

KLP



Interim report

KLP BOLIGKREDITT AS
Q2 2021

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KLP BOLIGKREDITT AS

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Interim Financial Statement

KLP BOLIGKREDITT AS

Main features the first half year:

- Increased loan balance
- Positive P&L
- 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.

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 53.2 (34.2)¹ million. The positive development is mainly due to lower borrowing costs in the financial markets, as well as increased lending volumes.

Operating expenses in the period amounted to NOK -31.9 (-28.1) million. In addition to ordinary inflation, the change is due to an increased proportion of mortgage loans in KLP Banken AS being purchased by the company.

The Company has not had any credit losses and have minimal loan loss provisions.

The pre-tax profit at the end of the second quarter was NOK 17.4 (0.0) million. The change in earnings is mainly related to increased margins and lending volume more than compensating cost increase.

LENDING

The Company's loans to customers as of 30 June 2021 amounted to NOK 11.6 (10.3) billion. The Company has purchased loans from the parent company KLP Banken AS amounting to NOK 3.0 (4.7) billion during the first half year period. Repayments and redemptions amount to NOK 2.2 (1.7) billion during the period. Total assets were NOK 13.0 (11.1) 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 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 of 30 June 2021, the securities portfolio's market value was NOK 1 029 (569) million. The net loss associated with realized and unrealized market value changes in the securities portfolio amounted to NOK -0.2 (-0.7) million.

BORROWING

The Company's borrowing comprises of covered bonds as well as borrowing from its parent company. Outstanding intercompany debt amounted to NOK 0.6 (0.1) billion at the end of the quarter. Covered bond debt was NOK 11.6 (10.4) billion. New covered bonds issued in the first half year period amounts to NOK 2.5 (4.5) billion.

The Company regularly 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 -3.6 (-5.2) 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 2021, core capital according to the capital adequacy rules was NOK 745 (629) 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 (16.6) 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 (5.7) percent. The minimum statutory requirement is 3 percent.

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

FUTURE PROSPECTS

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 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 by reducing the KLP Banken Group's borrowing costs and thus be an important contributor to the financing of home loans to KLP's members.

Trondheim, 12 August 2021

Aage Schaanning
Chair

Aina Slettedal Eide

Lill Stabell

Kristian Lie-Pedersen

Christopher A. Steen
Managing Director

Income statement

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	Q2 2021	Q2 2020	01.01.2021 -30.06.2021	01.01.2020 -30.06.2020	01.01.2020 -31.12.2020
	Interest income, effective interest method	46 322	51 979	92 888	114 621	209 790
	Other interest income	1 240	1 644	2 347	4 322	6 735
3	Total interest income	47 561	53 623	95 236	118 942	216 525
	Interest expenses, effective interest method	-21 212	-39 413	-42 036	-84 695	-118 398
3	Total interest costs	-21 212	-39 413	-42 036	-84 695	-118 398
3	Net interest income	26 349	14 210	53 199	34 247	98 127
15	Net gain/(loss) financial instruments	-1 778	-2 032	-3 834	-5 956	-20 114
	Total other operating income	-1 778	-2 032	-3 834	-5 956	-20 114
	Other operating expenses	-16 280	-15 892	-31 947	-28 081	-58 817
16	Net loan losses	0	-176	14	-203	-2
	Total operating expenses	-16 280	-16 069	-31 934	-28 285	-58 819
	Operating profit/loss before tax	8 291	-3 890	17 431	7	19 194
	Tax ordinary income	-1 824	856	-2 465	1 153	-3 068
	Profit for the period	6 467	-3 034	14 966	1 160	16 126
	Other comprehensive income for the period	0	0	0	0	0
	Comprehensive income for the period	6 467	-3 034	14 966	1 160	16 126

Balance sheet

KLP BOLIGKREDITT AS

NOTE	NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
ASSETS				
5	Loans to credit institutions	308 057	223 346	129 852
4,5	Loans to customers	11 627 503	10 274 740	10 823 740
5,6,14	Fixed-income securities	1 028 733	568 600	518 860
	Deffered tax assets	0	2 100	0
11	Other assets	9 271	17 885	3 239
Total assets		12 973 564	11 086 671	11 475 690
LIABILITIES AND OWNERS EQUITY				
LIABILITIES				
5,9	Debt to credit institutions	640 063	65 097	103 373
5,7	Debt securities issued	11 562 464	10 383 825	10 616 951
	Deffered tax liabilities	752	0	2 122
12	Other liabilities	10 399	6 398	6 955
12	Provision for accrued costs and liabilities	0	28	0
Total liabilities		12 213 677	10 455 348	10 729 400
EQUITY				
	Share capital	330 000	280 000	330 000
	Share premium	380 463	330 463	380 463
	Other owners' eqyity	34 457	19 701	35 827
	Unallocated profit/loss	14 966	1 160	0
Total owners' equity		759 886	631 323	746 290
Total liabilities and equity		12 973 564	11 086 671	11 475 690

Statement of changes in equity

KLP BOLIGKREDITT AS

2021 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2021	330 000	380 463	35 827	746 290
Profit for the period	0	0	14 966	14 966
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	14 966	14 966
Group contribution received	0	0	4 857	4 857
Group contribution made	0	0	-6 227	-6 227
Total transactions with the owners	0	0	-1 370	-1 370
Equity 30 June 2021	330 000	380 463	49 423	759 886
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	-5 248	-5 248
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
2020 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Equity 1 January 2020	220 000	270 463	20 855	511 318
Income for the year	0	0	16 126	16 126
Other comprehensive income	0	0	0	0
Total comprehensive income for the period	0	0	16 126	16 126
Group contribution received	0	0	4 093	4 093
Group contribution made	0	0	-5 248	-5 248
Paid-up equity in the period	110 000	110 000	0	220 000
Total transactions with the owners	110 000	110 000	-1 155	218 845
Equity 31 December 2020	330 000	380 463	35 827	746 290

Statement of cash flow

KLP BOLIGKREDITT AS

NOK THOUSANDS	01.01.2021 -30.06.2021	01.01.2020 -30.06.2020	01.01.2020 -31.12.2020
OPERATING ACTIVITIES			
Payments received from customers - interest, commission & charges	93 237	115 816	210 047
Disbursements on loans customers & credit institutions	-3 044 667	-4 673 896	-7 459 189
Receipts on loans customers & credit institutions	2 234 548	1 719 202	3 970 442
Disbursements on operations	-32 637	-25 796	-55 622
Net receipts/disbursements from operating activities	-7 468	-5 348	-2 933
Net interest investment accounts	279	684	1 268
Net cash flow from operating activities	-756 708	-2 869 338	-3 335 985
INVESTMENT ACTIVITIES			
Payments on the purchase of securities	-578 253	-248 860	-629 585
Receipts on sale of securities	68 348	139 341	570 298
Receipts of interest from securities	2 112	4 832	7 188
Net cash flow from investment activities	-507 793	-104 687	-52 100
FINANCING ACTIVITIES			
Receipts on loans from credit institutions	2 500 000	4 500 000	6 000 000
Repayment and redemption of loans	-1 983 000	-846 000	-1 127 457
Change in buyback of securities debt	430 779	-300 000	-1 284 000
Net payment of interest on loans	-45 217	-83 482	-131 794
Receipts in internal funding	3 384 325	4 979 167	8 335 579
Repayment in internal funding	-2 847 723	-5 300 977	-8 619 111
Net payment of interest on internal funding	-2 568	-4 437	-5 652
Change in owners' equity	0	120 000	220 000
Group contribution paid	-1 370	-1 155	-1 155
Net cash flows from financing activities	1 435 226	3 063 116	3 386 410
Net cash flow during the period	170 725	89 091	-1 676
Cash and cash equivalents at the start of the period	121 661	123 338	123 338
Cash and cash equivalents at the end of the period	292 386	212 429	121 661
Net receipts/disbursements of cash	170 725	89 091	-1 676

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 2021 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 2021

Aage Schaanning
Chair

Aina Slettedal Eide

Lill Stabell

Kristian Lie-Pedersen

Christopher A. Steen
Managing Director

Notes to the accounts

KLP BOLIGKREDITT AS

NOTE 1 General information

KLP Boligkreditt AS was formed on 30 October 2013. The company is a housing credit enterprise, and finance the activity primary through issuing covered bonds (OMF).

KLP Boligkreditt AS is registered and domiciled in Norway. It's head office is at Beddingen 8 in Trondheim, with a branch office in Dronning Eufemiasgate 10, Oslo.

The company is a wholly owned subsidiary of KLP Banken AS which is in turn wholly owned by Kommunal Landspensjonskasse (KLP). KLP is a mutual insurance company.

NOTE 2 Accounting principles

The interim report includes the interim Financial Statements of KLP Boligkreditt AS for the period 1 January 2021 – 30 June 2021, 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".

Other accounting principles and calculations are the same in the interim financial statement as in the annual report for 2020, please see the annual report for further information.

NOTE 3 Net interest income

NOK THOUSANDS	Q2 2021	Q2 2020	01.01.2021 -30.06.2021	01.01.2020 -30.06.2020	01.01.2020 -31.12.2020
Interest income on loans to customers	46 189	51 927	92 600	113 624	208 521
Interest income on loans to credit institutions	133	52	288	996	1 269
Total interest income, effective interest method	46 322	51 979	92 888	114 621	209 790
Interest income on bonds and certificates	1 240	1 644	2 347	4 322	6 735
Total interest income	47 561	53 623	95 236	118 942	216 525
Interest expenses on debt to KLP Banken AS	-1 417	-1 018	-2 656	-4 187	-5 399
Interest expenses on issued securities	-19 795	-38 395	-39 380	-80 508	-112 998
Total interest expenses, effective interest method	-21 212	-39 413	-42 036	-84 695	-118 398
Net interest income	26 349	14 210	53 199	34 247	98 127

NOTE 4 Loans to customers

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
Loans to customers before write-downs	11 620 663	10 267 884	10 816 200
Provisions and write-downs	-11	-226	-24
Loans to customers after write-downs	11 620 652	10 267 658	10 816 176
Premium/discount	0	259	74
Accrued interest	6 851	6 823	7 489
Loans to customers	11 627 503	10 274 740	10 823 740

NOTE 5 Categories of financial instruments

NOK THOUSANDS	30.06.2021		30.06.2020		31.12.2020	
	Capitalized value	Fair value	Capitalized value	Fair value	Capitalized value	Fair value
FINANCIAL ASSETS FAIR VALUE						
Fixed-income securities	1 028 733	1 028 733	568 600	568 600	518 860	518 860
Total financial assets fair value	1 028 733	1 028 733	568 600	568 600	518 860	518 860
FINANCIAL ASSETS AT AMORTIZED COST						
Loans to and receivables from credit institutions	308 057	308 057	223 346	223 346	129 852	129 852
Loans to and receivables from customers	11 627 503	11 627 503	10 274 740	10 274 740	10 823 740	10 823 740
Total financial assets at amortized cost	11 935 560	11 935 560	10 498 087	10 498 087	10 953 592	10 953 592
Total financial assets	12 964 292	12 964 292	11 066 686	11 066 686	11 472 452	11 472 452
FINANCIAL LIABILITIES AT AMORTIZED COST						
Liabilities to credit institutions	640 063	640 063	65 097	65 097	103 373	103 373
Covered bonds issued	11 562 464	11 610 628	10 383 825	10 408 401	10 616 951	10 655 078
Total financial liabilities at amortized cost	12 202 527	12 250 691	10 448 922	10 473 499	10 720 324	10 758 450
Total financial liabilities	12 202 527	12 250 691	10 448 922	10 473 499	10 720 324	10 758 450

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. The prices are compared with the prices from Nordic Bond Pricing 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

30.06.2021 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	4 000	1 024 733	0	1 028 733
Total assets at fair value	4 000	1 024 733	0	1 028 733

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

31.12.2020 NOK THOUSANDS	Level 1	Level 2	Level 3	Total
ASSETS BOOKED AT FAIR VALUE				
Fixed-income securities	4 000	514 860	0	518 860
Total assets at fair value	4 000	514 860	0	518 860

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

LEVEL 1:

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

LEVEL 2:

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

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

LEVEL 3:

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

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

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

NOTE 7 Debt securities issued - stock exchange listed covered bonds and certificates

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
Bond debt, nominal amount	12 535 000	10 818 000	12 018 000
Adjustments	25 661	10 957	30 743
Accrued interest	1 803	4 868	2 208
Own holdings, nominal amount	-1 000 000	-450 000	-1 434 000
Total debt securities issued	11 562 464	10 383 825	10 616 951

Interest rate on borrowings through the issuance of securities on the reporting date: 0.53 % 0.78 % 0.64 %

The interest rate is calculated as a weighted average of the act/360 basis. It includes interest rate effects and amortization costs.

NOK THOUSANDS	Balance sheet 31.12.2020	Issued	Matured/ redeemed	Other adjustments	Balance sheet 30.06.2021
Bond debt, nominal amount	12 018 000	2 500 000	-1 983 000	0	12 535 000
Adjustments	30 743	0	0	-5 082	25 661
Accrued interest	2 208	0	0	-405	1 803
Own holdings, nominal amount	-1 434 000	0	434 000	0	-1 000 000
Total debt securities issued	10 616 951	2 500 000	-1 549 000	-5 487	11 562 464

NOTE 8 Over-collateralisation

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
SECURITY POOL			
Loans to customers ¹	11 458 466	10 155 410	10 800 414
Additional collateral ²	1 311 573	1 218 080	2 060 109
Total security pool	12 770 039	11 373 490	12 860 524
Outstanding covered bonds incl. own funds and premium/discount	11 610 628	10 843 591	12 092 108
Coverage of the security pool	110.0%	104.9%	106.4%

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

30.06.2021 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2022	231 528	62	231 590
Debt to KLP Banken AS	15.12.2022	408 418	54	408 473
Total liabilities to credit institutions		639 947	116	640 063

Interest rate on debt to credit institutions at the reporting date: 0.60%

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

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.

31.12.2020 NOK THOUSANDS				
	Due date	Nominal	Accrued interest	Book value
Debt to KLP Banken AS	15.12.2022	103 345	28	103 373
Total liabilities to credit institutions		103 345	28	103 373

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

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

NOTE 10 Transactions with related parties

NOK THOUSANDS	01.01.2021 -30.06.2021	01.01.2020 -30.06.2020	01.01.2020 -31.12.2020
KLP Banken AS, interest on borrowing	2 656	4 187	5 399
KLP Banken AS, interest on deposits	-279	0	-267
KLP Banken AS, administrative services (at cost)	30 787	26 299	54 387
KLP Kapitalforvaltning AS, fees for services provided	9	12	20
KLP Group companies, subsidised interest employee loans	3 688	4 358	8 584
KLP Banken AS, purchase of loans	3 044 667	4 673 896	7 459 189

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
BALANCES			
KLP Banken AS, borrowing Group current liabilities	-640 063	-65 097	-103 373
KLP Banken AS, deposit	100 546	0	100 267
KLP Banken AS, net internal liabilities	6 979	15 543	1 262
Net outstanding accounts to:			
KLP Banken AS	-5 347	-5 412	-6 889
KLP	1 120	1 195	1 281
KLP Group companies, net other internal accounts	564	664	696

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

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

NOTE 11 Other assets

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
Intercompany receivables	8 662	17 401	3 239
Prepaid expenses	609	484	0
Total other assets	9 271	17 885	3 239

NOTE 12 Other liabilities and provision for accrued costs and liabilities

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
Creditors	1 216	986	66
Intercompany payables	5 347	5 412	6 889
Other liabilities	3 835	0	0
Total other liabilities	10 399	6 398	6 955
VAT	0	28	0
Total accrued costs and liabilities	0	28	0

NOTE 13 Capital adequacy

NOK THOUSANDS	30.06.2021	30.06.2020	31.12.2020
Share capital and share premium fund	710 463	610 463	710 463
Other owners' equity	35 827	20 855	35 827
Total owners' equity	746 290	631 318	746 290
Adjustments due to requirements for proper valuation	-1 029	-569	-519
Deferred tax asset	0	-2 101	0
Core capital/Tier 1 capital	745 261	628 649	745 771
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)	745 261	628 649	745 771
Capital requirement	347 986	303 686	318 069
Surplus of own funds (Tier 1 and Tier 2 capital)	397 275	324 962	427 702
Estimate basis credit risk:			
Institutions	63 231	48 017	26 479
Investments with mortgage security in real estate	4 069 626	3 596 159	3 788 309
Covered bonds	102 473	56 460	51 486
Other holdings	1 173	1 148	696
Calculation basis credit risk	4 236 503	3 701 784	3 866 970
Credit risk	338 920	296 143	309 358
Operating risk	9 066	7 544	8 711
Total capital requirement assets	347 986	303 686	318 069
Core capital adequacy ratio	17.1 %	16.6 %	18.8 %
Supplementary capital ratio	0.0 %	0.0 %	0.0 %
Capital adequacy ratio	17.1 %	16.6 %	18.8 %
Leverage ratio	5.7 %	5.7 %	6.5 %

CAPITAL REQUIREMENT PER 30.06.2021	Core capital/ Tier 1 capital	Supplementary capital/Tier 2 capital	Own funds
Minimum requirement excl. buffers	4.5 %	3.5 %	8.0 %
Protective buffer	2.5 %	0.0 %	2.5 %
Systemic risk buffer	3.0 %	0.0 %	3.0 %
Counter-cyclical capital buffer	1.0 %	0.0 %	1.0 %
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	30.06.2021		30.06.2020		31.12.2020	
	Acquisition cost	Market value	Acquisition cost	Market value	Acquisition cost	Market value
Certificates	4 000	4 000	4 000	3 999	4 000	4 000
Bonds	1 024 335	1 024 733	564 905	564 600	514 855	514 860
Total fixed-income securities	1 028 335	1 028 733	568 905	568 600	518 855	518 860

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	Q2 2021	Q2 2020	01.01.2021 -30.06.2021	01.01.2020 -30.06.2020	01.01.2020 -31.12.2020
Net gain/(loss) on fixed-income securities	-538	1 525	-250	-740	-290
Net gain/(loss) financial derivatives and realized repurchase of own debt	-1 240	-3 557	-3 584	-5 216	-19 824
Total net gain/(loss) financial instruments	-1 778	-2 032	-3 834	-5 956	-20 114

NOTE 16 Loan loss provision

In the second quarter of 2021 the bank has made some minor adjustments in the expected loss model, but the level of loan loss provisions has not changed substantially, compared to the first quarter of 2021.

As the loan loss provisions in the portfolio are small, changes in individual loans can have a large percentage effect on the loan loss provisions, which is the case in this quarter.

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

NOK THOUSANDS	12-month ECL stage 1	Lifetime ECL not credit impaired stage 2	Lifetime ECL credit impaired stage 3	Total
EXPECTED CREDIT LOSS (ECL) - LOANS TO CUSTOMERS, AMORTIZED COST				
Opening balance ECL 01.01.2021	22	3	0	25
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	0	0	-8
New losses	4	0	0	4
Write-offs	-6	-2	0	-8
Change in risk model	0	0	0	0
Closing balance ECL 30.06.2021	10	1	0	11
Changes (01.01.2021-30.06.2021)	-11	-2	0	-14

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 - AMORTIZED COST				
Gross lending 01.01.2021	10 722 112	101 578	0	10 823 690
Transfers to stage 1	7 945	-7 945	0	0
Transfers to stage 2	-2 117	2 117	0	0
Transfers to stage 3	0	0	0	0
Net changes	-266 277	-1 207	0	-267 484
New lending	2 690 237	0	0	2 690 237
Write-offs	-1 602 627	-16 302	0	-1 618 929
Gross lending 30.06.2021	11 549 272	78 242	0	11 627 514

Quarterly earnings trend

NOK MILLIONS	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Interest income	47.6	47.7	50.0	47.6	53.6
Interest expense	-21.2	-20.8	-15.5	-18.2	-39.4
Net interest income	26.3	26.9	34.5	29.4	14.2
Net gain/ (loss) financial instruments	-1.8	-2.1	-3.1	-11.1	-2.0
Total other operating income	-1.8	-2.1	-3.1	-11.1	-2.0
Other operating expenses	-16.3	-15.7	-19.3	-11.2	-16.1
Total operating expenses	-16.3	-15.7	-19.3	-11.2	-16.1
Operating profit/loss before tax	8.3	9.1	12.1	7.1	-3.9
Tax ordinary income	-1.8	-0.6	-2.7	-1.6	0.9
Profit for the period	6.5	8.5	9.4	5.5	-3.0

Key figures accumulated

NOK MILLIONS	Q2 2021	Q1 2021	Q4 2020	Q3 2020	Q2 2020
Pre-tax income	17.4	9.1	19.2	7.1	0.0
Net interest income	53.2	26.9	98.1	63.7	34.2
Other operating expenses	-31.9	-15.7	-58.8	-39.5	-28.3
Net gain/ (loss) financial instruments	-3.8	-2.1	-20.1	-17.1	-6.0
Housing mortgage lending	11 627.5	12 055.3	10 823.7	10 572.3	10 274.7
Non-performing loans	0.0	0.0	0.0	0.0	0.0
Total liabilities created on issuance of securities	11 562.5	10 395.4	10 617.0	10 418.2	10 383.8
Other borrowing	640.1	1 571.8	103.4	130.0	65.1
Total assets	12 973.6	12 730.4	11 475.7	11 289.1	11 086.7
Average total assets	12 224.6	12 103.1	9 703.1	9 609.8	9 508.6
Equity	759.9	753.4	746.3	736.9	631.3
Interest net	0.44 %	0.22 %	1.01 %	0.66 %	0.36 %
Profit/loss from ordinary operation before taxes	0.14 %	0.08 %	0.20 %	0.07 %	0.00 %
Return on equity	4.67 %	2.34 %	3.75 %	1.86 %	0.00 %
Capital adequacy ratio	17.1 %	16.9 %	18.8 %	18.8 %	16.6 %
Liquidity coverage ratio (LCR)	5 138 %	7 506 %	68 894 %	1 134 %	2 711 %



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