAL REQUIREMENT PER 30.06.2020	Core capital/ Tier 1 capital	Supplementary capital/Tier 2 capital	Own funds
Minimum requirement excl. buffers	4.5 %	3.5 %	8.0 %
Protective buffer	2.5 %	0.0 %	2.5 %
Systemic risk buffer	3.0 %	0.0 %	3.0 %
Counter-cyclical capital buffer	1.0 %	0.0 %	1.0 %
Current capital requirement including buffers	11.0 %	3.5 %	14.5 %
Capital requirement leverage ratio	3.0 %	0.0 %	3.0 %

NOTE 14 Fixed-income securities

NOK THOUSANDS	30.06.2020		30.06.2019		31.12.2019	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	4 000	3 999	3 990	3 990	3 989	3 992
Bonds	564 905	564 600	351 350	352 200	456 195	456 352
Total fixed-income securities	568 905	568 600	355 340	356 190	460 184	460 344

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

NOTE 15 Net gain(loss) on financial instruments

NOK THOUSANDS	01.01.2020 -30.06.2020	01.01.2019 -30.06.2019	01.01.2019 -31.12.2019
Net gain/(loss) on fixed-income securities	-740	303	-325
Net gain/(loss) financial derivatives and realized repurchase of own debt	-5 216	-1 785	-11 512
Total net gain/(loss) financial instruments	-5 956	-1 482	-11 837

NOTE 16 Loan loss provision

In second quarter 2020 the bank has conducted a yearly update of the PD, LGD and EAD models. The models are predicted with one additional year of history. Additionally, the bank has made a revision of the assumptions in the macro scenarios compared to first quarter. As a result of that it now looks like the impact of the corona crisis is less than first expected, the bank has reduced the probability of the negative scenario and increased the probability of the expected scenario equivalent.

Loans that are granted instalment-free periods the last quarter are not moved to stage 2, as long as no other prerequisites for moving to stage 2 are fulfilled.

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

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
EXPECTED CREDIT LOSS (ECL) - LOANS TO CUSTOMERS, AMORTISED COST				
Opening balance ECL 01.01.2020	23	0	0	23
Transfers to stage 1	0	0	0	0
Transfers to stage 2	0	0	0	0
Transfers to stage 3	0	0	0	0
Net changes	57	6	0	63
New losses	111	29	0	140
Write-offs	-2	0	0	-2
Change in risk model	0	2	0	2
Closing balance ECL 30.06.2020	189	37	0	226
Changes (01.01.2020-30.06.2020)	166	37	0	203

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
VALUE OF LENDING AND RECEIVABLES FOR CUSTOMERS RECOGNISED IN THE BALANCE SHEET - AMORTISED COST				
Gross lending 01.01.2020	7 325 676	11 372	0	7 337 048
Transfers to stage 1	8 209	-8 209	0	0
Transfers to stage 2	-3 309	3 309	0	0
Transfers to stage 3	0	0	0	0
Net changes	-137 507	5 325	0	-132 182
New lending	3 953 376	120 544	0	4 073 919
Write-offs	-1 000 915	-3 163	0	-1 004 078
Gross lending 30.06.2020	10 145 529	129 179	0	10 274 707

Quarterly earnings trend

NOK MILLIONS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Interest income	53.6	65.3	56.6	50.9	48.4
Interest expense	-39.4	-45.3	-39.6	-35.9	-32.9
Net interest income	14.2	20.0	16.9	15.0	15.5
Net gain/ (loss) financial instruments	-2.0	-3.9	-1.6	-8.8	-1.9
Total other operating income	-2.0	-3.9	-1.6	-8.8	-1.9
Other operating expenses	-16.1	-12.2	-13.9	-10.8	-11.3
Total operating expenses	-16.1	-12.2	-13.9	-10.8	-11.3
Operating profit/loss before tax	-3.9	3.9	1.4	-4.5	2.4
Tax ordinary income	0.9	0.3	-0.3	1.0	-0.5
Profit for the period	-3.0	4.2	1.1	-3.5	1.8

Key figures accumulated

NOK MILLIONS	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Pre-tax income	0.0	3.9	4.2	2.8	7.3
Net interest income	34.2	20.0	63.0	46.1	31.1
Other operating expenses	-28.3	-12.2	-47.0	-33.0	-22.3
Net gain/ (loss) financial instruments	-6.0	-3.9	-11.8	-10.3	-1.5
Housing mortgage lending	10 274.7	9 997.6	7 337.5	7 167.0	7 096.9
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	10 383.8	9 034.2	7 027.4	6 677.5	6 238.9
Other borrowing	65.1	884.1	387.2	802.6	933.2
Total assets	11 086.7	10 558.3	7 930.5	8 006.7	7 689.3
Average total assets	9 508.6	9 244.4	7 799.7	7 837.9	7 679.2
Equity	631.3	634.4	511.3	510.2	513.7
Interest net	0.36 %	0.22 %	0.81 %	0.59 %	0.40 %
Profit/loss from ordinary operation before taxes	0.00 %	0.04 %	0.05 %	0.04 %	0.10 %
Return on equity	0.00 %	3.05 %	0.96 %	1.29 %	1.93 %
Capital adequacy ratio	16.6 %	17.1 %	18.5 %	18.8 %	19.3 %
Liquidity coverage ratio (LCR)	2 711 %	1 378 %	775 %	5 655 %	411 %



KLP BOLIGKREDITT AS

Beddingen 8, 7042 Trondheim
Organization no: 912 719 634

VISITOR ADDRESS

Trondheim: Beddingen 8
Oslo: Dronning Eufemias gate 10
klpbanken.no
Phone: 55 54 85 00
klpbanken@klp.no