

KLP



Interim report

KLP BOLIGKREDIT AS
Q3 2020

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KLP BOLIGKREDITT AS

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Interim Financial Statement

KLP BOLIGKREDITT AS

Main features by third quarter end:

- Significant growth in lending
- Increased operating revenues
- No recognized losses on lending

OBJECTIVE

The Company's purpose is to finance KLP Banken's mortgage loans at preferable terms, mainly through the issuance of covered bonds (OMF).

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

KLP Boligkreditt AS is a wholly owned subsidiary of KLP Banken AS. 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 third quarter were NOK 63.7 (46.1)¹ million.

In the third quarter there was an increase in net interest income compared to last quarter, as a result of the company's financing costs gradually being adjusted to the lower interest rate level that occurred at the start of the pandemic in March. Net interest income has also increased compared to the same period last year, mainly due to growth in lending.

Operating expenses in the period amounted to NOK 39.5 (33.0) million. The Company has not had any credit losses and still have minimal loan loss provisions.

The pre-tax profit at the end of the third quarter was NOK 7.1 (2.8) million. The change in earnings is mainly related to an increased lending balance and reduced financing cost.

LENDING

The Company's loans to customers as of 30 September 2020 amounted to NOK 10.6 (7.2) billion. The Company has purchased loans from the parent company KLP Banken AS amounting to NOK 6.1 (1.8) billion so far this year. Total assets were NOK 11.3 (8.0) billion.

LIQUIDITY INVESTMENTS

KLP Boligkreditt AS has strict rules on what assets may be included in the securities holdings. In addition to mortgage loans, the securities holdings consist of secure bonds as well as deposits in other banks. The securities consist of certificates and bonds of high credit quality, principally investments in covered bonds. As of 30 September 2020,

the securities portfolio's market value was NOK 569 (565) million. The net loss associated with realized and unrealized market value changes in the securities portfolio amounted to NOK a loss of 0.3 (gain 0.2) million.

BORROWING

The Company's borrowing consists of covered bonds as well as loans from its parent company, KLP Banken AS. Outstanding intercompany debt amounted to NOK 0.1 (0.8) billion at third quarter end. Covered bond debt was NOK 10.4 (6.7) billion. New covered bonds issued so far this year amounts to NOK 5.5 (2.0) billion.

The Company regularly restructures its borrowing with the purpose of adjusting average duration. This may cause profit or loss. Accounting losses from repurchase of own debt amounts to 16.8 (10.4) 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 third quarter 2020, core capital according to the capital adequacy rules was NOK 729 (508) million. Mortgage loans are risk-weighted by 35 per cent in accordance with the authorities' capital adequacy regulations. KLP Boligkreditt AS had a core capital adequacy and capital adequacy ratio of 18.8 (18.8) percent at the end of the third quarter. The minimum statutory requirement is 14.5 per cent capital adequacy ratio. Leverage ratio was 6.5 (6.3) percent. The minimum statutory requirement is 3 percent.

SUMMARY OF PANDEMIC EFFECTS ON THE FINANCIAL STATEMENT

The market turmoil due to the pandemic, had a negative effect on the company's lending margins in the second quarter, but has since normalized in the third quarter. (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.

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

Trondheim, 28. October 2020

Aage Schaanning
Chair
(Sign.)

Aina Slettedal Eide
(Sign.)

Lill Stabell
(Sign.)

Kristian Lie-Pedersen
(Sign.)

Christopher A. Steen
Managing Director
(Sign.)

Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
	Interest income, amortised cost	46 416	49 511	161 037	141 159	194 889
	Interest income at fair value	1 171	1 390	5 492	3 880	6 712
3	Total interest income	47 587	50 901	166 529	145 039	201 602
	Interest expense, amortised cost	-18 158	-35 853	-102 852	-98 930	-138 568
3	Total interest costs	-18 158	-35 853	-102 852	-98 930	-138 568
3	Net interest income	29 429	15 048	63 677	46 109	63 033
15	Net gain/(loss) financial instruments	-11 098	-8 780	-17 053	-10 262	-11 837
	Total other operating income	-11 098	-8 780	-17 053	-10 262	-11 837
	Other operating expenses	-11 293	-10 740	-39 374	-33 021	-46 966
16	Net loan losses	76	-11	-128	-14	-16
	Total operating expenses	-11 217	-10 751	-39 502	-33 034	-46 982
	Operating profit/loss before tax	7 115	-4 483	7 122	2 812	4 215
	Tax ordinary income	-1 565	986	-412	-619	-927
	Profit for the period	5 550	-3 497	6 709	2 194	3 288
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	5 550	-3 497	6 709	2 194	3 288

Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	30.09.2020	30.09.2019	31.12.2019
ASSETS				
5	Loans to credit institutions	122 498	270 461	128 596
4,5	Loans to customers	10 572 289	7 167 019	7 337 524
5,6,14	Fixed-income securities	569 484	565 339	460 344
	Deffered tax assets	535	1 256	2 101
11	Other assets	24 325	2 624	1 891
	Total assets	11 289 130	8 006 699	7 930 456
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	130 002	802 571	387 157
5,7	Debt securities issued	10 418 159	6 677 455	7 027 380
12	Other liabilities	4 096	16 448	4 600
	Total liabilities	10 552 257	7 496 474	7 419 137
EQUITY				
	Share capital	330 000	220 000	220 000
	Share premium	380 463	270 463	270 463
	Other owners' eqyity	19 701	17 567	20 855
	Unallocated profit/loss	6 709	2 194	0
	Total owners' equity	736 873	510 224	511 318
	Total liabilities and equity	11 289 130	8 006 699	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	6 709	6 709
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	6 709	6 709
Group contribution received	0	0	4 093	4 093
Group contribution made	0	0	-4 093	-4 093
Tax on group contribution given 2019	0	0	-1 155	-1 155
Paid-up equity for the period	110 000	110 000	0	220 000
Total transactions with the owners	110 000	110 000	-1 155	218 845
Equity 30 September 2020	330 000	380 463	26 410	736 873
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	2 194	2 194
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	2 194	2 194
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 September 2019	220 000	270 463	19 761	510 224
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 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	161 960	139 241	191 298
Disbursements on loans customers & credit institutions	-6 079 345	-1 784 158	-2 915 755
Receipts on loans customers & credit institutions	2 820 608	1 859 024	2 809 417
Net receipts/disbursements on operations	-39 221	-35 641	-50 028
Net receipts/disbursements from operating activities	-1 071	2 004	2 636
Net interest investment accounts	812	1 676	2 305
Income tax paid	0	0	0
Net cash flow from operating activities	-3 136 256	182 146	39 873
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-474 641	-661 472	-665 584
Receipts on sale of securities	364 721	384 818	493 349
Receipts of interest from securities	5 955	3 726	6 616
Net cash flow from investment activities	-103 964	-272 928	-165 619
FINANCING ACTIVITIES			
Receipts on loans	5 500 000	2 000 000	2 000 000
Repayment and redemption of loans	-1 026 000	-1 744 000	-1 744 000
Payment for loan buybacks	-1 100 000	300 000	650 000
Net payment of interest on loans	-98 418	-94 596	-133 022
Receipts in internal funding	6 471 203	2 553 133	3 472 072
Repayment in internal funding	-6 728 081	-2 787 270	-4 121 474
Net payment of interest on internal funding	-4 817	-9 658	-12 160
Change in owners' equity	220 000	0	0
Group contribution paid	-1 155	-2 853	-2 853
Net cash flows from financing activities	3 232 733	214 756	108 563
Net cash flow during the period	-7 488	123 974	-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	115 850	264 495	123 338
Net receipts/disbursements of cash	-7 488	123 974	-17 183

Notes to the accounts

KLP BOLIGKREDITT AS

NOTE 1 General information

KLP Boligkreditt AS was formed on 30 October 2013. The company is a housing credit enterprise, and finance the activity primary through issuing covered bonds (OMF). KLP Boligkreditt AS is registered and domiciled in Norway. It's head office is at Beddingen 8 in Trondheim, with a branch office in Dronning Eufemiasgate 10, Oslo.

The company is a wholly owned subsidiary of KLP Banken AS which is in turn wholly owned by Kommunal Landspensjonskasse (KLP), 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 September 2020, specifying the earnings trend in Q3. 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	Q3 2020	Q3 2019	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
Interest income on loans to customers, amortised cost	46 280	48 935	159 904	139 406	192 584
Interest income on loans to credit institutions, amortised cost	136	575	1 132	1 753	2 305
Total interest income, amortised cost	46 416	49 511	161 037	141 159	194 889
Interest income on bonds and certificates, fair value	1 171	1 390	5 492	3 880	6 712
Total interest income	47 587	50 901	166 529	145 039	201 602
Interest expenses on debt to KLP Banken AS, amortised cost	-352	-3 449	-4 539	-9 453	-11 806
Interest expenses on issued securities, amortised cost	-17 806	-32 404	-98 313	-89 477	-126 762
Total interest costs	-18 158	-35 853	-102 852	-98 930	-138 568
Net interest income	29 429	15 048	63 677	46 109	63 033

NOTE 4 Loans to customers

NOK THOUSANDS	30.09.2020	30.09.2019	31.12.2019
Loans to customers before write-downs	10 565 340	7 158 527	7 328 032
Provisions and write-downs	-150	-20	-23
Loans to customers after write-downs	10 565 190	7 158 506	7 328 009
Premium/discount	139	619	499
Accrued interest	6 960	7 894	9 015
Loans to customers	10 572 289	7 167 019	7 337 524

NOTE 5 Categories of financial instruments

NOK THOUSANDS	30.09.2020		30.09.2019		31.12.2019	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS FAIR VALUE						
Fixed-income securities	569 484	569 484	565 339	565 339	460 344	460 344
Total financial assets fair value	569 484	569 484	565 339	565 339	460 344	460 344
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	122 498	122 498	270 461	270 461	128 596	128 596
Loans to and receivables from customers	10 572 289	10 572 289	7 167 019	7 167 019	7 337 524	7 337 524
Total financial assets at amortized cost	10 694 787	10 694 787	7 437 479	7 437 479	7 466 119	7 466 119
Total financial assets	11 264 271	11 264 271	8 002 818	8 002 818	7 926 463	7 926 463
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	130 002	130 002	802 571	802 571	387 157	387 157
Covered bonds issued	10 418 159	10 447 753	6 677 455	6 703 274	7 027 380	7 048 842
Total financial liabilities at amortized cost	10 548 161	10 577 755	7 480 026	7 505 845	7 414 537	7 435 999
Total financial liabilities	10 548 161	10 577 755	7 480 026	7 505 845	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.

Fair value of loans to and receivables from credit institutions

All receivables from credit institutions (bank deposits) are at variable interest rates. Fair value of these is considered virtually the same as book value since the contract terms are continuously changed in step with marked interest rates.

Fair value of liabilities to credit institutions

These transactions are valued using a valuation model, including relevant credit spread adjustments obtained from the market.

Liabilities created on issuance of covered bonds

Fair value in this category is determined on the basis of internal valuation models based on external observable data.

NOTE 6 Fair value hierarchy

30.09.2020 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	4 000	565 483	0	569 484
Total assets at fair value	4 000	565 483	0	569 484

30.09.2019 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	3 989	561 350	0	565 339
Total assets at fair value	3 989	561 350	0	565 339

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	30.09.2020	30.09.2019	31.12.2019
Bond debt, nominal amount	11 638 000	7 164 000	7 164 000
Adjustments	27 931	586	-583
Accrued interest	2 228	12 869	13 963
Own holdings, nominal amount	-1 250 000	-500 000	-150 000
Total debt securities issued	10 418 159	6 677 455	7 027 380

Interest rate on borrowings through the issuance of securities on the reporting date: 0.64 % 2.04 % 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 30.09.2020
Bond debt, nominal amount	7 164 000	5 500 000	-1 026 000	0	11 638 000
Adjustments	-583	0	0	28 514	27 931
Accrued interest	13 963	0	0	-11 735	2 228
Own holdings, nominal amount	-150 000	0	-1 100 000	0	-1 250 000
Total debt securities issued	7 027 380	5 500 000	-2 126 000	16 779	10 418 159

NOTE 8 Over-collateralisation

NOK THOUSANDS	30.09.2020	30.09.2019	31.12.2019
SECURITY POOL			
Loans to customers ¹	10 498 821	6 971 838	7 100 277
Additional collateral ²	1 919 565	1 077 976	583 587
Total security pool	12 418 386	8 049 815	7 683 864
Outstanding covered bonds incl. own funds and premium/discount	11 700 661	7 190 405	7 185 627
Coverage of the security pool	106.1%	112.0%	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

30.09.2020 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2021	130 000	2	130 002
Total liabilities to credit institutions		130 000	2	130 002

Interest rate on debt to credit institutions at the reporting date: 0.56 %

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

30.09.2019 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2020	200 101	137	200 237
Debt to KLP Banken AS	15.12.2020	50 000	34	50 034
Debt to KLP Banken AS	15.12.2020	144 710	99	144 809
Debt to KLP Banken AS	15.12.2020	144 056	39	144 095
Debt to KLP Banken AS	15.12.2020	143 259	98	143 357
Debt to KLP Banken AS	15.12.2020	120 016	22	120 038
Total liabilities to credit institutions		802 142	429	802 571

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.

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

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

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

NOTE 10 Transactions with related parties

NOK THOUSANDS	01.01.2020 -30.09.2020	01.01.2019 -30.09.2019	01.01.2019 -31.12.2019
KLP Banken AS, interest on borrowing	4 539	9 453	11 806
KLP Banken AS, interest on deposits	-123	0	0
KLP Banken AS, administrative services (at cost)	37 233	32 392	43 837
KLP Kapitalforvaltning AS, fees for services provided	12	13	17
KLP Group companies, subsidised interest employee loans	6 423	2 839	4 616
KLP Banken AS, purchase of loans	6 079 345	1 784 158	2 915 755

NOK THOUSANDS	30.09.2020	30.09.2019	31.12.2019
BALANCES			
KLP Banken AS, borrowing Group current liabilities	-130 002	-802 571	-387 157
KLP Banken AS, deposit	100 123	0	0
KLP Banken AS, net internal liabilities	22 174	-13 003	257
Net outstanding accounts to:			
KLP Banken AS	-4 096	-3 445	-3 370
KLP	1 212	766	1 082
KLP Group companies, net other internal accounts	697	418	551

There are no direct salary cost in KLP Boligkreditt AS. Personnel costs (administrative services) are allocated from KLP Banken AS.

Transactions with related parties are carried out at general market terms, with the exception of the Company's share of common functions, which is allocated at cost. Allocation is based on actual use. All internal receivables are settled as they arise.

OTE 11 Other assets

NOK THOUSANDS	30.09.2020	30.09.2019	31.12.2019
Intercompany receivables	24 083	1 184	1 891
Prepaid expenses	242	1 440	0
Total other assets	24 325	2 624	1 891

NOTE 12 Other liabilities and provision for accrued costs and liabilities

NOK THOUSANDS	30.09.2020	30.09.2019	31.12.2019
Creditors	0	0	75
Intercompany payables	4 096	16 448	3 370
Tax payable	0	0	1 155
Total other liabilities	4 096	16 448	4 600

NOTE 13 Capital adequacy

NOK THOUSANDS	30.09.2020	30.09.2019	31.12.2019
Share capital and share premium fund	710 463	490 463	490 463
Other owners' equity	20 855	17 567	20 855
Total owners' equity	731 318	508 031	511 318
Interim Profit qualifying for tier 1 capital	0	2 194	0
Adjustments due to requirements for proper valuation	-569	-565	-460
Deferred tax asset	-2 101	-1 874	-2 101
Core capital/Tier 1 capital	728 648	507 785	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)	728 648	507 785	508 756
Capital requirement	310 501	216 558	220 068
Surplus of own funds (Tier 1 and Tier 2 capital)	418 147	291 228	288 688
Estimate basis credit risk:			
Institutions	29 177	54 617	25 719
Investments with mortgage security in real estate	3 700 301	2 508 457	2 568 133
Covered bonds	56 548	56 135	45 635
Other holdings	939	0	1 890
Calculation basis credit risk	3 786 965	2 619 209	2 641 378
Credit risk	302 957	209 537	211 310
Operating risk	7 544	7 021	8 758
Total capital requirement assets	310 501	216 558	220 068
Core capital adequacy ratio	18.8 %	18.8 %	18.5 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	18.8 %	18.8 %	18.5 %
Leverage ratio	6.5 %	6.3 %	6.4 %

CAPITAL REQUIREMENT PER 30.09.2020	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	30.09.2020		30.09.2019		31.12.2019	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	4 000	4 000	3 988	3 989	3 989	3 992
Bonds	565 584	565 483	560 738	561 350	456 195	456 352
Total fixed-income securities	569 585	569 484	564 726	565 339	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	01.01.2019	01.01.2019
	-30.09.2020	-30.09.2019	-31.12.2019
Net gain/(loss) on fixed-income securities	-298	186	-325
Net gain/(loss) financial derivatives and realized repurchase of own debt	-16 755	-10 448	-11 512
Total net gain/(loss) financial instruments	-17 053	-10 262	-11 837

NOTE 16 Loan loss provision

There have been no changes in neither PD-models nor in the macro scenarios in third quarter 2020. The loan loss provisions are reduced in third quarter, related to matters in individual loans. As the expected losses in the portfolio are small, changes in individual loans can have a large percentage effect on the loan loss provisions, which is the case in this quarter.

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

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
EXPECTED CREDIT LOSS (ECL) - LOANS TO CUSTOMERS, AMORTISED COST				
Opening balance ECL 01.01.2020	23	0	0	23
Transfers to stage 1	0	0	0	0
Transfers to stage 2	0	0	0	0
Transfers to stage 3	0	0	0	0
Net changes	44	4	0	47
New losses	65	17	0	82
Write-offs	-3	0	0	-3
Change in risk model	0	2	0	2
Closing balance ECL 30.09.2020	128	23	0	151
Changes (01.01.2020-30.09.2020)	105	23	0	128

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	-204 504	5 283	0	-199 221
New lending	4 827 389	101 871	0	4 929 259
Write-offs	-1 491 622	-3 163	0	-1 494 785
Gross lending 30.09.2020	10 461 837	110 464	0	10 572 301

Quarterly earnings trend

NOK MILLIONS	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Interest income	47.6	53.6	65.3	56.6	50.9
Interest expense	-18.2	-39.4	-45.3	-39.6	-35.9
Net interest income	29.4	14.2	20.0	16.9	15.0
Net gain/ (loss) financial instruments	-11.1	-2.0	-3.9	-1.6	-8.8
Total other operating income	-11.1	-2.0	-3.9	-1.6	-8.8
Other operating expenses	-11.2	-16.1	-12.2	-13.9	-10.8
Total operating expenses	-11.2	-16.1	-12.2	-13.9	-10.8
Operating profit/loss before tax	7.1	-3.9	3.9	1.4	-4.5
Tax ordinary income	-1.6	0.9	0.3	-0.3	1.0
Profit for the period	5.5	-3.0	4.2	1.1	-3.5

Key figures accumulated

NOK MILLIONS	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Pre-tax income	7.1	0.0	3.9	4.2	2.8
Net interest income	63.7	34.2	20.0	63.0	46.1
Other operating expenses	-39.5	-28.3	-12.2	-47.0	-33.0
Net gain/ (loss) financial instruments	-17.1	-6.0	-3.9	-11.8	-10.3
Housing mortgage lending	10 572.3	10 274.7	9 997.6	7 337.5	7 167.0
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	10 418.2	10 383.8	9 034.2	7 027.4	6 677.5
Other borrowing	130.0	65.1	884.1	387.2	802.6
Total assets	11 289.1	11 086.7	10 558.3	7 930.5	8 006.7
Average total assets	9 609.8	9 508.6	9 244.4	7 799.7	7 837.9
Equity	736.9	631.3	634.4	511.3	510.2
Interest net	0.66 %	0.36 %	0.22 %	0.81 %	0.59 %
Profit/loss from ordinary operation before taxes	0.07 %	0.00 %	0.04 %	0.05 %	0.04 %
Return on equity	1.86 %	0.00 %	3.05 %	0.96 %	1.29 %
Capital adequacy ratio	18.8 %	16.6 %	17.1 %	18.5 %	18.8 %
Liquidity coverage ratio (LCR)	1 134 %	2 711 %	1 378 %	775 %	5 655 %



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