

Annual report 2023

KLP Banken AS/KLP Banken Group



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KLP Banken AS/KLP Banken Group

Annual Report for 2023

The year 2023 was a very good year for the KLP Banken Group, with a profit before tax of NOK 285 million. Lending growth is, however, significantly reduced as a result of market conditions, but the overall result reflects the desired long-term development.

About KLP Banken

KLP Banken AS is wholly owned by Kommunal Landspensjonskasse gjensidig forsikringsselskap (KLP), and has its head office in Trondheim. KLP Banken AS has two subsidiaries, KLP Kommunekreditt AS and KLP Boligkreditt AS, which are part of the KLP Banken Group. The operations of the KLP Banken Group are divided into two nationwide business areas: the retail market and the public-sector market.

The KLP Banken Group offers simple and competitive banking products and services combined with good digital solutions to set up and manage them. In this way, the Bank also aims to reinforce the perception that businesses which have chosen KLP as a pension provider are attractive employers. Employees in these companies, together with pensioners, make up almost 70 per cent of the KLP Banken Group's retail customer base.

The KLP Banken Group's presence in the market for loans to public sector enterprises contributes to competition and provides the target group of municipalities, county authorities and businesses with public guarantees with access to favourable long-term financing. The Bank also provides guidance to customers within financing and municipal finance.

The KLP Banken Group aims to be a major lender and financial partner for KLP's owners, and strengthen the KLP Group's membership investments by offering banking products and services at competitive terms.

Economic development 2023 - KLP Banken Group

Profit (NOK millions)	2023	2022	Change
Profit before tax	285.4	180.5	105.0
Profit for the year after tax	257.1	174.3	82.7
Net interest income	464.7	368.7	96.1

Balance sheet (NOK billions)	2023	2022	Change
Loan payments for the year including managed loans	15.8	17.3	-1.5
Loans on the bank group's balance sheet	42.9	42.4	0.5
Loans managed for KLP	82.1	78.5	3.5

INCOME STATEMENT

The profit contribution from the two business areas is NOK 199.4 (107.7)¹ million from the retail market and NOK 86.0 (72.8) million from the public-sector market.

The KLP Banken Group's return on equity was 9.6 (7.0) per cent before tax and 8.7 (6.7) per cent after tax.

The loan balance in the KLP Banken Group increased by NOK 0.4 (2.4) billion in 2023. This figure includes growth in mortgages of NOK 0.6 (1.1) billion and in public loans of NOK -0.2 (1.3) billion. Loans managed for KLP increased by NOK 3.5 (-1.6) billion in 2023.

Money market rates, and hence general interest rates, continued to increase in 2023. The KLP Banken Group has increased lending rates in line with market developments to compensate for increasing borrowing costs. On average, the Bank, however, has increased lending rates significantly less than Norges Bank's key interest rate in 2023. The generally increased interest rate level is a major reason for higher net interest income, in that lending financed with equity has produced higher returns compared to last year.

In the Bank's lending to the public-sector market, margins have come down compared to last year and have generally been similar to a normal year. In the retail market, lending margins are little changed. Total net interest income increased by 26 (19) per cent compared to the previous year, and 76 (71) per cent of the KLP Banken Group's net interest income in 2023 came from the retail market.

Profit/loss effects from changes in value on financial instruments turned from negative to positive in 2023. The main reason for this is that the value of the Bank's liquidity investments has risen. Accounting effects from buy-backs of issued loans are at around the same level as the previous year.

The accounting item for net profit/loss on financial instruments includes the effects of changes in the value of securities and buy-back of borrowings, in addition to the effects of changes to pension estimates and changes in the value of loans. In all, financial instruments contributed income totalling NOK 2.5 (-26.3) million in the financial year.

The KLP Banken Group charges fees for some of its banking services. Changes in the Bank's earnings from fees mainly follow changes in the volume of outstanding credit in the retail market. Slightly higher lending volume, adjustments to annual fees on debit cards, and income from increased credit card usage caused net fees and commission income to rise to NOK 27.9 (26.9) million in 2023.

Total operating costs and depreciation amounted to NOK 270.1 (246.7) million in 2023. This produced an increase in costs of 10 (4) per cent. The change over and above normal cost growth is mainly related to increased costs for IT operations and digitisation projects.

Loss provisions are calculated on loans in both business areas; see Note 10.

Individual losses and loss provisions on loans and other credit are all related to lending in the retail market, while the public-sector market did not see any individual loan losses in 2023.

Losses and loss provisions taken to profit/loss were NOK 0.9 (0.3) million in the financial year. Capitalised loan loss provisions were NOK 6.2 (5.5) million. Of this, Step 3 accounted for write-downs of NOK 1.5 (1.0) million and Steps 1 and 2 totalled NOK 4.7 (4.5) million. The Bank's losses are at a very low level and the Board of Directors believes that the loss provisions are sufficient.

TOTAL LOAN MANAGEMENT

The KLP Banken Group manages a total loan portfolio of NOK 122.4 (118.6) billion for KLP and on its own balance sheet. Outstanding loans (principal) per company in the KLP Banken Group as at 31.12.2023:

Company / NOK billions	Mortgages	Public/commercial	Total loans
KLP Banken AS (parent)	11.1	-	11.1
KLP Boligkreditt AS	12.7	-	12.7
KLP Kommunekreditt AS	-	18.9	18.9
KLP (Management agreement)	2.8	77.0	79.8
Total	26.6	95.9	122.4

Drawn credit on credit cards comes in addition to mortgages in the retail market.

Some of the managed loans to the public-sector market are pure management assignments for KLP, whereby the conclusion of loan agreements, documentation and follow-up are handled by the principal. For the other management assignments the KLP Banken Group also has a responsibility for offers, contracts and loan documentation under its mandate from KLP.

RETAIL MARKET

Customers

The KLP Banken Group has a total of nearly 52,500 (48,800) active retail customers. The table below shows the breakdown by numbers of customers actively using the Bank's products (one customer may use one or more products).

	Number 2023	Share of members 2023	Number 2022	Share of members 2022
Deposits	51,268	67 %	47,434	69 %
Lending	14,923	79 %	14,965	80 %
Credit cards	5,622	85 %	5,061	86 %
Total customers	52,488	67 %	48,804	69 %
Number of members	35,390		33,515	
Number of non-members	17,098		15,289	

1 Figures in brackets refer to the previous year.

Overall customer growth in 2023 amounts to 7.5 per cent.

Products

The KLP Banken Group offers a full range of standard banking products and services in the retail market, with most of the revenue coming from mortgages and deposits. The mortgage products include ordinary mortgages, flexiloans, mortgages for young people, bridging finance for house purchases, loans for holiday homes, and senior loans.

The deposit products in the retail market are current accounts and savings accounts with varying purposes and conditions, including savings for young people to buy a home (BSU). The Bank also has deposits in share savings accounts for retail customers who are saving in KLP funds. The Bank also offers debit and credit cards and other payment solutions. Most retail customers use self-service through mobile and online banking, but they can also contact the Bank through different channels when they need to.

The KLP Banken Group aims to help customers make sustainable choices. The Bank therefore offers green mortgages to members of KLP who have energy-friendly homes, or who choose to take measures to improve their energy efficiency. At the end of 2023, green loans amounted to NOK 1.6 billion, equivalent to 6 per cent of the Bank's total lending portfolio in the retail market.

Lending

In 2023, the KLP Group's mortgage portfolios grew from NOK 26.1 billion to NOK 26.6 billion. That represents a net growth of 1.7 (4.3) per cent. Gross new payments totalled NOK 7.7 (8.7) billion. Mortgages are secured using cautious valuations whereby all borrowers are assessed with respect to solvency and willingness to pay before a loan is approved. Fixed-interest loans accounted for 7 (8) per cent of outstanding loans at year-end. Other loans were at floating interest rates.

The KLP Banken Group's outstanding mortgages in the retail market totalled NOK 23.7 (23.2) billion at the end of 2023.

At the end of 2023, the mortgage portfolios in the KLP Banken Group had an average loan-to-value ratio (LTV - debt as a percentage of the estimated property value) of 57 (54) per cent.

At year-end, outstanding debt on credit cards issued by the Bank was NOK 44.4 (43.0) million. Although credit card usage has picked up in recent years, the level of credit has remained relatively stable.

Loans more than 90 days past due amounted to NOK 28.2 (25.5) million at the end of the year. That represents 0.12 (0.11) per cent of the KLP Banken Group's total lending in the retail market. Both defaults and losses are therefore at a stable low level compared to most other banks.

KLP's own customer satisfaction survey shows a solid score of 76 for the Bank's retail customers in 2023, which is high in an industry context.

PUBLIC-SECTOR MARKET

Lending

Loans to the public sector are provided by KLP and KLP Kommunekreditt AS and managed by the KLP Banken Group.

KLP Kommunekreditt AS, together with KLP, has a good position in the market for long-term financing of municipalities, county authorities and public sector connected enterprises. The Bank also has an important role as an advisor for customers on financial matters, for example. Customers greatly appreciate this, which is shown by the fact that they are expressing steadily increasing satisfaction with the Bank. On Ennova's customer satisfaction indicator, the Public-Sector Market scored 74 in 2023.

Total loans from KLP and KLP Kommunekreditt AS to public-sector borrowers and enterprises amounted to NOK 90.3 (87.1) billion at the end of 2023, an increase of NOK 3.1 billion, or 4 per cent, in the financial year. For the local government sector as a whole, the estimated debt growth was just over 7 per cent in 2023.

Loans at fixed interest rates made up 27 (35) per cent of total lending at the end of the year.

In 2023, new loans were paid to the public sector from the companies in the KLP Group for a total of NOK 7.1 (8.6) billion.

The credit risk associated with loans to municipalities and county authorities in Norway is limited to deferred payments postponement and not to a lapse in payment obligations. This is pursuant to Norwegian law, and provides the lender with security against loss if a municipality cannot meet its payment obligations. In the event of a payment deferral, the lender is also assured of compensation for accrued interest, interest on overdue payments and debt recovery costs under the Norwegian Local Government Act . Neither KLP nor the KLP Banken Group has had credit losses on loans to municipalities or county authorities.

The KLP Banken Group aims to be a driver and advisor on the transition to a more sustainable society, and to get municipalities to make sustainable choices within public administration. The Bank offers green loans to municipalities, county authorities and companies with a local government affiliation for projects that have a clear positive environmental and climate impact. Among other things, these loans fund various improvements to water and sewerage facilities to increase capacity and water quality. The loans also help prepare communities for more surface water due to climate change. Green loans are loans that are provided for projects or municipal initiatives that have a clear climate goal. The criteria for projects to qualify for green loans vary over time, and the current criteria are published on KLP.no. For green loans, there was a net increase of just under NOK 1 billion in 2023.

KLP Banken has provided loans for many different projects through the year, which cover different needs for the municipalities. Among other things, we have given a loan to build a new velodrome in Asker municipality, a green loan for a new nursing home in Ringsaker, and loans to build homes for people with disabilities in Råde.

KLP's climate and environmental guide, which is developed and run by the Bank, is increasingly being used by customers. The guide provides information on various financing and support schemes, making it easier and clearer for our public sector market customers to make climate-friendly and green investments.

For companies affiliated to the public sector, sustainability assessments are now carried out for every loan application.

The KLP Banken Group has also been the pilot owner of the project "transition financing for ports". With this pilot, the KLP Banken Group and the partners in the project aim to propose a framework with specific criteria to be achieved in order to qualify for transition financing for ports. The framework was launched in spring 2023. We are working with several ports to get them to adopt the framework.

LIQUIDITY

The KLP Banken Group's liquidity situation is satisfactory, as the Group's financing more than covers the liquidity needs from operations. The year-end cash flow statement shows a positive net result overall. Operational activities produced a positive net cash flow driven by higher interest rates resulting in larger payments of interest and commissions compared to last year. On the other hand, financing activities in 2023 reflect a slightly lower external refinancing need compared to the year before.

Free liquidity is invested in other banks and in interest-bearing securities. Investments in credit institutions amounted to NOK 1.7 (1.4) billion. The book value of interest-bearing securities measured at fair value was NOK 4.3 (6.6) billion in the KLP Banken Group at the end of the year. The portfolio consists entirely of high-rated covered bonds issued by banks and bonds issued by the Norwegian government or other public institutions.

The Bank reports the liquidity coverage ratio (LCR) monthly for the KLP Banken Group as a whole and quarterly for each company.

FINANCING OF OPERATIONS

Financing of the retail market

The KLP Banken Group's activities in the retail market are financed with deposits, borrowing and equity.

The Bank's deposits from retail customers increased from NOK 12.1 billion to NOK 12.5 billion in 2023.

At the end of the financial year, KLP Banken AS had outstanding securities debt of NOK 0.9 (1.1) billion. This is also used to finance the subsidiaries in addition to deposits.

The KLP Banken Group uses KLP Boligkreditt AS to finance part of its lending activities in the retail market by issuing covered bonds backed by mortgages. In 2023, new mortgage-backed bonds in the amount of

NOK 1.0 (2.5) billion were issued. Outstanding bond debt in KLP Boligkreditt AS was NOK 11.1 (12.6) billion at the end of 2023. KLP Boligkreditt AS has achieved the best rating for its borrowing programme.

KLP Boligkreditt AS purchased mortgages amounting to NOK 4.5 (4.5) billion from KLP Banken AS during 2023. At the end of the year, mortgages totalling NOK 12.7 (12.3) billion were financed on KLP Boligkreditt's balance sheet and NOK 11.1 (11.0) billion on KLP Banken AS's balance sheet.

Financing of the public sector market

The mortgage company KLP Kommunekreditt AS issues covered bonds secured on loans to municipalities and county authorities and to enterprises with a municipal loan guarantee. Cost-effective financing enables the KLP Banken Group to offer long-term lending on favourable terms.

At the end of 2023, the Bank had issued covered bonds backed by loans to the municipal sector amounting to NOK 19.4 (19.8) billion. New issues in 2023 amounted to NOK 6.0 (4.2) billion. No bonds have been issued outside Norway. KLP Kommunekreditt AS has achieved the best rating for its borrowing programme.

A proportion of KLP Banken's deposits from municipalities and enterprises is also used to finance loans from KLP Kommunekreditt AS through internal loans to the mortgage company.

BALANCE SHEET AND CAPITAL ADEQUACY

The total assets of KLP Banken Group amounted to NOK 48.9 (50.5) billion at the end of 2023. The breakdown is shown in the table below:

Total assets/NOK billions	KLP Banken Group	Change in 2023
Public-sector loans/municipal guarantee	19.0	-0.1
Loans to private individuals	23.9	0.6
Securities and liquidity	5.9	-2.0
Other assets	0.1	0.0
Total	48.9	-1.6

The Group's equity and subordinated loan capital, based on the Board of Directors' proposal for allocation of profits between the Group companies for 2023, was NOK 3.2 (2.9) billion. Core capital is identical to equity and subordinated loan capital. This gives a capital adequacy and tier 1 capital ratio of 21.7 (20.7) per cent. The current capital requirement, including capital buffers, is 19.0 per cent.

KLP Banken AS has a Pillar 2 supplement of 1.5 per cent, which is included in the Group's capital requirements at the end of 2023. The Bank also maintains a buffer of at least 0.5 per cent above the actual capital requirement for Pillar 1 and Pillar 2 risks, so the capital target is 19.5 per cent.

The risk-weighted balance was to NOK 13.7 (13.5) billion at the end of 2023.

The leverage ratio in the Group was 6.3 (5.7) per cent. The leverage ratio requirement is 3 per cent. Capital adequacy is considered to be good.

ABOUT THE FINANCIAL STATEMENT

The Board of Directors believes that the financial statements provide a true and fair picture of the Banks's assets and liabilities, financial position, and results. The conditions for a going concern are present, and this is assumed in the financial statements.

ALLOCATION OF PROFIT FOR THE YEAR

The financial statements for KLP Banken AS show total comprehensive income for 2023 of NOK 152.4 (106.4) million after tax. The Board of Directors proposes that a group contribution of NOK 172.3 (119.5) million be paid to KLP. NOK 129.2 (89.6) million will be transferred from KLP in return as a group contribution without any tax effect. Profit after tax and group contribution will be transferred to other equity. The group contribution only has an accounting effect from the date of the decision.

RATING

The rating agencies' assessments of the companies in the KLP Banken Group have a bearing on its borrowing terms. The companies use Moody's for credit rating of bonds. KLP Banken AS has a rating of A3. All covered bond issues have the best rating, Aaa.

RISK MANAGEMENT IN KLP BANKEN

KLP Banken AS and its subsidiaries are exposed to different types of risk. The Bank has established a risk management framework aimed at ensuring that risks are identified, analysed and managed by means of policies, limits, procedures and instructions.

Separate guidelines have been established for the most significant individual risks (liquidity, credit, market, operational and compliance risks), along with an overall policy for risk management which includes principles, organisation, limits etc. for the bank group's overall risk. The policies are adopted by the Board of Directors and reviewed at least once a year. The policies are of an overarching nature and are supplemented with procedures, rules and instructions determined at the administrative level.

The overall risk management policy governs roles related to the Bank's risk management, including requirements and guidelines for the risk control function. One purpose of the risk control function is to check that the guidelines are being followed.

Stress testing is used as a method for risk assessment, and as a tool for communication and risk discussion. In this context, stress testing includes both sensitivity analyses and scenario analyses.

The policies include tolerance for the individual risks and for the overall risk. Risk tolerances are defined for different stress scenarios, and various forms of stress testing are regularly carried out to ensure that the actual exposure is within the approved tolerance limits.

The Bank is also exposed to ESG risk through its own business and indirectly through its lending portfolio. ESG risk is defined as the risk of losses where the Bank's exposure to counterparties is adversely affected by ESG factors. ESG risk is a risk driver for credit risk, counterparty risk and market risk, and can be divided as follows:

- Environmental risk (E) is the risk of losses where the Bank's exposure to counterparties is adversely affected by environmental factors, including climate change and/or environmental degradation.
- Social risk (S) is the risk of losses where the Bank's exposure to counterparties is adversely affected by societal factors such as social conditions, labour rights, human rights, poverty, etc.
- Governance Risk (G) is the risk of losses where the Bank's exposure to counterparties is adversely affected by poor management and control within the counterparty.

The KLP Banken Group is working to map climate risk in its operations. The Bank has a risk that some of its mortgage customers could be affected by extreme weather, which influences the market price of a home in the short and/or long term, hence reducing the collateral. To take a closer look at this, the Bank uses data from the Norwegian Water Resources and Energy Directorate (NVE), the Norwegian Mapping Authority and the Norwegian Geotechnical Institute (NGI) on floods, sea level rise and landslides to see how its mortgage portfolio is exposed to these events. Within the public-sector market, the Bank has a role as sparring partner for the municipalities within climate and sustainability and offers, as previously mentioned, green financing products to meet the municipalities' and authorities' expectations for climate-related and sustainable investments.

The KLP Banken Group aims to maintain a prudent risk profile and earnings should mainly be the result of borrowing and lending activities and liquidity management. This means that the KLP Banken Group should maintain a low level of market risk and that interest rate risk arising from its borrowing and lending activity should be reduced by means of derivatives. The KLP Banken Group should have prudent long-term financing and limits have been set to ensure that this objective is achieved. The credit risk in KLP Banken is low and lending is limited to loans with municipal risk and loans with security in residential and holiday property. Management of the KLP Banken Group's liquidity takes the form of investments which satisfy credit quality requirements, and securities in line with Board-approved credit lines.

The boards of KLP Banken, KLP Kommunekreditt and KLP Boligkreditt have appointed a joint risk committee. The risk committee deals with matters relating to the Bank's different risks, and has an advisory function vis-à-vis the Board of Directors.

CORPORATE GOVERNANCE

The Bank's articles of association and applicable legislation provide guidance for corporate governance, corporate management, and a clear division of roles between governing bodies and the chief executive officer.

The Board of Directors sets the guidelines for the business. It held six board meetings in 2023.

The chief executive officer is in charge of the day-to-day management of the company in accordance with instructions issued by the Board of Directors.

The board members have taken out directors' liability insurance. This also covers the CEO. The directors' liability insurance also covers the subsidiaries.

WORKING ENVIRONMENT AND ORGANISATION

KLP Banken AS and its subsidiaries had 73 (75) permanent employees at the end of 2023. All employment contracts are with KLP Banken AS. Two employees have additional functions in the subsidiaries, KLP Kommunekreditt AS and KLP Boligkreditt AS.

The KLP Banken Group's most important resource is its employees, most of whom are highly experienced and have extensive significant credit and market expertise, in both the retail market and the public sector. The development of products and services, and regulatory requirements placed on the KLP Banken Group, lead to constant changes within the business and demand a adaptation and fresh skills. Further development of the organisation and staff training are therefore important elements of the Bank's plans and activities.

Regular surveys are conducted among all employees to measure commitment, health and safety, job satisfaction and compliance with KLP's core values. These surveys show that the vast majority of employees are highly committed and enjoy working for KLP. The Bank has a works council (AMU), made up of representatives from management, KLP's HR department (Man and Organization - MO), elected employee representatives as well as health and safety services. The Board considers that cooperation between the management of the KLP Banken Group and the employees is working well.

The KLP Group aims to keep sickness absence below 4 per cent. In 2023, the KLP Banken Group had a sickness absence rate of 2.7 (4.7) per cent. Long-term absence totalled 0.8 (2.8) per cent, and short-term absence 1.9 (1.9) per cent. Sickness absence has been reduced, but it is followed up by managers and the MO, and by the Bank's Board of Directors in the event of increased absence over time. There were no work-related injuries or accidents in 2023.

As part of the KLP Group, KLP Banken complies with the Group's guidelines on equality and diversity, whose objectives, initiatives, and activities take account of the basis for discrimination described in the legislation. Separate objectives for equality and diversity have been adopted in the central working

committee. In connection with recruitment, the Company routinely states its desire to be contacted by all qualified job applicants irrespective of age, gender, disability, political opinions, sexual orientation or ethnic background.

The Board of Directors of the KLP Banken Group recognises the activity and reporting requirements resulting from the Norwegian Equality and NonDiscrimination Act. Active work for diversity, equality, equal pay and reduced sickness absence are part of corporate social responsibility.

The KLP Banken Group also adheres to the KLP Group's code of conduct and the guidelines for reporting suspected wrongdoing in the workplace (whistleblowing).

Of the KLP Banken Group's employees, 57 (56) per cent are women. Every effort is made to achieve a balance between women and men at all levels. The proportion of women in senior positions is 58 (54) per cent. In the KLP Banken Group's central management team (levels 1 and 2) the proportion of women was 63 (56) per cent.

At the end of 2023, the Board of Directors of KLP Banken AS comprised three women and four men, including one woman and one man elected from among the employees.

For further details, see KLP's sustainability report for 2023.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

In 2023, a new sustainability strategy was formed, which states that KLP will be the municipality- and health-Norway's partner for a sustainable transition. The strategy work and process was based on the elements of the EU's new directive on sustainability reporting, CSRD, and a double materiality analysis has been carried out to identify the sustainability topics on which KLP has or may have a material impact and which constitutes or may constitute a material financial risk.

KLP works continuously to integrate sustainability throughout its business, not only as a pension manager, but also as a purchaser, employer and company. Sustainability is integrated into KLP's corporate governance and a central part of its corporate strategy. All business areas and subsidiaries are responsible for implementing the strategy and developing measures and goals for sustainability in their own operations.

For many years, KLP and the KLP Banken Group have been contributing to sustainable development of society through loan financing of projects throughout Norway, such as roads, schools, kindergartens, swimming pools, sports facilities, care homes, cultural centres and many other socially beneficial projects. Loans to Norwegian municipalities are used for purposes that help reduce national greenhouse gas emissions and benefit society as a whole. Nearly 90% of KLP's owner municipalities have loans from KLP or the KLP Banken Group.

KLP and KLP Banken Group have provided loans for many projects throughout the year, covering different needs for the municipalities. Among other things, we have provided loans for the construction of bicycle velodrome in Asker municipality, a green loan for a new nursing home in Ringsaker municipality, and loans for the construction of homes for people with disabilities in Råde municipality.

KLP Banken signed the UN Principles for Responsible Banking (PRB) in 2019. The Principles for Sustainable Banking mean that banks are transparent about how their products and services create value for customers and investors, as well as for society as a whole. The Principles are intended to guide banks in their work on sustainability, and support society's overall goals in line with the United Nations Sustainable Development Goals and the Paris Agreement. The Bank reports annually to the United Nations on its work on these principles. The reports can be read www.klp.no/en

The KLP Banken Group has set a goal of reducing emissions from lending (home mortgages) to net zero by 2050, and worked in 2023 to set more short-term goals and improve the calculation of financed emissions. The work of producing concrete action plans will continue in 2024.

As of today, we do not have sufficient data to analyse financed emissions relating to loans to the public sector. One reason for this is that we have limited access to investment-specific information, and the municipalities themselves do not currently report emissions related to investments to any great extent. In 2023, we carried out a pre-project together with several other players to look at how to map financed emissions in the public sector. This work will continue in 2024.

KLP is a signatory to the UN Global Compact and the whole Group is thereby committed to working for human rights, employment rights, the environment and anti-corruption initiatives. KLP is working on issues related to climate, corruption, human rights, employment rights and taxes. The Transparency Act, which came into force on 1 July 2022, requires enterprises to carry out due diligence and account for this in their public reporting. For the KLP Banken Group, this report will be published on klp.no within 30 June 2024. In Norway, the Sustainable Finance Act was introduced from 1 January 2023, and this Act implements the Taxonomy Regulation and the EU Disclosure Regulation in Norwegian law. This year, KLP Banken is reporting on assets covered by the taxonomy, and other assets that conform to the taxonomy.

Corporate social responsibility and sustainability are also included in policy documents in the form of guidelines for ethics, the environment and responsible investments, and in the Bank's own guidelines and job descriptions for the employees. A more detailed description of goals, measures and results can be found in the sustainability accounts in KLP's annual report on KLP's website (<https://www.klp.no/en/corporate-responsibility-and-responsible-investments/corporate-responsibility-and-reporting>).

Financial crime is a serious social problem, and preventing financial crime is an important part of the KLP Banken Group's corporate social responsibility. The KLP Banken Group works systematically to prevent our products and services from being used for illegal activities such as money laundering, corruption, terrorist financing or other criminal activity, and to provide our customers with secure digital finance. We are working to combat financial crime to reduce financial losses for our customers, for the KLP Banken Group and for society as a whole. Effective measures to prevent money laundering and terrorist financing take a very high priority for the KLP Banken Group.

The KLP Banken Group's premises in both Oslo and Trondheim are certified as "eco-lighthouses" through the Eco-Lighthouse Foundation. As an Eco-Lighthouse company, the KLP Banken Group has been helped to implement concrete and profitable sustainability measures in areas such as the working environment, waste management, energy use, procurement and transport. The Bank's locations were first certified when it was established in 2012 as part of the KLP Huset in Oslo, later on with a separate new certification in Trondheim. Both locations were recertified in 2021.

KLP Banken is a subsidiary of KLP, which has prepared a report on corporate social responsibility under Section 3-3c of the Accounting Act, including KLP Banken in its annual report for the Group. The report can be accessed at [klp.no \(https://www.klp.no/en/financial-information\)](https://www.klp.no/en/financial-information).

OUTLOOK

The KLP Banken Group's target group in the retail market is KLP members. This comprises a significant proportion of the population, and the basis for further developing the KLP Banken Group's position in this market is considered to be good. The KLP Banken Group will go on working to develop favourable and predictable products and services for its members.

Norwegian society is experiencing turbulent times with considerable macroeconomic uncertainty, and this also affects households. High inflation and higher interest rates on people's personal finances are particularly noticeable. Reduced spending power among borrowers means that the Bank expects lower mortgage growth in the near term before a gradual normalisation. KLP Group members, who are mainly public-sector employees and their households, are more shielded than other groups from risk associated with their employment conditions as employees in municipalities and health enterprises. The KLP Banken Group therefore assumes that the risk of defaults and losses will remain limited in the future. The present high cost of living has also significantly reduced members' ability to save. Nevertheless, the Bank is maintaining its adopted growth ambitions for deposits, and aim to achieve targets mainly by recruiting more deposit customers.

The debt burden on households is subject to strict official requirements for the provision of credit in the retail market. The KLP Banken Group sees this as a good basis for further development of our banking products and services in the retail market. The KLP Banken Group will pursue conservative procedures for granting credit in order to maintain low risk in the Bank's lending portfolios, but will also be there wherever possible for customers facing challenges in difficult times.

The banking industry is at the forefront of technological development, and customers' expectations for simple and digital solutions are growing. The KLP Banken Group aims to exploit proven technology in order to offer relevant, customer-friendly and efficient services to its customers. This raises a long-term need for IT investments to achieve the Bank's targets for further growth and profitability.

Norwegian municipalities have developed a good and comprehensive range of services to the public. Increased life expectancy, demographics, income growth and climate risk give grounds to expect a substantial level of investment in the public sector over the next few years. In the short term, increased costs resulting from higher inflation and interest rates could contribute to slightly lower lending growth

than has been normal in recent years. However, the municipalities in the annual budget survey from the Norwegian Association of Local and Regional Authorities (KS) expect the levels of investment and borrowing to remain high in 2024 too. Demand for loans for projects that contribute to climate adaptation is likely to continue to increase in the years ahead.

KLP Kommunekreditt AS is the only mortgage company in Norway that issues bonds secured against loans to the public sector. The presence of KLP Kommunekreditt AS together with KLP in the market for public loans contributes to competition and provides the public sector with stable access to long-term financing on favourable terms.

KLP Banken AS has good solvency and an equity capital situation that meets all regulatory requirements. Combined with low credit risk in its lending business, this is a basis for access to the best possible financing in the capital markets. This is an important prerequisite if we are to offer favourable lending terms.

The KLP Banken Group is well equipped for further development and growth.

Trondheim, 6 March 2024

The Board of Directors of KLP Banken AS

Sverre Thornes

Chair

Aage E. Schaanning

Deputy Chair

Anne Bjertnæs

Kjell Fosse

Janicke E. Falkenberg

Ellen Winge Ler

Elected by and from the
employees

Jonas V. Kårstad

Elected by and from the
employees

Marianne Sevaldsen

Managing Director

Declaration pursuant to the Norwegian securities trading act, section § 5-5

We hereby declare that, to the best of our knowledge, the annual financial statements for the period from 1 January to 31 December 2023 have been prepared in accordance with applicable accounting standards, and that the information in the financial statements gives a true and fair view of the Company's and the Group's assets, liabilities, financial position and overall profit or loss.

We also declare that the Directors' report provides a true and fair overview of the development, profit or loss and the financial position of the Company and the Group, together with a description of the most significant risk and uncertainty factors the Company and the Group face.

Trondheim, 6 March 2024

The Board of Directors of KLP Banken AS

Sverre Thornes
Chair

Aage E. Schaanning
Deputy Chair

Anne Bjertnæs

Kjell Fosse

Janicke E. Falkenberg

Ellen Winge Ler
Elected by and from the
employees

Jonas V. Kårstad
Elected by and from the
employees

Marianne Sevaldsen
Managing Director

Income statement

NOTES	KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
	01.01.2022 -31.12.2022	01.01.2023 -31.12.2023		01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
	335 779	664 967	Interest income, effective interest method	2 038 683	1 079 475
	50 421	110 959	Other interest income	351 367	174 402
5	386 200	775 925	Total interest income	2 390 050	1 253 877
	-181 986	-490 787	Interest expenses, effective interest method	-1 802 752	-818 588
	-17 151	-14 811	Other interest expenses	-122 557	-66 602
5	-199 137	-505 598	Total interest expense	-1 925 309	-885 190
5	187 063	270 328	Net interest income	464 740	368 687
6	29 483	30 618	Commission income and income from banking services	30 618	29 483
6	-2 566	-2 734	Commission costs and costs of banking services	-2 734	-2 566
	58 105	61 288	Other fee income	61 288	58 105
7	-10 511	2 982	Net gain/(loss) on financial instruments	2 466	-26 252
	74 511	92 154	Total other operating income	91 638	58 770
8	-87 701	-91 577	Salary and administrative costs	-91 577	-87 701
	-68 408	-89 872	Other operating expenses	-174 751	-154 945
22,23,24	-4 010	-3 742	Depreciation	-3 742	-4 010
10	-275	-879	Loss on loans issued, guarantees etc.	-871	-323
	-160 394	-186 070	Total operating expenses	-270 941	-246 979
	101 180	176 412	Operating profit/loss before tax	285 437	180 478
11	-3 046	-14 198	Tax on ordinary income	-18 622	-14 474
	98 133	162 214	Income for the year	266 815	166 004
12	11 094	-13 013	Estimate difference, pension obligations and assets	-13 013	11 094
11	-2 774	3 253	Tax on actuarial gains and losses	3 253	-2 774
	8 321	-9 760	Items that will not be reclassified to profit and loss	-9 760	8 321
	-11	-19	Changes in value of assets measured at fair value through other comprehensive income	-	-
11	3	5	Tax on changes in fair value of available for sale financial assets	-	-
	-8	-14	Items that may be reclassified to profit and loss	-	-
	8 312	-9 774	Other comprehensive income for the period	-9 760	8 321
	106 446	152 440	COMPREHENSIVE INCOME FOR THE YEAR	257 056	174 324
			ALLOCATION OF INCOME		
	-106 446	-152 440	Allocated to/from retained earnings		
	-106 446	152 440	TOTAL ALLOCATION OF INCOME		
	0.54%	0.88%	Income for the year in per cent of total assets	0.55%	0.33%
	0.59%	0.83%	Comprehensive income for the year in per cent of total assets	0.53%	0.35%

Balance sheet

NOTES	KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
	31.12.2022	31.12.2023		31.12.2023	31.12.2022
			ASSETS		
13,14,15	72 960	75 312	Claims on central banks	75 312	72 960
13,14,15	3 050 512	3 355 107	Loans to and receivables on credit institutions	1 577 691	1 320 087
14,15	10 975 964	11 109 688	Loans to and receivables on customers	42 856 271	42 375 461
15,16,17	2 416 478	2 260 013	Fixed-income securities	4 276 469	6 564 627
15,16,18,20	255	232	Financial derivatives	108 370	139 153
15,16,19	1 187	1 897	Shares, holdings and primary capital certificates	1 897	1 187
21	1 615 470	1 615 470	Holdings in Group companies	-	-
22	15 624	13 943	Intangible assets	13 943	15 624
23	16 365	14 495	Right-of-use assets	14 495	16 365
24	436	436	Fixed assets	436	436
25	8 761	7 647	Other assets	3 221	4 816
	18 174 014	18 454 241	TOTAL ASSETS	48 928 107	50 510 716
			LIABILITIES AND OWNERS' EQUITY		
			LIABILITIES		
15,26	14 189 341	14 488 213	Deposits from customers	14 060 460	13 778 881
15,27	1 054 694	904 808	Liabilities created on issuance of securities	31 408 338	33 484 932
15,16,18,20	-	-	Financial derivatives	23 233	25 939
23	16 761	15 131	Lease liabilities	15 131	16 761
28	69 844	59 493	Other liabilities	127 394	143 180
11	17 507	28 447	Deferred tax	55 706	40 343
28	54 187	63 892	Provision for accrued costs and liabilities	63 913	54 215
	15 402 333	15 559 984	TOTAL LIABILITIES	45 754 176	47 544 250
			OWNERS' EQUITY		
	1 140 000	1 140 000	Share capital	1 140 000	1 140 000
	1 050 000	1 050 000	Share premium	1 050 000	1 050 000
	581 681	704 257	Other owners' equity	983 931	776 466
29	2 771 681	2 894 257	TOTAL OWNERS' EQUITY	3 173 931	2 966 466
	18 174 014	18 454 241	TOTAL LIABILITIES AND OWNERS' EQUITY	48 928 107	50 510 716

Trondheim, 6 March 2024
The Board of Directors of KLP Banken AS

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Chair

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Deputy Chair

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Marianne Sevaldsen
Managing Director

Statement of owners' equity

KLP BANKEN AS

2023 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Owners' equity 1 January 2023	1 140 000	1 050 000	581 681	2 771 681
Income for the year	-	-	162 214	162 214
Other comprehensive income	-	-	-9 774	-9 774
Comprehensive income for the year	-	-	152 440	152 440
Group contribution received during the period	-	-	89 591	89 591
Group contribution paid during the period	-	-	-119 455	-119 455
Total transactions with the owners	-	-	-29 864	-29 864
Owners' equity 31 December 2023	1 140 000	1 050 000	704 257	2 894 257

2022 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Owners' equity 1 January 2022	1 065 000	825 000	497 691	2 387 691
Income for the year	-	-	98 133	98 133
Other comprehensive income	-	-	8 312	8 312
Comprehensive income for the year	-	-	106 446	106 446
Group contribution received during the period	-	-	67 369	67 369
Group contribution paid during the period	-	-	-89 825	-89 825
Owners' equity received during the period	75 000	225 000	-	300 000
Total transactions with the owners	75 000	225 000	-22 456	277 544
Owners' equity 31 December 2022	1 140 000	1 050 000	581 681	2 771 681

NOK THOUSANDS	Number of shares	Par value	Share capital	Share premium	Other equity	Total
Equity at 1 January 2023	7 500 000	0.152	1 140 000	1 050 000	581 681	2 771 681
Changes in the period 01.01 - 31.12 December	-	-	-	-	122 576	122 576
Equity at 31 December 2023	7 500 000	0.152	1 140 000	1 050 000	704 257	2 894 257

There is one class of shares. All shares are owned by Kommunal Landspensjonskasse gjensidige forsikringselskap (KLP).

KLP BANKEN GROUP

2023 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Owners' equity 1 January 2023	1 140 000	1 050 000	776 466	2 966 466
Income for the year	-	-	266 815	266 815
Other comprehensive income	-	-	-9 760	-9 760
Comprehensive income for the year	-	-	257 056	257 056
Group contribution received during the period	-	-	159 535	159 535
Group contribution paid during the period	-	-	-209 126	-209 126
Total transactions with the owners	-	-	-49 591	-49 591
Owners' equity 31 December 2023	1 140 000	1 050 000	983 931	3 173 931

2022 NOK THOUSANDS	Share capital	Share premium	Other equity	Total owners' equity
Owners' equity 1 January 2022	1 065 000	825 000	630 782	2 520 782
Income for the year	-	-	166 004	166 004
Other comprehensive income	-	-	8 321	8 321
Comprehensive income for the year	-	-	174 324	174 324
Group contribution received during the period	-	-	89 292	89 292
Group contribution paid during the period	-	-	-117 932	-117 932
Owners' equity received during the period	75 000	225 000	-	300 000
Total transactions with the owners	75 000	225 000	-28 640	271 360
Owners' equity 31 December 2022	1 140 000	1 050 000	776 466	2 966 466

Statement of cash flows

NOTES	KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
	01.01.2022 -31.12.2022	01.01.2023 -31.12.2023		01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
			OPERATING ACTIVITIES		
	338 828	655 105	Payments received from customers – interest, commission and charges	1 908 976	984 166
	-177 208	-460 797	Payments to customers – interest, commission and charges	-443 505	-168 854
	-8 692 857	-7 670 475	Disbursements on loans to customers and credit institutions	-13 278 857	-15 659 148
	7 482 887	7 541 490	Receipts on loans to customers	12 917 822	13 246 513
	-379 728	-154 290	Net change internal loans	-	-
	886 347	298 861	Net receipts on customer deposits banking	281 568	877 993
	-63 678	-84 445	Disbursements on operations	-168 467	-153 688
	-80 949	-92 549	Payments to staff, pension schemes, employer's social security contrib.etc.	-92 549	-80 949
	14 474	32 662	Interest investment accounts	65 614	31 284
	112 119	35 170	Net receipts/disbursements from operating activities	20 301	156 254
	-559 763	100 731	Net cash flow from operating activities	1 210 903	-766 429
			INVESTMENT ACTIVITIES		
	-2 580 357	-2 304 458	Payments on the purchase of securities	-2 966 767	-5 348 540
	2 790 901	2 469 244	Receipts on the sale of securities	5 261 280	4 783 697
	43 757	105 920	Receipts of interest from securities	216 770	101 691
	-974	-191	Payments on the purchase of tangible fixed assets	-191	-974
	-230 000	-	Disbursement of capital to subsidiaries	-	-
	23 327	270 516	Net cash flow from investment activities	2 511 092	-464 127
			FINANCING ACTIVITIES		
27	450 000	200 000	Receipts on loans	7 200 000	7 150 000
27	-300 000	-300 000	Repayments and redemption of securities debt	-7 300 000	-5 808 000
	-371	-50 118	Change in securities debt, own funds	-2 005 529	118 142
27	-20 845	-45 978	Net payment of interest on loans	-1 321 854	-580 002
23	-1 563	-1 630	Payment of lease liabilities	-1 630	-1 563
	-22 456	-29 864	Group contributions made	-49 591	-28 640
	300 000	-	Equity contributions received	-	300 000
	404 765	-227 589	Net cash flow from financing activities	-3 478 604	1 149 938
	-131 672	143 658	Net cash flow during the period	243 392	-80 618
	1 007 606	875 934	Cash and cash equivalents at start of period	1 340 377	1 420 995
	875 934	1 019 592	Cash and cash equivalents at end of period	1 583 769	1 340 377
	-131 672	143 658	Net receipts/disbursements (-) of cash	243 392	-80 618

Notes to the accounts

Note 1 **General information**

KLP Banken AS was founded on 25 February 2009. KLP Banken AS owns all the shares in KLP Kommunekreditt AS and KLP Boligkreditt AS. These companies together form the KLP Banken Group. KLP Banken AS is a wholly owned subsidiary of Kommunal Landspensjonskasse (KLP). KLP is a mutual insurance company.

The companies in the KLP Banken Group are part of the KLP Group, and the KLP Group's annual report is available at www.klp.no.

The KLP Banken Group provide or acquire loans to Norwegian municipalities and county authorities, as well as to companies with a public sector guarantee. The lending activities are principally financed by the issuance of covered bonds. The group also offers standard banking products to private customers.

The company, KLP Banken AS, is registered as domiciled in Norway. The bank is an online bank without branches. Its head office is at Beddingen 8 in Trondheim. The company has a branch office in Oslo.

The company's financial statement for 2023 were approved by the company's board 06.03.2024. The annual financial statement is available at www.klp.no.

Note 2 **Material information on accounting principles**

Below is a description of the most important accounting principles used in the preparation of the company and Group financial statements for KLP Banken AS. These principles are applied in the same way in all periods presented unless indicated otherwise.

2.1 FUNDAMENTAL PRINCIPLES

The financial statements for KLP Banken AS and the Group have been prepared in accordance with IFRS Accounting Standards® as adopted by the EU. The Norwegian Accounting Act and the Regulations concerning Annual Accounts for Banks, Mortgage Firms and Finance Companies (the Accounting Regulations) contain individual requirements for additional information which is not required under IFRS Accounting Standards. These supplementary information requirements have been incorporated into the notes to the financial statements.

To prepare the accounts in accordance with IFRS, management must make accounting estimates and approximate valuations. This will affect the value of the company's and the Group's assets and liabilities, income and expenses recognized in the financial statements. Actual figures may differ from estimates used.

Areas in which discretionary valuations and estimates of material significance to the company/group have been used are described in Note 3.

All amounts are presented in NOK thousands without decimals unless stated otherwise.

The financial statements have been prepared in accordance with the going concern assumption.

2.1.1. Changes in accounting principles and information

a) New and changed standards adopted by the Company/Group in 2023:

There are no changed standards or accounting principles that have had a significant effect on the company/group's accounts.

b) Standards, changes to and interpretations of existing standards that have not come into effect and where the Company/Group has not chosen early application.

There are no changed standards or interpretations not yet in force that are expected to have a significant impact on the company/group's financial statements.

2.2 CONSOLIDATION PRINCIPLES

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. Control over an entity arises when the Group is exposed to variation in the profitability from the entity and can influence this profitability through its power over the entity. Subsidiaries are consolidated from the date on which control is acquired and are omitted from the consolidated financial statements when control ceases.

Intragroup transactions and accounts between group companies are eliminated. Where group companies present accounts in accordance with principles other than those used by the Group, these are converted to correspond to the Group's accounting principles before they are consolidated.

2.3 CURRENCY

2.3.1 Functional currency and presentation currency

The accounts are presented in NOK, which is the functional currency of the parent company and the presentation currency of the Group.

2.4 FINANCIAL INSTRUMENTS

The most important accounting policies relating to financial instruments are described below.

2.4.1 Recognition and derecognition

Financial assets and liabilities are recognized on the balance sheet on the date when the company/group becomes party to the instrument's contractual terms and conditions. Regular purchases and sales of investments are recognized on the date of the agreement. Financial assets are removed from the balance sheet when the rights to receive cash flows from the investment expire or when these rights have been transferred and the company/group has essentially transferred the risk and the potential benefits from ownership. Financial liabilities are derecognized when the rights to the contractual conditions have been fulfilled or cancelled or have expired.

2.4.2 Classification and subsequent measurement

2.4.2.1 Financial assets

The classification and measurement of financial assets, other than equity instruments and derivatives, are assessed on the basis of a combination of the entity's business model criteria for asset management and the instrument's contractual cashflow characteristics.

Financial assets are classified on initial recognition in one of the following categories:

- Amortised cost
- Fair value through profit or loss
- Fair value through other comprehensive income

A financial asset is measured at amortized cost if both of the following criteria are met and the financial asset has not been reported at fair value through profit or loss (the 'fair value option'):

- The financial asset is held in a business model whose purpose is to keep financial assets in order to receive the contractual cash flows (the 'business model criterion'), and
- At certain times, the contractual terms of the financial asset lead to cash flows that only include repayments and interest on the outstanding principal amount (the 'cash flow criterion').
- Loans provided with a view to resale to the wholly owned mortgage companies KLP Boligkreditt AS and KLP Kommunekreditt AS will have a different business model in the consolidated financial statements and the company accounts. In the company accounts, these loans will be made with a view both to receiving the contractual cash flows and to resale, so they are measured at fair value with value changes through other comprehensive income. In the consolidated accounts, these loans will be included in a business

model where the intention is to own the loan throughout its life in order to receive the contractual cash flows, and they are measured at amortized cost.

The company/group has assessed all of its instruments measured at amortized cost against the rules described above and believes the instruments satisfy the criteria. The bank has senior loans on the balance sheet that to some extent expose the bank to the risk of impairment on the homes offered as collateral. The bank has determined that these loans do not pass significant insurance risks from the borrower to the bank as there are no plausible scenarios that result in curtailment of the loan amount. The loans are therefore considered to be within the scope of IFRS 9 in their entirety. These loans are considered to satisfy the cash flow criterion as the bank believes that they will never suffer more than an insignificant curtailment of the loan amounts.

All other financial assets are measured at fair value with changes in value through profit/loss, i.e.:

- Assets with contractual cash flows that do not meet the cash flow criterion; and/or
- Assets held in a different business model than 'held to collect contractual cash flows'; or
- Assets designated at fair value through profit or loss (the 'fair value option').

The company/group may designate a debt instrument that meets the criteria to be measured at amortized cost to be reported at fair value through profit or loss if this eliminates or significantly reduces inconsistencies in measurement ('accounting mismatches'). This option is also available under IAS 39.

Impairment model

The impairment model for losses on loans and receivables is based on expected credit losses. The impairment model defines default as *"a payment that is more than 90 days past due, or an account that is continuously overdrawn for a minimum of 90 days (by at least NOK 1.000)". Also, a commitment defaulted on if it has been forfeited for various reasons, such as debt negotiations.*

For more information on to the company/group's input, assumptions and estimation techniques related to the impairment model, please refer to Note 10.

2.4.2.2 Financial liabilities

The company/group has classified all financial liabilities measured at amortized cost, except for:

- Financial liabilities at fair value through profit or loss: this classification applies to derivatives and financial liabilities designated as such upon initial recognition. The company/group has designated certain liabilities at fair value through the income statement, because this reduces or eliminates inconsistencies in measurement ('accounting mismatches')
- Financial guarantees and loan commitments

Financial guarantees and loan commitments not valued at fair value are included in the general impairment method; see information under 2.4.2.1. Expected credit losses are calculated for loan commitments and presented as “Other liabilities” in the balance sheet. Changes in the provision for expected losses are presented in the line “Loss on loans issued, guarantees etc. in the P/L statement. For instruments that have both a drawn part and an unused limit, expected credit losses are distributed pro rate between provisions for the loan losses and provisions in the balance sheet based on the relative share of the exposure. Other financial liabilities are recognized at amortized cost. The category includes deposits from customers and credit institutions with no interest rate hedging and other financial liabilities not designated as liabilities measured at fair value through profit or loss.

2.4.2.3 Financial derivatives and hedging

Financial derivatives are capitalised at fair value at the time the derivative contract is struck. On subsequent measurement the derivatives are recognised at fair value and are presented as an asset if the value is positive and a liability if the value is negative. Recognition of associated gains and losses depends on whether the derivative has been identified as a hedging instrument and on the type of accounting hedge the derivative is included in.

For derivatives not included in hedging relationships, gains and losses are recognised as net value changes on derivatives and foreign exchange. In the financial statements, they are included in the line ‘Net gain/loss on financial instruments. These fall into the category of financial assets at fair value reported through profit or loss.

For derivatives included in the accounting hedges, gains and losses are recognised as net changes in value of certificates, bonds and other securities, and are presented in the financial statements under ‘Net profit/(loss) on financial instruments.

The derivatives which are hedging instruments are used for hedging interest rate risk on fixed interest borrowing and lending. In its hedging activity, the Group safeguards itself against movements in market interest rates. Changes in the credit spread are not considered in the company/group’s hedging strategy. The company/group uses the rules on fair value hedging, so the book value of the hedged item (asset or liability) is adjusted for the value change in the hedged risk. The value change is recognised in the income statement. On entry into a hedging contract, the connection between the hedging instrument and the hedging object is documented, in addition to the purpose of the risk management and the strategy behind the different hedging transactions. The hedging effectiveness is measured regularly to ensure the hedge is effective.

If the hedge no longer fulfils the criteria for hedge accounting, the recognised effect of the hedge for hedging objects recognised at amortised cost is amortised over the period up to the due date of the hedging instrument. Effective interest rate is normally calculated based on the remaining time to maturity.

2.4.2.4 Presentation, classification and measurement

Based on the descriptions above, the presentation, classification and measurement of financial instruments can be summarized in the following table:

KLP Banken AS	
Financial Instruments	Classification
Receivables from central banks	Amortized cost
Loans to- and receivables from credit institutions	Amortized cost
Loans to- and receivables from customers	Fair value through other comprehensive income
	Fair value through profit or loss (hedging)
Loans to - and receivables from customers - credit cards	Amortized cost
Fixed income securities	Fair value through profit or loss
Financial derivatives (assets)	Fair value through profit or loss
Shares and holdings	Fair value through profit or loss
Deposits from customers	Amortized cost
	Amortized cost
Liabilities creates on issuance of securities	Amortized cost (hedging)
Financial derivatives (liabilities)	Fair value through profit or loss

KLP Bank Group	
Financial Instruments	Classification
Receivables from central banks	Amortized cost
Loans to- and receivables from credit institutions	Amortized cost
	Amortized cost
Loans to- and receivables from customers	Amortized cost (hedging)
Fixed income securities	Fair value through profit or loss
Financial derivatives (assets)	Fair value through profit or loss
Shares and holdings	Fair value through profit or loss
Deposits from customers	Amortized cost
	Amortized cost
Liabilities creates on issuance of securities	Amortized cost (hedging)
Financial derivatives (liabilities)	Fair value through profit or loss

2.4.3 Netting

Financial assets and liabilities are presented net in the statement of financial position when there is an unconditional offsetting entitlement that can be legally enforced, and the intention is to settle net or realise the asset and liability simultaneously.

2.4.4 Modification

When the contractual cash flows from a financial instrument are renegotiated or otherwise amended, and the renegotiation or change does not lead to derecognition of the financial instrument, the gross book value of the financial instrument is recalculated, and a gain or loss is recognized in the income statement. The gross book value of the financial instrument is recalculated as the present value of the renegotiated or amended contractual cash flows, discounted at the original effective interest rate for the financial

instrument. Any costs or fees incurred adjust the book value of the modified financial instrument and are written down over the remaining lifetime of the changed financial instrument.

2.5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as receivables from credit institutions without any termination date. The amount does not include receivables from credit institutions that are linked to the purchase and sale of securities in the management of the securities portfolios. The statement of cash flows has been prepared in accordance with the direct method.

2.6 OWNERSHIP INTERESTS IN GROUP COMPANIES

Investments in group companies are investments for permanent ownership or use and are valued at acquisition cost.

The Group financial statements cover the Bank and its wholly owned subsidiaries KLP Boligkreditt AS and KLP Kommunekreditt AS. All entities in which the Group has a decisive influence/control are considered to be subsidiaries. Control is normally achieved through ownership of more than half of the voting capital. The effect of potential voting rights that can be exercised or converted at the end of the reporting period is included in the assessment of control.

2.7 FINANCIAL LIABILITIES

The company/group's financial liabilities comprise liabilities to credit institutions, covered bonds issued and deposits from customers.

2.7.1 Liabilities to credit institutions

Liabilities to credit institutions are capitalized at market value on take-up. As a rule, on subsequent measurement the liability is recognized at amortized cost. The interest costs are included in amortization on the line for 'Interest expenses, effective interest rate method' in the income statement.

2.7.2 Covered bonds issued

In the first instance, covered bonds issued are recognized at fair value on take-up adjusted for purchase costs, i.e. nominal value adjusted for any premium/discount on issue. On subsequent valuation the bonds are valued at amortized cost. The interest costs are shown in the line 'Interest expenses, effective interest rate method' in the income statement. Bonds with fixed interest are recognized in accordance with the rules on fair value hedging if they reduce or eliminate the inconsistency ("accounting mismatch").

2.7.3 Liabilities to and deposits from customers

Deposits from customers are recognised at fair value in the balance sheet when the deposit is recorded as transferred to the customer's account. In subsequent periods, liabilities to and deposits from customers are recognised at amortised cost. The interest expenses are included in the line 'Interest expenses, effective interest rate method' in the income statement.

2.8 OWNERS' EQUITY

The owners' equity in the Group comprises owners' equity contributed and retained earnings.

2.8.1 Equity contributed

Owners' equity contributed comprises share capital, the share premium fund and other owners' equity contributed.

2.8.2 Accrued equity

Retained earnings comprise other owners' equity. Ordinary company law rules apply to any allocation or use of the retained earnings.

2.9 PRESENTATION OF INCOME IN THE ACCOUNTS

Income from the sale of products and services is valued at the fair value of the consideration, net of any discounts. Intragroup sales are eliminated in the consolidated financial statements.

2.9.1 Income from services

Fees for lending management are taken to income in proportion to the management carried out for the time up to the end of the reporting period. Other services are taken to income on a linear basis over the contract period.

2.9.2 Interest income/expenses

Interest income and interest expenses associated with all interest-bearing financial instruments valued at amortized cost and fair value through other comprehensive income are taken to income using the effective interest rate method on the book value of the asset on the balance-sheet date and are reported under 'Interest income/expenses, effective interest rate method'.

For interest-bearing financial investments and derivatives measured at fair value through the income statement, interest income is classified as 'Interest income and similar income, fair value', while other value changes are classified as 'Net gain or loss on financial investments'.

2.10 TAX

Tax costs in the income statement comprise tax payable and changes in deferred tax. Tax is charged to the income statement, apart from tax relating to items reported under 'Other comprehensive income'. Deferred tax and tax assets are calculated as differences between the accounting and taxation value of assets and liabilities. Deferred tax assets are capitalized to the extent that it can be demonstrated that the company/group will have sufficient taxable profit in the future to exploit the tax asset.

The company is a part of a financial services group and a tax group. Except for the limitations pursuant to the Financial Institutions Act, any tax-related surplus may be passed in its entirety to the parent company and subsidiaries as a group contribution with tax effect.

Provisions for group contributions are classified as equity until they have been approved by the general meeting and are then settled.

The company/group is covered by the rules on capital activity tax. Capital activity tax is calculated on the company's total employer-taxable benefits in addition to salary benefits etc. that were earned in 2023 but not paid until later years.

2.11 PENSION OBLIGATIONS - OWN EMPLOYEES

The company/group's pension obligations are partially insurance-covered through KLP's public-sector occupational pensions by way of membership of the joint pension scheme for municipalities and enterprises ('Fellesordningen'). Pension liability beyond these schemes is covered through operations. Pension costs are treated in accordance with IAS 19. The company/group has a defined-benefit pension scheme for its employees. The accounting liability for defined-benefit schemes is the present value of the obligation on the reporting date, with a deduction for the fair value of the pension assets. The gross obligation is calculated using the straight-line method. The gross obligation is discounted to present value using the interest rates on Norwegian high-quality bonds. Gains and losses arising on recalculation of the obligation as a result of known deviations and changes in actuarial assumptions are charged to owners' equity via other comprehensive income during the period in which they arise. The effect of changes in the benefits from the scheme is taken to profit/loss immediately.

Presentation of the pension costs in the income statement is in accordance with IAS 1. This standard allows the option of classifying the net interest element either as an operating cost or as a financial cost. The option the company/group adopts must be followed consistently for later periods. The company/group has presented the pension costs under the accounting line 'Salary and administrative costs', while the net interest element is presented in the accounting line 'Net gain/(loss) on financial instruments. The estimate deviation has been classified under 'Items that will not be reclassified to income' in the accounting line 'Estimate deviation pension obligations and pension assets.

The 'Fellesordningen' is a multi-undertaking scheme, which means that the actuarial risk is distributed across all the municipalities and companies included in the scheme. The financial and actuarial assumptions

behind the calculation of net pension obligations are therefore based on factors that are representative of the whole Group.

Note 3 **Important accounting estimates and valuations**

The company/group prepares estimates and assumptions about future situations. These are constantly evaluated and are based on historical data and expectations concerning probable future events considered on the basis of data available at the time of presentation of the financial statements.

The estimates may be expected to differ from the final outcome and the areas where there is significant risk of substantial change in capitalised values in future periods are discussed below.

3.1 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The company/group has invested surplus liquidity in income-bearing securities. These were initially recognised at fair value in the statement of financial position. The securities in the portfolio are classified under “Financial assets at fair value through profit or loss” as they are managed, and their earnings are measured on the basis of fair value. The principles for calculating the fair value of the various instruments are described in notes 15 and 16.

3.2 LOSSES ON FINANCIAL ASSETS

Financial assets not measured at market value are assessed for impairment at the end of the reporting period.

Financial instruments are assessed for impairment for expected losses. The method for measuring impairment for expected loss depends on whether the credit risk has increased significantly since initial recognition. Upon initial recognition, and when the credit risk has not increased significantly after initial recognition, provisions are based on 12 months' expected loss (stage 1). If the credit risk has increased significantly since initial recognition, but there is no objective evidence of impairment, write-downs are based on expected loss over the lifetime (stage 2). If the credit risk has increased significantly and there is objective evidence of impairment, a provision should be raised for the expected loss over its lifetime (stage 3).

In the company/group, the assessment of what is considered to be a significant change in credit risk for home mortgage loans is based on a combination of quantitative and qualitative indicators and ‘backstops’. The most important driver for a significant change in credit risk for home mortgage loans is a change in the probability of default (PD) from initial recognition up to the reporting date. A relative change in PD of more than 1.5 is considered to be a significant change in credit risk. The change in PD must also be at least 0.6 percentage points for the change to be considered significant.

For some lending products, the company/group has not developed its own PD and LGD (loss given default) models. This is because the products are considered to have a low credit risk due to municipal guarantees,

or because the scope of the product and thus the consequences of losses are small. For these products, the simplified loss ratio method is used. Here a change in risk rating of at least one grade from initial recognition to the reporting date is considered to be a significant increase in credit risk.

Note 4 Segment information

NOK THOUSAND	Public sector Market		Retail Market		Other/eliminations		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Net interest income	113 619	107 606	351 121	261 081	-	-	464 740	368 687
Other operating income	43 947	32 200	42 171	21 049	5 521	5 521	91 638	58 770
Operating expenses	-74 884	-70 359	-195 187	-176 296	-	-	-270 071	-246 655
Loss on loans issued, guarantees etc.	4	-8	-875	-315	-	-	-871	-323
Elimination	3 353	3 353	2 168	2 168	-5 521	-5 521	-	-
Operating profit/loss before tax	86 039	72 791	199 398	107 687	-	-	285 437	180 478
Assets as at 31.12.	21 188 279	22 548 024	32 190 365	32 261 484	-4 450 537	-4 298 793	48 928 107	50 510 716
Liabilities as at 31.12.	20 219 067	21 647 922	28 364 390	28 569 707	-2 829 281	-2 673 380	45 754 176	47 544 250

Note 5 Net interest income

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
01.01.2022 -31.12.2022	01.01.2023 -31.12.2023		01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
321 285	632 329	Interest income on loans to customers	1 973 093	1 048 171
14 494	32 638	Interest income on loans to credit institutions	65 590	31 304
335 779	664 967	Total interest income, effective interest method	2 038 683	1 079 475
50 284	110 657	Interest income on bonds and certificates	219 358	120 291
138	301	Other interest income	132 009	54 110
50 421	110 959	Total other interest income	351 367	174 402
386 200	775 925	Total interest income	2 390 050	1 253 877
-158 340	-444 281	Interest expenses on deposits to KLP Banken	-426 988	-149 986
-23 320	-46 209	Interest expenses on issued securities	-1 375 467	-668 276
-326	-297	Interest expense lease liabilities	-297	-326
-181 986	-490 787	Total interest expense, effective interest method	-1 802 752	-818 588
-144	-131	Other interest expenses	-107 877	-49 595
-17 007	-14 680	Interest expenses on deposits to customers	-14 680	-17 007
-17 151	-14 811	Total other interest expense	-122 557	-66 602
-199 137	-505 598	Total interest expense	-1 925 309	-885 190
187 063	270 328	Net interest income	464 740	368 687

Note 6 Net commission income

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
01.01.2022 -31.12.2022	01.01.2023 -31.12.2023		01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
90	88	Interbank commission	88	90
13 819	16 678	Short commission	16 678	13 819
893	365	Payment handling	365	893
14 680	13 487	Other commission income	13 487	14 680
29 483	30 618	Total commission income	30 618	29 483
-135	-127	Interbank commission	-127	-135
-1 698	-1 785	Payment handling	-1 785	-1 698
-733	-822	Other commission expenses	-822	-733
-2 566	-2 734	Total commission costs	-2 734	-2 566
26 917	27 884	Net commission income	27 884	26 917

Note 7 Net gain/(loss) on financial instruments

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
01.01.2022 -31.12.2022	01.01.2023 -31.12.2023		01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
-9 771	3 939	Net gain/(loss) on fixed-income securities	7 882	-18 704
265	330	Net gain/(loss) financial derivatives and realized amortization linked to lending	284	270
-	-	Net gain/(loss) financial derivatives and realized repurchase of own debt	-9 933	-12 335
-	-	Net accrual of over/under rates borrowings and securities	5 521	5 521
-1 004	-1 287	Other financial income and expenses	-1 288	-1 004
-10 511	2 982	Total net gain/(loss) on financial instruments	2 466	-26 252

Note 8 Pay and general management costs

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
01.01.2022 -31.12.2022	01.01.2023 -31.12.2023		01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
59 060	62 273	Salaries	62 273	59 060
8 590	9 566	Social security contributions	9 566	8 590
3 046	3 169	Capital activity tax	3 169	3 046
14 485	13 855	Pensions including social security contributions	13 855	14 485
2 519	2 714	Other benefits	2 714	2 519
87 701	91 577	Total pay and general management costs	91 577	87 701

Note 9 Auditor's fee

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
01.01.2022 -31.12.2022	01.01.2023 -31.12.2023		01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
471	709	Ordinary audit	1 440	1 125
29	-	Certification services	345	341
499	709	Total auditor's fee	1 785	1 466

The audit fee is expensed according to received invoice. The amounts above include VAT.

Note 10 **Loan loss provision**

Framework for loan loss provisions

The measurement of the provision for expected credit losses on financial assets according to IFRS 9 depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased significantly, the provision should equal 12-month expected credit losses (stage 1). If the credit risk has increased significantly from the initial recognition (stage 2) or if the asset is classified as impaired (stage 3), the provision should equal lifetime expected credit losses.

Calculation of expected credit loss

Expected credit loss (ECL) is calculated as the exposure at default (EAD) multiplied by the probability of default (PD) multiplied by the loss given default (LGD).

Probability of Default (PD) is a calculated probability based on statistical models to estimate the probability of an exposure going into default during the following 12-month period (12-month PD). In addition to calculating 12 months PD, the bank has developed PD graphs used for calculating marginal PD for the exposure's remaining lifetime (Lifetime PD).

Loss given default (LGD) is what the bank expects to lose given that an exposure goes into default. The calculation is based on how probable it is that a defaulted exposure is cured and expected credit loss if the exposure is not cured.

Exposure at default (EAD) is expected exposure at the moment of a future default.

In KLP Banken/the Group, the assessment of what is considered to be a significant change in credit risk for retail mortgage loans are based on a combination of quantitative and qualitative indicators and 'backstops'. The most important driver for a significant change in credit risk for retail mortgage loan is a change in the probability of default (PD) from the initial recognition up to the reporting date. A relative change in 12 month PD of more than 1.5 is considered a significant change in credit risk. In addition, the change in 12 month PD must also be at least 0.6 percentage points for the change to be considered significant. Exposures that are more than 30 days past due will automatically be placed in Stage 2, and exposures more than 90 days past due will be placed in Stage 3. The loans go back to Stage 2 and Stage 1 when the criteria for significant change in credit risk and default are no longer fulfilled. A loan in stage 3 will be three months in quarantine before it will be moved back to stage 2 or 1. Based on this a loan will remain in stage three for three months after the loan is reported "healthy".

Definition of default

Default is defined as "a claim that is over 90 days past due, or an account that has been continuously overdrawn for a minimum of 90 days (minimum amount NOK 1,000). Furthermore, a commitment is considered defaulted if for various reasons it has been written off, e.g. through debt negotiations, established debt settlement and/or bankruptcy.

Simplified loss ratio method

For products where the bank has not developed PD and LGD (loss given default) models, a simplified loss ratio method is used. Here a change in risk rating of at least one grade from initial recognition to the reporting date is considered to be a significant increase in credit risk. This applies to the senior loan and credit card products within the retail market. For credit cards, the bank has calculated a loss ratio based on the average estimated PD for the credit card portfolio obtained from an external credit information agency and the average LGD for credit cards for the period 2006-2018 calculated by a debt collection agency. For senior loans, a loss ratio of 0.001 percent is used based on the fact that senior loans cannot, in principle, go into default since the product is such that no interest or instalments are to be paid on the loan before the home is sold or the customer dies. In addition to that, the loan calculation is conservative, with lower loan to value (LTV) the younger the customer is (minimum age of 60 years).

For public lending in KLP Kommunekreditt AS the simplified loss rate method is used, but here with the exception for low credit risk so that all loans are in stage 1. For these loans, a loss rate of 0.001 per cent is used.

Follow-up of defaulted and doubtful commitments

Mortgages in arrears are handled by a special commitments department in the bank. KLP Banken/Group currently uses its own collection process up to and including legally enforced recovery and execution of sale/foreclosure. If a repayment agreement is not reached, any residual debt after realization of the collateral is transferred to a collection agency for further follow-up.

For credit cards, KLP Banken/ Group has an agreement with a debt collection agency where unpaid instalments are followed up with pre-collection. The debt collection agency also handles unpaid claims with termination, legally enforced recovery and, if applicable, monitoring in cases where legally enforced recovery has so far been in vain.

Individual loss write-downs

Mortgages over 90 days past due are reviewed and followed up regularly. In addition, exposures are also reviewed when the bank receives information about debt negotiations or other conditions that would indicate increased risk. A loss assessment is carried out for all such exposures. The collateral is assessed on the basis of previously determined value, in addition to new information about the bank's collateral, for example from a broker if a sale/foreclosure has already been initiated. If the realisation value proves to be lower than the residual debt of the commitment, a loss write-down of the exposure is carried out.

Exposures with individual loss write-downs are followed up with a view to the realisation of the collateral. This can be undertaken by agreement on an ordinary sale or legally by means of a foreclosure. In some cases, a payment agreement to repay the full amount of residual debt is reached. In these cases, the loss write-down will be maintained for a minimum of 1 year after the loan has been satisfactorily served, before the exposure is considered cured.

Determination of loss

For mortgages, the determination of loss will only occur after the security has been realised and further legal proceedings have not succeeded, that is after an application for distraint has not yielded a result. The case is then monitored by a debt collection agency and followed up on a regular basis.

Credit cards are recognised as established losses when a case is closed due to insolvency or passed for monitoring by the debt collection company. A case is primarily monitored after legal action has not succeeded. Closure/waiver of a case occurs when there is nothing to be obtained in the estate after death, for bankruptcy or by debt negotiation.

Description of inputs, assumptions and estimation techniques in the model for expected losses (ECL model)

In connection with IFRS 9 and new methods for loss calculation, KLP Banken/Group has developed PD and LGD models for the bank's/group's mortgage loan portfolio. A PD model has been developed for new mortgage customers and a PD model for existing mortgage customers. The first model uses data that is available at the time of application and is valid for three months after the mortgage is granted. The second model begins after three months, and also uses data that depends on the customer's behaviour (for example the number of days in arrears). Explanatory variables are age, income, number of payment reminders sent in the last 12 months, total number of days in arrears in the last 12 months, loan-to-value ratio, co-borrower, default in the last 12 months and product type.

The most important measure for a PD model is the model's ability to discriminate, i.e. the ability to distinguish bad customers from good customers. The ability to discriminate is measured using ROC (Receiver Operating Characteristic), which provides some information about the proportion of predictions that are correct. The PD model for mortgage was in 2022 updated with data from 2020 and 2021. In addition the basis for the calculation of LTV has been updated, based on this the PD-model was recalibrated.

The lifetime probability of default (Lifetime PD) is used for all mortgage loans in KLP Banken excluding senior loans where a simplified model for expected loss is used. The lifetime probability of default (LTPD) of an exposuer is calculated based on aggregated figures for historically observed default rates for each year of all exposures and each exposure's probability of default 12 months after start. The results from model development show that the default rate increases slightly in year 2 before then decreasing, so that the PD in year 2 is higher than in year 1. This is in line with the expected result, since it is expected that it will take some time before a newly granted mortgage loan experiences problems. A customer will typically seek to avoid default on a mortgage loan, and will typically default on other debts before he goes into default on the mortgage loan. The reduction in PD after year 2 can be explained by a "survivalship effect", i.e. the contracts

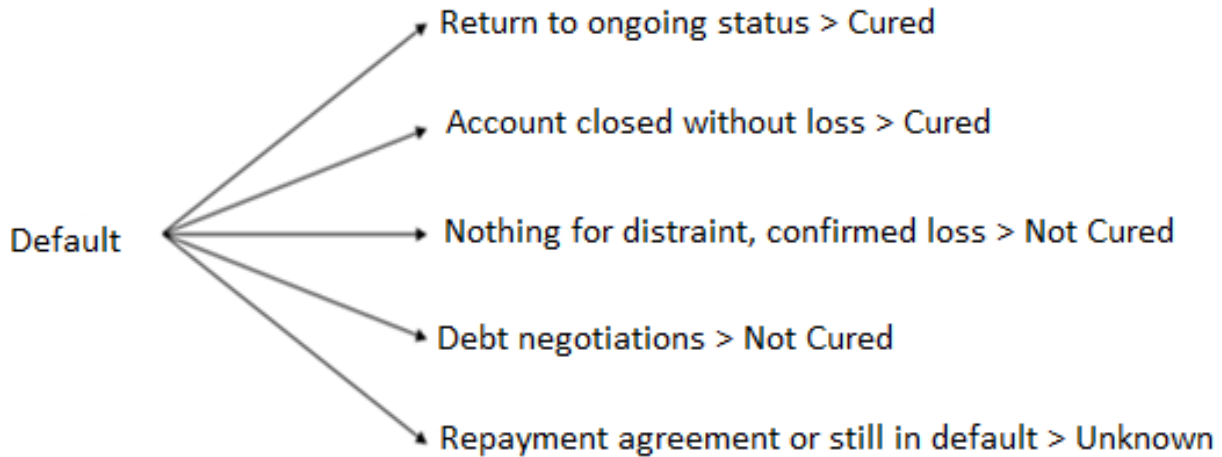
that have not defaulted in the first 2 years are typically of better credit quality, and as the loans are repaid the risk becomes lower. Experience from the industry is that contracts that have existed for a certain period of time converge towards a stable observed default rate. For KLP Banken/Group's mortgage loan portfolio, 3 years has been set as the parameter for when the default level converges towards a long-term PD level. The long-term PD level is set at 0.3 per cent, which corresponds to the average PD for the best contracts in the portfolio.

Exposure at default (EAD) is used for all mortgages in KLP Banken/Group excluding senior loans where a simplified model for expected loss is used. The EAD model has the same data sample as the LTPD model. If an exposure is in default, the exposure's balance at the time will be the bank's/group's exposure at default. EAD can be expressed for an exposure as a function of the likelihood that the contract will not be repaid within the time t . For repayment loans, EAD at time t is estimated as the exposure's balance at the time pursuant to the repayment schedule multiplied by the likelihood of the contract not being repaid within time t . The probability of a contract being terminated early within the year t is calculated as a percentage for each year in the future from 1 to 7 years.

Loss given default (LGD)

When estimating future credit loss it is important to look at the proportion of customers in default whose accounts become cured. The bank/group has examined all historical defaults over 90 days and analysed the outcomes of these defaults. The results of the analysis show a very high level of defaults becoming cured. KLP Banken/Group has, since its inception, handled defaults and debt collection internally within the bank/group, and has one dedicated employee who handles exposures in default. The cases are followed closely, and there has been a limited number of defaults since the bank's inception. The analysis shows that the bank has had minimal losses, and most defaults have been reported as cured.

Cured default is defined as the account returning to ongoing status (no longer 90 days past due/90 days overdrawn over the bank's significant amount), or that the account is terminated without loss (typically through voluntary sale of collateral or refinancing in another bank). Non-cured default is defined as where the recovery process has resulted in the account having an established loss, or that an application for distraint has been made against the customer (foreclosure of the property or recovery of guarantee). Customers with status "nothing for distraint" also belong in this category). If the customer has entered debt negotiations, this is also defined as non-cured default. One last possibility is that the final outcome of the default is still unknown due to a short time horizon between the default date and modelling date. The figure below illustrates the various outcomes for a default.



The observed cure rate is calculated and validated at least yearly in the same way as during model development. If the observed cure rate deviates by more than 10 percentage points from the estimate used in the IFRS 9 model, an assessment shall be made of whether measures are needed, e.g. a re-estimation of the model.

Forward-looking information

A part of the assessment of future losses is the assessment of how the future will look with regard to the macroeconomic conditions that affect the bank's credit losses, e.g. interest rates, housing prices, unemployment rates etc. To calculate the expected credit loss (ECL), the bank has assumed three different scenarios, which are weighted for probability based on an assessment of the probability of each of the three outlined scenarios occurring. The scenarios used by the bank are one expected outcome, one pessimistic outcome and one optimistic outcome for expected credit loss, where the three scenarios have a factor for outcome and a probability that the scenario occurs. The sum of the weighted scenarios constitutes the expected credit loss, and the probability that each scenario will occur will thus affect the expected credit loss. In the expected outcome we assume unchanged house prices and stable PD. In the negative scenario, a house price fall of 15 percent and a doubling of the average PD, while the cure rate falls by 5 percentage points. This scenario is assigned 30 percent probability. In the positive scenario, the bank has assumed that house prices will increase by 5 percent and that the average PD will be halved. This scenario is assigned 10 percent probability. The expected scenario is thus weighted with a 60 percent probability.

If one only assumes a pessimistic scenario, the expected credit losses will roughly triple, and if one only assumes an optimistic scenario, the expected loss will increase with about 60 percent compared to the current losses. If only the positive scenario is assumed the expected losses will be reduced to about 40 percent of the current losses.

KLP Banken's risk forum assesses these scenarios and their weighting on a quarterly basis, based on changes in macroeconomic factors or other factors that may affect expected credit loss in the bank.

Sustainability risk

Sustainability risk includes risks related to environmental, social or governance (ESG) events that could pose a threat to the Bank if they occur. Climate risk is part of the Bank's sustainability risk. Climate change and the actions that society is taking to achieve its climate target may involve financial risk. Three areas have been identified where the climate issue entails risk. These are physical risk, transition risk and liability risk. Physical risk is associated with the cost of physical damage resulting from climate change, such as extreme weather. Transition risk is financial risk associated with the transition to a low-emission society, and liability risk involves compensation claims related to decisions or non-decisions that may be linked to climate policy or climate change in one way or another.

In the Bank's risk analysis for 2024, an assessment has been made of how sustainability risk affects the different types of risk to which the Bank is exposed. Credit risk is the type of risk that may be expected to arise first, specifically physical climate risk in the mortgage portfolio. The Bank's direct exposure to physical climate risk is generally close to zero, as customers are insured and will recover their losses should the Bank's collateral (residential property) be impaired due to a climate-related incident. It is therefore a greater risk to the Bank if customers are indirectly affected by reduced prices or difficulties selling properties in specific areas affected by climate change, either by certain areas becoming "uninhabitable" or by key companies being forced to close down as a result of physical or transition risk. This can reduce the value of the Bank's collateral, increasing the risk of a loss if the customer defaults on their mortgage.

In order to monitor this risk, the Bank collects data on the risk of flooding, sea level rise and landslides in the mortgage portfolio from Eiendomsverdi. Data from the Bank's mortgage portfolio is combined with data from NVE² (floods), the Norwegian Mapping Authority (sea levels) and NGI³ (avalanches). In total, approximately NOK 5.4 billion, or 20 per cent of the Bank's mortgage portfolio, is exposed to the physical risks mentioned here, to a greater or lesser extent. As mentioned earlier, the direct risk is covered through mortgage insurance, but a decrease in the market value of the mortgage portfolio due to climate-related events in the immediate area is a risk to the Bank. At this stage, it is hard to imagine the Bank excluding individual customers on the basis of this risk, but it is conceivable that an industry standard could be developed in the future, where banks require a lower loan to value ratio for houses located in areas with significant climate risk.

2 NVE – The Norwegian energy Regulatory Authority

3 NGI – Norwegian Geotechnical Institute

KLP BANKEN AS

Expected credit loss (ECL) loans to customers - all segments

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	2 182	2 049	998	5 229
Transfer to Stage 1	871	-655	-216	-
Transfer to Stage 2	-34	51	-18	-
Transfer to Stage 3	-2	-108	110	-
Net changes	-2 162	-963	269	-2 857
New losses	293	117	227	636
Write-offs	-173	-121	-185	-479
Change risk model/parameters	1 214	1 937	284	3 436
Closing balance ECL 31.12.2023	2 190	2 307	1 468	5 966
Changes (01.01.2023 - 31.12.2023)	8	258	471	737
This includes provisions for losses on loans and receivables - unused credit				3 029

Expected credit loss (ECL) loans to customers - mortgage

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	121	166	421	708
Transfer to Stage 1	5	-5	-	-
Transfer to Stage 2	-6	24	-18	-
Transfer to Stage 3	-	-34	34	-
Net changes	-74	138	450	514
New losses	53	11	188	251
Write-offs	-	-	-28	-28
Closing balance ECL 31.12.2023	99	299	1 048	1 446
Changes (01.01.2023 - 31.12.2023)	-22	133	626	737
This includes provisions for losses on loans and receivables - unused credit on mortgages				4

Expected credit loss (ECL) – credit card

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	2 040	1 883	516	4 440
Transfer to Stage 1	866	-650	-216	-
Transfer to Stage 2	-28	28	-	-
Transfer to Stage 3	-2	-74	76	-
Net changes	-2 259	-1 222	-381	-3 861
New losses	235	106	17	358
Change risk model/parameters	1 214	1 937	284	3 436
Closing balance ECL 31.12.2023	2 067	2 008	297	4 372
Changes (01.01.2023 - 31.12.2023)	27	125	-220	-67
This includes provisions for losses on loans and receivables - unused credit on credit card				3 025

Expected credit loss (ECL) loans to customers - senior loans

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	22	-	-	22
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-2	-	-	-2
New losses	5	-	-	5
Closing balance ECL 31.12.2023	25	-	-	25
Changes (01.01.2023 - 31.12.2023)	3	-	-	3

Expected credit loss (ECL) loans to customers - overdraft deposit accounts

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	-	-	60	60
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-	-	42	42
New losses	-	-	22	22
Closing balance ECL 31.12.2023	-	-	124	124
Changes (01.01.2023 - 31.12.2023)	-	-	64	64

Individual loss write-downs on mortgages are evaluated independently based on its default status and collateral of the mortgage. For example, if a defaulted loan has progressed to compulsory sale and it is found that the loan's collateral will not cover the loan's remaining debt, the 'difference' is recognised as an individual loss write-down. When the mortgage is realised and attempts at further recovery have been unsuccessful, the residual claim is added to long-time monitoring (we currently use Intrum for long-term

monitoring). The residual loan is then posted as an established loss and is removed from the balance sheet. If funds can be recovered on established losses in the future, these will be recorded as recovery on past losses.

The Company has NOK 0.8 million in outstanding amounts that have been written down during the year and which are still the subject of enforcement measures. The bank has NOK 22.7 million in exposures in Step 3 where no impairment has been raised because of the value of the security provided; the corresponding figure for 2022 was NOK 26.9 million.

Book value of loans to and receivables from customers - all segments

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2023	10 694 461	240 116	43 654	10 978 230
Transfer to Stage 1	51 477	-50 762	-715	-
Transfer to Stage 2	-194 406	197 984	-3 578	-
Transfer to Stage 3	-807	-9 300	10 107	-
Net change	-136 952	-4 128	132	-140 947
New lending	4 343 522	45 864	13 016	4 402 402
Write-offs	-4 036 864	-70 210	-18 422	-4 125 497
Lending 31.12.2023	10 720 432	349 564	44 193	11 114 189

Book value of loans to and receivables from customers - mortgages

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2023	8 873 262	236 732	41 976	9 151 970
Transfer to Stage 1	49 373	-49 373	-	-
Transfer to Stage 2	-193 097	196 675	-3 578	-
Transfer to Stage 3	-576	-9 086	9 663	-
Net change	-4 052 629	-73 822	-15 597	-4 142 048
New lending	3 929 262	45 665	12 928	3 987 856
Write-offs	-3 588	-145	-2 237	-5 970
Lending 31.12.2023	8 602 007	346 647	43 154	8 991 808

Book value of loans to and receivables from customers - credit card

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2023	38 554	3 384	1 594	43 532
Transfer to Stage 1	2 104	-1 389	-715	-
Transfer to Stage 2	-1 308	1 308	-	-
Transfer to Stage 3	-200	-214	414	-
Net change	-3 636	-372	-483	-4 491
New lending	5 470	199	56	5 726
Lending 31.12.2023	40 983	2 917	866	44 766

Book value of loans to and receivables from customers - senior loans

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2023	1 782 407	-	-	1 782 407
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net change	-113 594	-	-	-113 594
New lending	408 729	-	-	408 729
Lending 31.12.2023	2 077 541	-	-	2 077 541

Book value of loans to and receivables from customers - overdraft deposit accounts

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2023	239	-	84	322
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-31	-	31	-
Net change	-368	-	27	-341
New lending	61	-	31	92
Lending 31.12.2023	-99	-	173	73

Exposure - unused credit

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2023	1 339 781	54 926	230	1 394 938
Corrected for loan promise 31.12.2022	397 260	-	-	397 260
Transfer to Stage 1	10 509	-10 459	-50	-
Transfer to Stage 2	-13 130	13 130	-	-
Transfer to Stage 3	-177	-50	227	-
Net change	-16 990	270	-215	-16 934
New lending	457 970	5 171	4	463 145
Write-offs	-408 444	-5 845	-	-414 289
Lending 31.12.2023	1 766 778	57 144	197	1 824 120

LOSSES RECOGNISED IN THE PROFIT AND LOSS ACCOUNT CONSIST OF:

KLP Banken AS NOK THOUSANDS	01.01.2023 -31.12.2023
Change in loss provisions in Stage 1, 2 and 3	-1 336
Established losses	-7
Recovery for previously established losses	464
Total losses in the income statement	-879

KLP Banken Group

Expected credit loss (ECL) loans to customers - all segments

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	2 390	2 090	998	5 478
Transfer to Stage 1	873	-657	-216	-
Transfer to Stage 2	-35	53	-18	-
Transfer to Stage 3	-2	-108	110	-
Net changes	-2 166	-949	269	-2 847
New losses	333	119	227	678
Write-offs	-196	-157	-185	-538
Change risk model/parameters	1 214	1 937	284	3 436
Closing balance ECL 31.12.2023	2 411	2 328	1 468	6 207
Changes (01.01.2023 - 31.12.2023)	20	238	471	729
This includes provisions for losses on loans and receivables - unused credit				3 029

Expected credit loss (ECL) loans to customers - mortgage

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	144	207	422	774
Transfer to Stage 1	7	-7	-	-
Transfer to Stage 2	-8	25	-18	-
Transfer to Stage 3	-	-34	34	-
Net changes	-66	152	450	537
New losses	65	13	188	266
Write-offs	-4	-36	-28	-68
Closing balance ECL 31.12.2023	139	320	1 049	1 508
Changes (01.01.2023 - 31.12.2023)	-5	113	626	734
This includes provisions for losses on loans and receivables - unused credit on mortgages				4

Expected credit loss (ECL) - public lending

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	184	-	-	184
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-13	-	-	-13
New losses	27	-	-	27
Write-offs	-19	-	-	-19
Closing balance ECL 31.12.2023	180	-	-	180
Changes (01.01.2023 - 31.12.2023)	-4	-	-	-4

Expected credit loss (ECL) - credit card

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	2 040	1 883	516	4 440
Transfer to Stage 1	866	-650	-216	-
Transfer to Stage 2	-28	28	-	-
Transfer to Stage 3	-2	-74	76	-
Net changes	-2 259	-1 222	-381	-3 861
New losses	235	106	17	358
Change risk model/parameters	1 214	1 937	284	3 436
Closing balance ECL 31.12.2023	2 067	2 008	297	4 372
Changes (01.01.2023 - 31.12.2023)	27	125	-220	-67
This includes provisions for losses on loans and receivables - unused credit on credit card				3 025

Expected credit loss (ECL) loans to customers - senior loans

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	22	-	-	22
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-2	-	-	-2
New losses	5	-	-	5
Closing balance ECL 31.12.2023	25	-	-	25
Changes (01.01.2023 - 31.12.2023)	3	-	-	3

Expected credit loss (ECL) loans to customers - overdraft deposit accounts

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2023	-	-	60	60
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-	-	42	42
New losses	-	-	22	22
Closing balance ECL 31.12.2023	-	-	124	124
Changes (01.01.2023 - 31.12.2023)	-	-	64	64

Book value of loans to and receivables from customers - all segments

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2023	41 943 196	489 280	43 654	42 476 129
Transfer to Stage 1	105 454	-104 738	-715	-
Transfer to Stage 2	-372 516	376 094	-3 578	-
Transfer to Stage 3	-807	-9 300	10 107	-
Net changes	-1 669 521	-11 841	132	-1 681 230
New losses	11 055 314	76 252	13 016	11 144 582
Write-offs	-8 818 028	-155 374	-18 422	-8 991 824
Lending 31.12.2023	42 243 091	660 373	44 193	42 947 657

Book value of loans to and receivables from customers – mortgages

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2023	20 906 667	485 896	41 976	21 434 538
Transfer to Stage 1	103 350	-103 350	-	-
Transfer to Stage 2	-371 208	374 786	-3 578	-
Transfer to Stage 3	-576	-9 086	9 663	-
Net changes	-4 476 143	-81 535	-15 597	-4 573 275
New losses	7 694 045	76 054	12 928	7 783 027
Write-offs	-2 819 426	-85 308	-2 237	-2 906 971
Lending 31.12.2023	21 036 709	657 456	43 154	21 737 319

Book value of loans to and receivables from customers - public lending

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2023	19 215 331	-	-	19 215 331
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-1 109 055	-	-	-1 109 055
New losses	2 947 008	-	-	2 947 008
Write-offs	-1 965 325	-	-	-1 965 325
Lending 31.12.2023	19 087 958	-	-	19 087 958

Book value of loans to and receivables from customers – credit card

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 31.12.2023	38 554	3 384	1 594	43 532
Transfer to Stage 1	2 104	-1 389	-715	-
Transfer to Stage 2	-1 308	1 308	-	-
Transfer to Stage 3	-200	-214	414	-
Net changes	-3 636	-372	-483	-4 491
New losses	5 470	199	56	5 726
Lending 31.12.2023	40 983	2 917	866	44 766

Book value of loans to and receivables from customers – senior loans

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 31.12.2023	1 782 407	-	-	1 782 407
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-113 594	-	-	-113 594
New losses	408 729	-	-	408 729
Lending 31.12.2023	2 077 541	-	-	2 077 541

Book value of loans to and receivables from customers – overdraft deposit accounts

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 31.12.2023	239	-	84	322
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-31	-	31	-
Net changes	-368	-	27	-341
New losses	61	-	31	92
Lending 31.12.2023	-99	-	173	73

Exposure – unused credit

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2023	Stage 1	Stage 2	Stage 3	Total
Lending 31.12.2023	1 339 781	54 926	230	1 394 937
Corrected for loan promise 31.12.2022	397 260	-	-	397 260
Transfer to Stage 1	10 509	-10 459	-50	-
Transfer to Stage 2	-13 130	13 130	-	-
Transfer to Stage 3	-177	-50	227	-
Net changes	-16 990	270	-215	-16 934
New losses	457 970	5 171	4	463 145
Write-offs	-408 444	-5 845	-	-414 289
Lending 31.12.2023	1 766 778	57 144	197	1 824 120

LOSSES RECOGNISED IN THE PROFIT AND LOSS ACCOUNT CONSIST OF:

KLP Banken Group NOK THOUSANDS	01.01.2023 -31.12.2023
Change in loss provisions in Stage 1, 2 and 3	-1 328
Established losses	-7
Recovery for previously established losses	464
Total losses in the income statement	-871

KLP BANKEN AS 2022

Expected credit loss (ECL) loans to customers - all segments

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	4 148	280	1 753	6 180
Transfer to Stage 1	90	-64	-26	-
Transfer to Stage 2	-55	62	-7	-
Transfer to Stage 3	-9	-24	33	-
Net changes	133	-60	-898	-825
New losses	302	297	46	645
Write-offs	-506	-107	-349	-963
Change risk model/parameters	-1 920	1 667	445	192
Closing balance ECL 31.12.2022	2 182	2 049	998	5 229
Changes (01.01.2022 - 31.12.2022)	-1 966	1 770	-755	-951
This includes provisions for losses on loans and receivables - unused credit				2 774

Expected credit loss (ECL) loans to customers - mortgage

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	137	118	1 497	1 751
Transfer to Stage 1	4	-4	-	-
Transfer to Stage 2	-5	5	-	-
Transfer to Stage 3	-	-11	11	-
Net changes	-115	-45	-932	-1 093
New losses	100	101	-	200
Write-offs	-	-	-154	-154
Change risk model/parameters	-	3	-	3
Closing balance ECL 31.12.2022	121	166	421	708
Changes (01.01.2022 - 31.12.2022)	-16	48	-1 075	-1 043
This includes provisions for losses on loans and receivables - unused credit on mortgages				4

Expected credit loss (ECL) - credit card

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	3 987	161	67	4 215
Transfer to Stage 1	87	-60	-26	-
Transfer to Stage 2	-51	58	-7	-
Transfer to Stage 3	-9	-13	22	-
Net changes	-290	-122	-16	-428
New losses	199	196	21	416
Change risk model/parameters	-1 883	1 663	456	236
Closing balance ECL 31.12.2022	2 040	1 883	516	4 440
Changes (01.01.2022 - 31.12.2022)	-1 947	1 722	450	224
This includes provisions for losses on loans and receivables - unused credit on credit card				2 770

Expected credit loss (ECL) loans to customers - senior loans

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	19	-	-	19
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-3	-	-	-3
New losses	3	-	-	3
Change risk model/parameters	3	-	-	3
Closing balance ECL 31.12.2022	22	-	-	22
Changes (01.01.2022 - 31.12.2022)	3	-	-	3
This includes provisions for losses on loans and receivables - unused credit on senior loans				1

Expected credit loss (ECL) loans to customers – overdraft deposit accounts

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	5	-	190	195
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	34	-	-144	-110
New losses	-	-	25	25
Change risk model/parameters	-40	-	-11	-50
Closing balance ECL 31.12.2022	-	-	60	60
Changes (01.01.2022 - 31.12.2022)	-5	-	-130	-135

Individual loss write-downs on mortgages are evaluated independently based on its default status and collateral of the mortgage. For example, if a defaulted loan has progressed to compulsory sale and it is found that the loan's collateral will not cover the loan's remaining debt, the 'difference' is recognised as an individual loss write-down. When the mortgage is realised and attempts at further recovery have been unsuccessful, the residual claim is added to long-time monitoring (we currently use Intrum for long-term monitoring). The residual loan is then posted as an established loss and is removed from the balance sheet. If funds can be recovered on established losses in the future, these will be recorded as recovery on past losses.

The Company has NOK 2 million in outstanding amounts that have been written down during the year and which are still the subject of enforcement measures. The bank has NOK 26.9 million in exposures in Step 3 where no impairment has been raised because of the value of the security provided; the corresponding figure for 2021 was NOK 20.5 million.

Book value of loans to and receivables from customers - all segments

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	9 472 667	251 866	35 954	9 760 487
Transfer to Stage 1	66 968	-66 002	-966	-
Transfer to Stage 2	-117 414	117 688	-274	-
Transfer to Stage 3	-8 472	-7 573	16 044	-
Net change	-33 798	-1 594	152	-35 239
New lending	5 319 503	43 658	777	5 363 937
Write-offs	-4 004 992	-97 928	-8 034	-4 110 954
Lending 31.12.2022	10 694 461	240 116	43 654	10 978 230

Book value of loans and receivables from customers – mortgages

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	7 726 786	248 483	33 565	8 008 834
Transfer to Stage 1	65 019	-64 878	-142	-
Transfer to Stage 2	-115 947	115 983	-35	-
Transfer to Stage 3	-7 901	-7 137	15 038	-
Net change	-3 824 964	-98 977	-7 059	-3 930 999
New lending	5 041 600	43 258	667	5 085 525
Write-offs	-11 332	-	-58	-11 390
Lending 31.12.2022	8 873 262	236 732	41 976	9 151 970

Book value of loans and receivables from customers - credit card

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	38 284	3 383	2 202	43 869
Transfer to Stage 1	1 948	-1 124	-824	-
Transfer to Stage 2	-1 467	1 706	-239	-
Transfer to Stage 3	-564	-436	1 000	-
Net change	-3 525	-545	-619	-4 689
New lending	3 878	400	75	4 352
Lending 31.12.2022	38 554	3 384	1 594	43 532

Book value of loans and receivables from customers - senior loans

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	1 707 532	-	-	1 707 532
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net change	-199 106	-	-	-199 106
New lending	273 981	-	-	273 981
Lending 31.12.2022	1 782 407	-	-	1 782 407

Book value of loans and receivables from customers - overdraft deposit accounts

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	65	-	188	252
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-7	-	7	-
Net change	137	-	-145	-8
New lending	44	-	35	78
Lending 31.12.2022	239	-	84	322

Exposure - unused credit

KLP Banken AS NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	1 158 308	62 601	153	1 221 062
Transfer to Stage 1	35 327	-35 249	-78	-
Transfer to Stage 2	-25 409	25 413	-3	-
Transfer to Stage 3	-166	-14	181	-
Net change	41 151	1 522	33	42 706
New lending	223 534	3 092	-	226 627
Write-offs	-92 965	-2 438	-54	-95 456
Lending 31.12.2022	1 339 781	54 926	230	1 394 938

LOSSES RECOGNISED IN THE PROFIT AND LOSS ACCOUNT CONSIST OF:

KLP Banken AS NOK THOUSANDS	01.01.2022 -31.12.2022
Change in loss provisions in Stage 1, 2 and 3	-228
Established losses	-815
Recovery for previously established losses	768
Total losses in the income statement	-275

KLP Banken Group 2022

Expected credit loss (ECL) loans to customers - all segments

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	4 346	282	1 753	6 381
Transfer to Stage 1	92	-66	-26	-
Transfer to Stage 2	-57	64	-7	-
Transfer to Stage 3	-9	-24	33	-
Net changes	111	-25	-898	-812
New losses	356	299	46	702
Write-offs	-529	-108	-349	-985
Change risk model/parameters	-1 920	1 667	445	192
Closing balance ECL 31.12.2022	2 390	2 090	998	5 478
Changes (01.01.2022 - 31.12.2022)	-1 956	1 808	-755	-903
This includes provisions for losses on loans and receivables - unused credit				2 774

Expected credit loss (ECL) loans to customers - mortgage

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	159	121	1 498	1 777
Transfer to Stage 1	5	-5	-	-
Transfer to Stage 2	-6	6	-	-
Transfer to Stage 3	-	-11	11	-
Net changes	-126	-10	-932	-1 068
New losses	119	103	-	222
Write-offs	-7	-	-154	-161
Change risk model/parameters	-	4	-	4
Closing balance ECL 31.12.2022	144	207	422	774
Changes (01.01.2022 - 31.12.2022)	-15	87	-1 075	-1 003
This includes provisions for losses on loans and receivables - unused credit on mortgages				4

Expected credit loss (ECL) - public lending

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	176	-	-	176
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-11	-	-	-11
New losses	36	-	-	36
Write-offs	-16	-	-	-16
Closing balance ECL 31.12.2022	184	-	-	184
Changes (01.01.2022 - 31.12.2022)	8	-	-	8

Expected credit loss (ECL) - credit card

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	3 987	161	67	4 215
Transfer to Stage 1	87	-60	-26	-
Transfer to Stage 2	-51	58	-7	-
Transfer to Stage 3	-9	-13	22	-
Net changes	-290	-122	-16	-428
New losses	199	196	21	416
Change risk model/parameters	-1 883	1 663	456	236
Closing balance ECL 31.12.2022	2 040	1 883	516	4 440
Changes (01.01.2022 - 31.12.2022)	-1 947	1 722	450	224
This includes provisions for losses on loans and receivables - unused credit on credit card				2 770

Expected credit loss (ECL) loans to customers - senior loans

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	18	-	-	18
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-3	-	-	-3
New losses	3	-	-	3
Change risk model/parameters	3	-	-	3
Closing balance ECL 31.12.2022	21	-	-	21
Changes (01.01.2022 - 31.12.2022)	3	-	-	3
This includes provisions for losses on loans and receivables - unused credit on senior loans				1

Expected credit loss (ECL) loans to customers – overdraft deposit accounts

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Opening balance ECL 01.01.2022	5	-	190	195
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	34	-	-144	-110
New losses	-	-	25	25
Change risk model/parameters	-40	-	-11	-50
Closing balance ECL 31.12.2022	-	-	60	60
Changes (01.01.2022 - 31.12.2022)	-5	-	-130	-135

Book value of loans to and receivables from customers - all segments

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	39 404 432	527 587	35 954	39 967 973
Transfer to Stage 1	201 375	-200 410	-966	-
Transfer to Stage 2	-275 371	275 645	-274	-
Transfer to Stage 3	-8 472	-7 573	16 044	-
Net changes	-1 282 406	-9 187	152	-1 291 441
New losses	12 578 853	61 335	777	12 640 965
Write-offs	-8 675 215	-158 118	-8 034	-8 841 367
Lending 31.12.2022	41 943 196	489 280	43 654	42 476 129

Book value of loans to and receivables from customers - mortgages

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	19 782 618	524 203	33 565	20 340 386
Transfer to Stage 1	199 427	-199 285	-142	-
Transfer to Stage 2	-273 904	273 939	-35	-
Transfer to Stage 3	-7 901	-7 137	15 038	-
Net changes	-4 310 641	-106 570	-7 059	-4 424 269
New losses	8 576 358	60 936	667	8 637 961
Write-offs	-3 059 291	-60 191	-58	-3 119 539
Lending 31.12.2022	20 906 667	485 896	41 976	21 434 538

Book value of loans to and receivables from customers - public lending

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	17 875 934	-	-	17 875 934
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-762 931	-	-	-762 931
New losses	3 724 592	-	-	3 724 592
Write-offs	-1 622 264	-	-	-1 622 264
Lending 31.12.2022	19 215 331	-	-	19 215 331

Book value of loans to and receivables from customers – credit card

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	38 284	3 383	2 202	43 869
Transfer to Stage 1	1 948	-1 124	-824	-
Transfer to Stage 2	-1 467	1 706	-239	-
Transfer to Stage 3	-564	-436	1 000	-
Net changes	-3 525	-545	-619	-4 689
New losses	3 878	400	75	4 352
Lending 31.12.2022	38 554	3 384	1 594	43 532

Book value of loans to and receivables from customers – senior loans

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	1 707 532	-	-	1 707 532
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net changes	-199 106	-	-	-199 106
New losses	273 981	-	-	273 981
Lending 31.12.2022	1 782 407	-	-	1 782 407

Book value of loans and receivables from customers - overdraft deposit accounts

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	65	-	188	252
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-7	-	7	-
Net changes	137	-	-145	-8
New losses	44	-	35	78
Lending 31.12.2022	239	-	84	322

Exposure - unused credit

KLP Banken Group NOK THOUSANDS	12 months ECL	Lifetime ECL (not credit impaired)	Lifetime ECL (credit impaired)	
2022	Stage 1	Stage 2	Stage 3	Total
Lending 01.01.2022	1 158 308	62 601	153	1 221 062
Transfer to Stage 1	35 327	-35 249	-78	-
Transfer to Stage 2	-25 409	25 413	-3	-
Transfer to Stage 3	-166	-14	181	-
Net changes	41 151	1 522	33	42 706
New losses	223 534	3 092	-	226 627
Write-offs	-92 965	-2 438	-54	-95 456
Lending 31.12.2022	1 339 781	54 926	230	1 394 938

LOSSES RECOGNISED IN THE PROFIT AND LOSS ACCOUNT CONSIST OF:

KLP Banken Group NOK THOUSANDS	01.01.2022 -31.12.2022
Change in loss provisions in Stage 1, 2 and 3	-276
Established losses	-815
Recovery for previously established losses	768
Total losses in the income statement	-323

Note 11 Tax

KLP Banken AS		NOK THOUSAND	KLP Banken Group	
01.01.2022 - 31.12.2022	01.01.2023 - 31.12.2023		01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
101 180	176 412	Accounting income before taxes	285 437	180 478
		Other income components:		
11 094	-13 013	Estimate difference, pension obligations and assets	-13 013	11 094
-11	-19	Value adjustment for instruments other than shares through OCI	-19	-11
		Differences between accounting and tax income:		
11 641	-3 998	Reversal of value increase financial assets	18 800	-55 995
-152	-164	Other permanent differences	-164	-152
-4 297	13 058	Change in differences between book and taxable income	-3 566	79 233
119 455	172 276	Taxable income	287 475	214 647
-	-	Group contribution received with tax effect	-	-
119 455	172 276	Base for tax payable in tax expenses	287 475	214 647
-	-	Total allowable carry-forward deficit as at 31 December	-	-
119 455	172 276	Tax surplus	287 475	214 647
		RECONCILIATION OF BASIS FOR DEFERRED TAX/TAX ASSETS		
		DEFERRED TAX ASSETS LINKED TO:		
131	-26	Fixed assets	-26	131
-4 401	-3 467	Financial instruments	-6 130	-9 741
-	-	Hedging of borrowing	-	-2 202
-	-	Lending to customers and credit enterprises	-19 042	-21 571

KLP Banken AS		NOK THOUSAND	KLP Banken Group	
01.01.2022 - 31.12.2022	01.01.2023 - 31.12.2023		01.01.2023 - 31.12.2023	01.01.2022 - 31.12.2022
-8 023	-11 000	Pension obligation	-11 000	-8 023
-99	-159	Leases	-159	-99
-	-	Other differences	4 202	-
-12 392	-14 652	Total deferred tax assets	-32 155	-41 505
		DEFERRED TAX LINKED TO:		
-	-	Financial instruments	23 599	28 049
35	30	Lending to customers and credit enterprises	1 266	35
-	-	Hedging loans	-	4 173
29 864	43 069	Tax effect of group contribution	62 996	49 591
29 898	43 099	Total deferred tax	87 861	81 847
17 507	28 447	Net deferred tax/tax assets	55 706	40 343
		SUMMARY OF TAX EXPENSES FOR THE YEAR		
-1 836	-2 265	Changes in deferred tax excl.group contribution	-2 238	-3 952
246	-	Too little allocated tax last year	-	246
-22 456	-29 864	Reversed tax on paid out group contribution	-49 591	-28 640
29 864	43 069	Tax on Group contribution payment made	67 198	49 591
5 817	10 940	Capitalized tax	15 368	17 248
3 046	14 198	Tax on ordinary result	18 622	14 474
2 771	-3 258	Tax on postings in other comprehensive income	-3 253	2 774
5 817	10 940	Total tax expenses	15 369	17 248
5.2%	6.7%	Effective tax percentage	5.6%	9.0%
		RECONCILIATION OF TAX PERCENTAGE		
101 180	176 412	Accounting income before taxes	285 437	180 478
11 083	-13 032	Items in other comprehensive income	-13 032	11 083
112 263	163 380	Total profit before tax	272 405	191 561
28 066	40 845	Income taxes expense, nominal tax rate	68 101	47 890
5 817	10 940	Income tax expense, effective tax rate	15 369	17 248
22 248	29 905	Difference between effective and nominal tax rate	52 732	30 642
22 456	29 864	Tax effect on paid out group contribution	49 591	28 640
-208	41	Tax effects of permanent differences	41	-211
-	-	Effect of change in tax rate on deferred tax	3 100	2 213
22 248	29 905	Total	52 732	30 642

Note 12 Pension obligations, own employees

The majority of the pension obligation is covered through KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen"). The Company also offers a pension scheme in addition to Fellesordningen. This obligation is covered through operation. Fellesordningen is a defined-benefit pension scheme that satisfies the requirements for mandatory occupational pensions ("obligatorisk tjenestepensjon", or OTP).

The Company has a contractual early retirement (AFP) scheme. The accounting treatment of pension obligations is described in more detail in Note 2.

NOK THOUSANDS	Joint scheme	Via operation	2023	Joint scheme	Via operation	2022
Pension costs						
Present value of accumulation for the year	10 375	852	11 227	11 286	521	11 806
Administration cost	222	0	222	207	0	207
Planchange	0	0	0	0	0	0
Social security contributions - Pension costs	1 494	120	1 614	1 620	73	1 694
Capital activity tax - Pension costs	530	43	572	575	26	601
Pension costs incl. social security and administration costs taken to income	12 620	1 015	13 635	13 687	620	14 307
Net financial costs						
Interest costs	3 739	378	4 117	2 308	242	2 550
Expected return	-3 169	0	-3 169	-1 808	0	-1 808
Management costs	132	0	132	101	0	101
Net interest costs	703	378	1 081	601	242	843
Social security contributions - Net interest cost	99	53	152	85	34	119
Capital activity tax - Net interest cost	35	19	54	30	12	42
Net interest cost including social security contributions	837	450	1 287	716	288	1 004
Estimate difference, pensions						
Actuarial gains (losses)	9 827	1 099	10 926	-9 069	-246	-9 315
Social security contributions	1 386	155	1 541	-1 279	-35	-1 313
Capital activity tax	491	55	546	-453	-12	-466
Actuarial gains (losses) incl. social security contributions	11 704	1 309	13 013	-10 801	-293	-11 094
Total pension costs including interest costs and estimate difference	25 162	2 774	27 936	3 602	615	4 217

NOK THOUSANDS	Joint scheme	Via operation	2023	Joint scheme	Via operation	2022
Pension obligations						
Gross accrued pension obligation	145 806	13 563	159 370	115 404	12 261	127 665
Pension assets	122 427	0	122 427	100 720	0	100 720
Net liability before SSC	23 379	13 563	36 943	14 684	12 261	26 945
Social security contributions	3 296	1 912	5 209	2 071	1 729	3 799
Capital activity tax	1 169	678	1 847	734	613	1 347
Gross accrued obligations incl. social security costs	150 272	16 154	166 426	118 209	14 603	132 812
Net liability incl. social security costs	27 845	16 154	43 999	17 489	14 603	32 092
Reconciliation of pension obligations						
Capitalized net liability/(asset) 01.01	17 489	14 603	32 092	21 580	15 113	36 693
Pension costs taken to profit/loss	12 620	1 015	13 635	13 687	620	14 307
Finance costs taken to profit/loss	837	450	1 287	716	288	1 004
Actuarial gains and losses incl. social security contributions	11 704	1 309	13 013	-10 801	-293	-11 094
Social security contributions paid in premiums/supplement	-12 432	-1 027	-13 458	-6 459	-945	-7 404
Capital activity tax paid-in premium/supplement	-622	-51	-673	-323	-47	-370
Premium/supplement paid-in including admin	-1 753	-145	-1 898	-911	-133	-1 044
Capitalized net liability/(asset) 31.12	27 845	16 154	43 999	17 489	14 603	32 092
Change in pension obligations						
Gross pension assets 01.01. before planchange	118 209	14 603	132 812	114 760	15 113	129 873
Planchange	0	0	0	0	0	0
Gross pension assets 01.01. after planchange	118 209	14 603	132 812	114 760	15 113	129 873
Present value of accumulation for the year	10 375	852	11 227	11 286	521	11 806
Interest costs	3 739	378	4 117	2 308	242	2 550
Actuarial losses (gains) gross pension obligation	20 437	1 309	21 746	-9 014	-293	-9 308
Social security contributions - pension costs	1 494	120	1 614	1 620	73	1 694
Social security contributions - net interest costs	99	53	152	85	34	119
Social security contributions paid in premiums/supplement	-1 753	-145	-1 898	-911	-133	-1 044
Capital activity tax - pension costs	530	43	572	575	26	601
Capital activity tax - net interest costs	35	19	54	30	12	42
Capital activity tax - paid-in premiums/supplement	-622	-51	-673	-323	-47	-370
Payments	-2 272	-1 027	-3 299	-2 207	-945	-3 151
Gross pension obligation 31.12	150 272	16 154	166 426	118 209	14 603	132 812
Change in pension assets						
Pension assets 01.01	100 720	0	100 720	93 180	0	93 180
Expected return	3 169	0	3 169	1 808	0	1 808
Actuarial loss (gain) on pension assets	8 733	0	8 733	1 787	0	1 787
Administration cost	-222	0	-222	-207	0	-207
Financing cost	-132	0	-132	-101	0	-101
Premium/supplement paid-in including admin	12 432	1 027	13 458	6 459	945	7 404
Payments	-2 272	-1 027	-3 299	-2 207	-945	-3 151
Pension assets 31.12	122 427	0	122 427	100 720	0	100 720

NOK THOUSANDS	Joint scheme	Via operation	2023	Joint scheme	Via operation	2022
Over/under-financing of the pension scheme						
Present value of the defined-benefit pension obligation	150 272	16 154	166 426	118 209	14 603	132 812
Fair value of the pension assets	122 427	0	122 427	100 720	0	100 720
Net pension obligation	27 845	16 154	43 999	17 489	14 603	32 092

	31.12.2023	31.12.2022
Financial assumptions (common to all pension schemes)		
Discount rate	3.10%	3.00%
Salary growth	3.50%	3.50%
National Insurance basic amount (G)	3.25%	3.25%
Pension increases	2.80%	2.60%
Social security contributions	14.10%	14.10%
Capital activity tax	5.00%	5.00%

Measurement of pension expense for 2023 are based on assumptions as of 31.12.2022, while calculation of liabilities 31.12.2023 are based on assumptions and population per 31.12.2023. The assumptions are based on market conditions per 31.12.2023 and are in accordance with the recommendation from the Norwegian Accounting Standards Board.

Actuarial assumptions

KLP's joint pension scheme for local authorities and enterprises ("Fellesordningen")

An important part of the basis of pension costs and pension obligations is how mortality and disability develop amongst the members of the pension scheme. KLP uses best estimate based on mortality and disability figures in KLPs customer base.

Take-up of contractual early retirement (AFP), (per cent in relation to remaining employees):

The costs of AFP depend on how many in each year-group take AFP. On reaching 62 years there are 42.5 per cent who retire with an AFP pension. It is only those who are employed and working right up until they retire who are entitled to AFP. This is taken into account in the calculation of the AFP obligation.

Voluntary termination for Fellesordning (in %)						
Age (years)	<24	24-29	30-39	40-49	50-55	>55
Turnover	25%	15,0 %	7,5%	5%	3%	0 %

Pensions via operations:

Take-up of AFP/premature retirement is not relevant to this scheme. In regard to mortality the same estimates have been used as for "Fellesordningen".

Number	Joint scheme	Via operation	2023	Joint scheme	Via operation	2022
Membership status						
Number active	78	2	80	77	2	79
Number deferred (previous employees with deferred entitlements)	66	4	70	51	5	56
Number of pensions	27	4	31	19	3	22

	2023	2022
Composition of the pension assets:		
Property	13.3%	14.7%
Lending	11.3%	12.0%
Shares	31.6%	30.2%
Long-term/HTM bonds	28.6%	29.0%
Short-term bonds	11.5%	12.2%
Liquidity/money market	3.6%	1.9%
Total	100.0%	100.0%

The pension funds are based on KLP's financial funds in the common portfolio. The table shows percentage placing of the pension funds administered by KLP at the end of the year. Value-adjusted return on the assets was 6.39 per cent in 2023 and -1.14 per cent in 2022.

Expected payment into benefit plans after cessation of employment for the period 1 January 2024 – 31 December 2024 is NOK 14.9 million.

Sensitivity analysis as at 31 December 2023		
Discount rate reduced by 0.5%		Increase
Gross pension obligation		10.3%
Accumulation for the year		13.6%
Salary growth increases by 0.25%		Increase
Gross pension obligation		0.5%
Accumulation for the year		1.4%
Mortality increases by 10%		Increase
Gross pension obligation		2.8%
Accumulation for the year		2.0%

The sensitivity analysis above is based on all other assumptions being unchanged. In practice that is an unlikely scenario and changes in some assumptions are correlated. The calculation of gross pension obligation and accumulation for the year in the sensitivity analysis has been done using the same method as in calculating gross pension obligation in the financial statement position.

The duration in the joint scheme is estimated at 19.9 years.

Note 13 **Cash, cash equivalents and other loans and receivables from credit institutions**

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
72 960	75 312	Claims on central banks	75 312	72 960
72 960	75 312	Total claims on central banks	75 312	72 960
802 974	944 280	Bank deposits operations	1 508 456	1 267 417
15 538	22 941	Bank accounts to be used for the purchase and sale of securities	69 234	52 670
2 232 000	2 387 886	Receivable on group companies	-	-
3 050 512	3 355 107	Total loans and receivables from credit institutions	1 577 691	1 320 087

Note 14 **Lending and receivables**

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
LOANS TO AND RECEIVABLES FROM CENTRAL BANKS AND CREDIT INSTITUTIONS				
891 472	1 042 533	Bank deposits (of which are restricted withholdings 3 205)	1 653 003	1 393 047
2 229 036	2 383 326	Principal on loans to Group companies	-	-
2 964	4 560	Accrued interest on loans to Group companies	-	-
3 123 472	3 430 420	Loans to and receivables from central banks and credit institutions	1 653 003	1 393 047
LOANS TO AND RECEIVABLES FROM CUSTOMERS				
10 922 826	11 053 770	Principal on loans to customers	42 665 975	42 287 934
43 141	42 393	Credit portfolio	42 393	43 141
90	175	Overdraft current account	175	90
-1 522	-1 524	Write-downs step 1 and 2	-1 765	-1 771
-933	-1 413	Write-downs step 3	-1 413	-933
12 362	16 287	Accrued interest	237 460	145 049
-	-	Fair value hedging	-86 554	-98 049
10 975 964	11 109 688	Loans to and receivables from customers	42 856 271	42 375 461

Note 15 Categories of financial instruments

KLP Banken AS 31.12.2023		NOK THOUSANDS	KLP Banken Group 31.12.2023	
Book value	Fair value		Book value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
2 260 013	2 260 013	Fixed-income securities	4 276 469	4 276 469
232	232	Financial derivatives	108 370	108 370
1 897	1 897	Shares and holdings	1 897	1 897
2 262 142	2 262 142	Total financial assets at fair value through profit and loss	4 386 736	4 386 736
FINANCIAL ASSETS FAIR VALUE HEDGING				
-	-	Loans to and receivables from customers	1 584 628	1 578 296
-	-	Total financial assets fair value hedging	1 584 628	1 578 296
FINANCIAL ASSETS AT AMORTIZED COST				
75 312	75 312	Loans to and receivables from credit institutions	75 312	75 312
967 221	967 221	Loans to and receivables from central banks	1 577 691	1 577 691
2 387 886	2 387 886	Loans to Group companies	-	-
42 393	42 393	Loans to and receivables from customers	41 271 643	41 271 643
3 472 812	3 472 812	Total financial assets at amortized cost	42 924 646	42 924 646
FINANCIAL ASSETS AT FAIR VALUE WITH VALUE CHANGE				
OVER OTHER COMPREHENSIVE INCOME				
11 067 295	11 067 295	Loans to and receivables from customers	-	-
11 067 295	11 067 295	Total financial assets at fair value with value change over other comprehensive income	-	-
16 802 250	16 802 250	Total financial assets	48 896 010	48 889 678
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
-	-	Financial derivatives	23 233	23 233
-	-	Total financial liabilities at fair value through profit and loss	23 233	23 233
FINANCIAL LIABILITIES FAIR VALUE HEDGING				
-	-	Liabilities created on issuance of securities	1 713 024	1 722 804
-	-	Total financial liabilities fair value hedging	1 713 024	1 722 804
FINANCIAL LIABILITIES AT AMORTIZED COST				
904 808	907 646	Liabilities created on issuance of securities	29 695 315	29 718 083
14 488 213	14 488 213	Deposits from customers	14 060 460	14 060 460
15 393 020	15 395 859	Total financial liabilities at amortized cost	43 755 775	43 778 543
15 393 020	15 395 859	Total financial liabilities	45 492 031	45 524 579

KLP Banken AS 31.12.2022		NOK THOUSANDS	KLP Banken Group 31.12.2022	
Book value	Fair value		Book value	Fair value
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS				
2 416 478	2 416 478	Fixed-income securities	6 564 627	6 564 627
255	255	Financial derivatives	139 153	139 153
1 187	1 187	Shares and holdings	1 187	1 187
2 417 920	2 417 920	Total financial assets at fair value through profit and loss	6 704 966	6 704 966
FINANCIAL ASSETS FAIR VALUE HEDGING				
-	-	Loans to and receivables from customers	1 702 745	1 706 638
-	-	Total financial assets fair value hedging	1 702 745	1 706 638
FINANCIAL ASSETS AT AMORTIZED COST				
72 960	72 960	Loans to and receivables from credit institutions	72 960	72 960
818 512	818 512	Loans to and receivables from central banks	1 320 087	1 320 087
2 232 000	2 232 000	Loans to Group companies	-	-
43 141	43 141	Loans to and receivables from customers	40 672 715	40 672 715
3 166 613	3 166 613	Total financial assets at amortized cost	42 065 762	42 065 762
FINANCIAL ASSETS AT FAIR VALUE WITH VALUE CHANGE				
OVER OTHER COMPREHENSIVE INCOME				
10 932 823	10 932 823	Loans to and receivables from customers	-	-
10 932 823	10 932 823	Total financial assets at fair value with value change over other comprehensive income	-	-
16 517 357	16 517 357	Total financial assets	50 473 474	50 477 367
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS				
-	-	Financial derivatives	25 939	25 939
-	-	Total financial liabilities at fair value through profit and loss	25 939	25 939
FINANCIAL LIABILITIES FAIR VALUE HEDGING				
-	-	Liabilities created on issuance of securities	1 728 703	1 745 090
-	-	Total financial liabilities fair value hedging	1 728 703	1 745 090
FINANCIAL LIABILITIES AT AMORTIZED COST				
1 054 694	1 052 413	Liabilities created on issuance of securities	31 756 229	31 711 938
14 189 341	14 189 341	Deposits from customers	13 778 881	13 778 881
15 244 035	15 241 753	Total financial liabilities at amortized cost	45 535 109	45 490 818
15 244 035	15 241 753	Total financial liabilities	47 289 751	47 261 847

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 easily 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

Nordic Bond Pricing is used as a primary source for pricing Norwegian government bonds.

Fixed-income securities - other than government

Norwegian fixed-income securities are generally priced based on rates from Nordic Bond Pricing. Securities not covered by Nordic Bond Pricing are priced theoretically. The theoretical price should be based on the discounted value of the security's future cash flows. Discounting is done using a swap curve adjusted for credit spread and liquidity spread. The credit spread should, to the extent possible, be based on a comparable bond from the same issuer. Liquidity spread is determined at the discretion of the evaluator.

Financial derivatives

These transactions are valued based on the applicable swap curve at the time of valuation. Derivative contracts are to be used only to hedge balance amounts and to enable payments obligations to be met. Derivative contracts may be struck only with counterparties with high credit quality.

Shares

For liquid shares and units, the closing price on the balance sheet date is used as the basis for measurement at fair value. If the prices are not quoted, the last price traded is used. Illiquid shares are priced on the basis of the Oslo Stock Exchange's index algorithm based on the last traded prices. If the pricing information is outdated, a derived valuation is produced from relevant stock indices or other similar securities. If this is also considered unsatisfactory, a discretionary valuation is made. This may be based on fundamental analysis, broker assessment, or adjustments for risk or liquidity considerations in relation to the price.

Fair value of loans to retail customers

The fair value through profit/loss is calculated by discounting contractual cash flows to present values. The discount rate is determined as the market rate, including a suitable risk margin. For loans measured at fair value through other comprehensive income, the fair value is calculated as the recognised principal minus estimated loss provisions on loans classified in Stage 2 and 3 (see note 10 Loan losses provision).

Fair value of loans to Norwegian local administrations

The fair value of these loans is considered to be virtually the same as the book value, as the contract terms are constantly adjusted in line with market interest rates. The fair value of fixed rate loans is calculated by discounting contractual cash flows by market interest rates including a suitable risk margin at the end of the reporting period. This is valued at Level 2 in the valuation hierarchy, cf. Note 16.

Fair value of deposits

The fair value of floating rate deposits is taken to be approximately equal to the deposit amount including accrued interest. The fair value of fixed rate deposits is calculated by discounting contractual cash flows by market interest rates including a suitable risk margin. Discounting contractual cash flows by market interest rates including a suitable risk margin. This is valued at Level 2 in the valuation hierarchy, cf. Note 16.

Fair value of loans to and receivables from credit institutions

All receivables from credit institutions (bank deposits) are at variable interest rates. The fair value of these is considered to be virtually the same as the book value, as the contract terms are continuously changed in step with change in market interest rates. This is valued at Level 2 in the valuation hierarchy, cf. Note 16.

Liabilities created on issuance of securities

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 16.

Note 16 Fair value hierarchy

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
FINANCIAL ASSETS RECOGNIZED AT FAIR VALUE:				
Fixed-income securities and shares				
695 463	706 744	Level 1: Value based on prices in an active market	825 632	804 841
1 721 015	1 553 269	Level 2: Value based on observable market data	3 450 837	5 759 785
1 187	1 897	Level 3: Value based on other than observable market data	1 897	1 187
2 417 665	2 261 910	Total fixed-income securities, shares, holdings and primary capital certificates	4 278 366	6 565 814
Financial derivatives - fair value hedging				
-	-	Level 1: Value based on prices in an active market	-	-
255	232	Level 2: Value based on observable market data	108 370	139 153
-	-	Level 3: Value based on other than observable market data	-	-
255	232	Total financial derivatives	108 370	139 153
Assets recognised at fair value with value change over other comprehensive income				
-	-	Level 1: Value based on prices in an active market	-	-
-	-	Level 2: Value based on observable market data	-	-
10 932 823	11 067 295	Level 3: Value based on other than observable market data	-	-
10 932 823	11 067 295	Total mortgage assessed at fair value over other comprehensive income	-	-
13 350 488	13 329 205	Total financial assets recognized at fair value	4 386 736	6 704 966
FINANCIAL LIABILITIES RECOGNIZED AT FAIR VALUE:				
Financial derivatives (liabilities) - fair value hedging				
-	-	Level 1: Value based on prices in an active market	-	-
-	-	Level 2: Value based on observable market data	23 233	25 939
-	-	Level 3: Value based on other than observable market data	-	-
-	-	Total financial derivatives (liabilities)	23 233	25 939
-	-	Total financial assets recognized at fair value	23 233	25 939
CHANGES IN LEVEL 3 UNLISTED SECURITIES				
1 187	1 187	Opening balance 1 January	1 187	1 187
-	-	Additions/purchases of shares	-	-
-	710	Unrealized changes	710	-
1 187	1 897	Closing balance	1 897	1 187
-	-	Realized gains/losses	-	-
CHANGES IN LEVEL 3 LOANS TO AND RECEIVABLES FROM CUSTOMERS				
9 683 297	10 932 823	Opening balance 1 January		
4 155 161	3 102 614	Loans to and receivables from customers		
-2 933 018	-2 967 362	Overdue/redeemed loans to and receivables from customers		
27 383	-779	Net other changes		
10 932 823	11 067 295	Closing balance		

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

Level 2: Instruments in 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 15 discloses the fair value of financial assets and financial liabilities that are recognized at amortized cost and according to the rules on hedge accounting. Financial assets measured at amortized cost and hedge accounting comprise lending to and due to credit institutions, Norwegian municipalities and retail customers. The stated fair value of these assets is determined on terms qualifying for Level 2.

Financial liabilities recognized at amortized cost and hedge accounting 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 17 Fixed-income securities

KLP Banken AS 31.12.2023				NOK THOUSANDS	KLP Banken Group 31.12.2023				
Acquisition cost	Unrel. gain/loss	Accr. int. not due	Market value		Acquisition cost	Unrel. gain/loss	Accr. int. not due	Market value	
				Debtor categories					
217 613	348	-	217 961	Government/social security administration	336 311	538	-	336 849	
1 550 717	-4 996	7 548	1 553 269	Credit enterprises	3 247 867	-8 373	14 903	3 254 397	
-	-	-	-	Local government administration	195 315	-285	1 410	196 440	
354 810	-5 617	4 548	353 741	Foreign credit institutions (not banks)	354 810	-5 617	4 548	353 741	
135 609	-2 131	1 565	135 042	Multilateral development banks (not banks)	135 609	-2 131	1 565	135 042	
2 258 748	-12 396	13 661	2 260 013	Total fixed-income securities	4 269 911	-15 868	22 426	4 276 469	
Effective interest rate:				5.16%	Effective interest rate:				5.19%

KLP Banken AS 31.12.2022				NOK THOUSANDS	KLP Banken Group 31.12.2022				
Acquisition cost	Unrel. gain/loss	Accr. int. not due	Market value		Acquisition cost	Unrel. gain/loss	Accr. int. not due	Market value	
				Debtor categories					
291 147	196	-	291 343	Government/social security administration	400 451	270	-	400 721	
1 672 481	-7 774	4 663	1 669 369	Credit enterprises	5 028 708	-16 128	14 815	5 027 395	
-	-	-	-	Local government administration	677 182	-824	4 388	680 745	
406 649	-6 428	3 899	404 120	Foreign credit institutions (not banks)	406 649	-6 428	3 899	404 120	
53 720	-2 437	361	51 645	Multilateral development banks (not banks)	53 720	-2 437	361	51 645	
2 423 998	-16 443	8 923	2 416 478	Total fixed-income securities	6 566 710	-25 547	23 463	6 564 627	
Effective interest rate:				3.64%	Effective interest rate:				3.71%

Effective interest is calculated as a yield-to-maturity, i.e. it is the constant interest rate level at which one may discount all the future cash flows from the securities to obtain the securities' total market value.

Note 18 Financial derivatives

KLP Banken AS

NOK THOUSANDS 31.12.2023							
	Nominal amount	Fair value	< 1 year	1-5 years	5-10 years	> 10 years	Total
Derivatives related to borrowing	-	-	-	-	-	-	-
Derivatives related to lending	7 200	232	-	7 200	-	-	7 200
Total assets	7 200	232	-	7 200	-	-	7 200
Derivatives related to borrowing	-	-	-	-	-	-	-
Derivatives related to lending	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-

KLP Banken Group

NOK THOUSANDS 31.12.2023							
	Nominal amount	Fair value	< 1 year	1-5 years	5-10 years	> 10 years	Total
Borrowing in currency	1 200 000	17 819	-	500 000	700 000	-	1 200 000
Derivatives related to lending	1 533 172	90 551	91 978	1 086 683	354 511	-	1 533 172
Total assets	2 733 172	108 370	91 978	1 586 683	1 054 511	-	2 733 172
Derivatives related to borrowing	500 000	-22 209	-	500 000	-	-	500 000
Derivatives related to lending	135 664	-1 024	-	83 197	52 467	-	135 664
Total liabilities	635 664	-23 233	-	583 197	-	-	635 664

KLP Banken AS

NOK THOUSANDS 31.12.2022							
	Nominal amount	Fair value	< 1 year	1-5 years	5-10 years	> 10 years	Total
Derivatives related to borrowing	-	-	-	-	-	-	-
Derivatives related to lending	7 600	255	-	7 600	-	-	7 600
Total assets	7 600	255	-	7 600	-	-	7 600
Derivatives related to borrowing	-	-	-	-	-	-	-
Derivatives related to lending	-	-	-	-	-	-	-
Total liabilities	-	-	-	-	-	-	-

KLP Banken Group

NOK THOUSANDS 31.12.2022							
	Nominal amount	Fair value	< 1 year	1-5 years	5-10 years	> 10 years	Total
Borrowing in currency	1 200 000	37 764	-	500 000	700 000	-	1 200 000
Derivatives related to lending	1 596 170	101 389	81 605	1 110 580	403 985	-	1 596 170
Total assets	2 796 170	139 153	81 605	1 610 580	1 103 985	-	2 796 170
Derivatives related to borrowing	500 000	-21 968	-	500 000	-	-	500 000
Derivatives related to lending	200 402	-3 971	47 661	138 678	-	14 063	200 402
Total liabilities	700 402	-25 939	47 661	638 678	-	14 063	700 402

The company uses interest-rate swaps to adjust for differences in interest rate exposure between lending and borrowing. All derivative agreements are for hedging purposes. The hedging strategy involves swapping interest terms in future periods, not swapping principal amounts. Interest-rate swaps are generally agreed with the same principal as the underlying loan or borrowing (back-to-back). Changes in the value of the effective part of the hedging instruments are regularly compared with changes in the value of the hedged risk, and any differences in hedging effectiveness are corrected.

Note 19 Shares and holdings

KLP Banken AS 31.12.2023			KLP Banken Group 31.12.2023			
Organisation number	Volume	Market value		Organisation number	Volume	Market value
988477052	6700	7	Bankenes Id-tjeneste AS	988477052	6700	7
918713867	517	1 069	Vipps AS	918713867	517	1 069
821083052	799318725	748	VN Norge AS	821083052	799318725	748
920013015	2791	73	Norsk Gjeldsinformasjon	920013015	2791	73
		1 897	Total shares, holdings and primary capital certificates			1 897

KLP Banken AS 31.12.2022			KLP Banken Group 31.12.2022			
Organisation number	Volume	Market value		Organisation number	Volume	Market value
988 477 052	6700	7	Bankenes ID-tjeneste AS	988477052	6700	7
918 713 867	517	229	Vipps AS	918713867	517	229
821 083 052	799318725	748	VN Norge AS	821083052	799318725	748
920 013 015	2791	203	Norsk Gjeldsinformasjon	920013015	2791	203
		1 187	Total shares, holdings and primary capital certificates			1 187

Note 20 Financial assets and liabilities subject to net settlement

KLP BANKEN AS

31.12.2023 NOK THOUSANDS	Gross financial assets/liabilites	Gross assets/ liabilities presented net	Book value	Related sums that are not presented net		
				Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	232	-	232	-	-	232
Total	232	-	232	-	-	232
LIABILITIES						
Financial derivatives	-	-	-	-	-	-
Total	-	-	-	-	-	-

KLP BANKEN GROUP

31.12.2023 NOK THOUSANDS	Gross financial assets/liabilites	Gross assets/ liabilities presented net	Book value	Related sums that are not presented net		
				Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	108 370	-	108 370	-23 233	-	85 137
Total	108 370	-	108 370	-23 233	-	85 137
LIABILITIES						
Financial derivatives	23 233	-	23 233	-23 233	-	-
Total	23 233	-	23 233	-23 233	-	-

KLP BANKEN AS

31.12.2022 NOK THOUSANDS	Gross financial assets/liabilites	Gross assets/ liabilities presented net	Book value	Related sums that are not presented net		
				Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	255	-	255	-	-	255
Total	255	-	255	-	-	255
LIABILITIES						
Financial derivatives	-	-	-	-	-1 724	-
Total	-	-	-	-	-1 724	-

KLP BANKEN GROUP

31.12.2022 NOK THOUSANDS	Gross financial assets/liabilities	Gross assets/ liabilities presented net	Book value	Related sums that are not presented net		
				Financial instruments	Security in cash	Net recognised value
ASSETS						
Financial derivatives	139 153	-	139 153	-25 939	-	113 214
Total	139 153	-	139 153	-25 939	-	113 214
LIABILITIES						
Financial derivatives	25 939	-	25 939	-25 939	-1 724	-
Total	25 939	-	25 939	-25 939	-1 724	-

The purpose of this note is to show the potential effect of netting agreements on the KLP Banken Group. The note shows the derivative positions in the financial position statement.

Note 21 Ownership in Group companies

KLP BANKEN AS

NOK THOUSANDS	Organization number	Ownership %	Acquisition- cost	Book value 31.12.2023	Book value 31.12.2022
KLP Boligkreditt AS	912719634	100	860 470	860 470	860 470
KLP Kommunekreditt AS	994526944	100	755 000	755 000	755 000
Total holdings in Group companies			1 615 470	1 615 470	1 615 470

Note 22 Intangible assets

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
66 233	67 208	Acquisition cost 01.01	67 208	66 233
974	191	Additions	191	974
-	-	Disposals	-	-
67 208	67 399	Acquisition cost 31.12	67 399	67 208
-49 444	-51 584	Accumulated depreciation previous years	-51 584	-49 444
-2 140	-1 872	Ordinary depreciation for the year	-1 872	-2 140
15 624	13 943	Book value	13 943	15 624

Depreciation period 3-7 years

Note 23 Leases

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
		RIGHT-OF-USE ASSETS - PROPERTY		
18 236	16 365	Opening balance 01.01.	16 365	18 236
-1 870	-1 870	Depreciation	-1 870	-1 870
16 365	14 495	Closing balance 31.12.	14 495	16 365
		LEASE LIABILITIES - PROPERTY		
18 323	16 761	Opening balance 01.01.	16 761	18 323
-1 563	-1 630	Repayments	-1 630	-1 563
16 761	15 131	Closing balance 31.12.	15 131	16 761
01.01.2022	01.01.2023	NOK THOUSANDS	01.01.2023	01.01.2022
-31.12.2022	-31.12.2023		-31.12.2023	-31.12.2022
		PROPERTY		
326	297	Interest expense lease liabilities	297	326
326	297	Interest expense lease liabilities	297	326

In the fourth quarter of 2021, a new 10-year lease has been capitalized. It is an intercompany lease for the rental of office premises with KLP Eiendom AS.

Note 24 Fixed assets

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
1244	1244	Acquisition cost 01.01	1 244	1 244
-	-	Acquired during the period	-	-
-	-	Disposals during the period	-	-
1244	1 244	Acquisition cost 31.12	1 244	1 244
-808	-808	Acc. depreciation previous years	-808	-808
-	-	Annual depreciation	-	-
-808	-808	Accumulated depreciation	-808	-808
436	436	Book value	436	436

Note 25 Other assets

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
6 514	7 642	Receivables between companies in the same Group	3 216	2 569
2	3	Miscellaneous receivables	3	2
2 245	2	Prepaid expenses	2	2 245
8 761	7 647	Total other assets	3 221	4 816

Note 26 Deposits from customers

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
14 189 341	14 488 213	Deposits from customers without agreed duration	14 060 460	13 778 881
14 189 341	14 488 213	Total deposits from customers without agreed duration	14 060 460	13 778 881
CUSTOMER DEPOSITS DIVIDED BY CUSTOMER GROUPS				
12 108 740	12 505 986	Deposits from customers, retail market	12 505 986	12 108 740
1 670 140	1 554 474	Deposits from customers, public sector market	1 554 474	1 670 140
410 460	427 753	Deposits from subsidiaries	-	-
14 189 341	14 488 213	Total deposits from customers	14 060 460	13 778 881
2.38%	4.00%	Interest rate on customer deposits, at the reporting date	4.00%	2.28%

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

Note 27 Debt securities issued - stock exchange listed covered bonds and certificates

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
1 050 000	900 000	Bonds, nominal value	31 214 598	33 331 119
429	-104	Revaluations	-11 981	9 932
4 265	4 912	Accrued interest	205 721	143 881
1 054 694	904 807	Total liabilities created on issuance of securities	31 408 338	33 484 932
4.03%	5.43%	Interest rate on borrowings through the issuance of securities at the reporting date	5.08%	3.62%

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

KLP Banken AS

NOK THOUSANDS	Balance sheet 31.12.2022	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.12.2023	Interest paid in 2023
CHANGE IN LIABILITIES CREATED ON ISSUANCE OF SECURITIES						
Bonds, nominal value	1 050 000	200 000	-350 000	-	900 000	-
Revaluations	429	-	-	-533	-104	-
Accrued interest	4 265	-	-	647	4 912	-45 978
Total liabilities created on issuance of securities	1 054 694	200 000	-350 000	113	904 808	-45 978

KLP Banken Group

NOK THOUSANDS	Balance sheet 31.12.2022	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.12.2023	Interest paid in 2023
CHANGE IN LIABILITIES CREATED ON ISSUANCE OF SECURITIES						
Bonds, nominal value	33 331 119	7 200 000	-9 311 000	-5 521	31 214 598	-
Revaluations	9 932	-	-	-21 913	-11 981	-
Accrued interest	143 881	-	-	61 840	205 721	-1 321 854
Total liabilities created on issuance of securities	33 484 932	7 200 000	-9 311 000	34 406	31 408 338	-1 321 854

KLP Banken AS

NOK THOUSANDS	Balance sheet 31.12.2021	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.12.2022	Interest paid in 2022
CHANGE IN LIABILITIES CREATED ON ISSUANCE OF SECURITIES						
Bonds, nominal value	900 000	450 000	-300 000	-	1 050 000	-
Revaluations	1 320	-	-	-891	429	-
Accrued interest	1 270	-	-	2 995	4 265	-20 845
Total liabilities created on issuance of securities	902 590	450 000	-300 000	2 104	1 054 694	-20 845

KLP Banken Group

NOK THOUSANDS	Balance sheet 31.12.2021	Issued	Matured/ redemed	Other adjustments	Balance sheet 31.12.2022	Interest paid in 2022
CHANGE IN LIABILITIES CREATED ON ISSUANCE OF SECURITIES						
Bonds, nominal value	31 818 640	7 150 000	-5 632 000	-5 521	33 331 119	-
Revaluations	60 603	-	-	-50 671	9 932	-
Accrued interest	38 554	-	-	105 327	143 881	-580 002
Total liabilities created on issuance of securities	31 917 797	7 150 000	-5 632 000	49 135	33 484 932	-580 002

Note 28 **Other liabilities and provision for accrued costs**

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
65 101	51 694	Receivables between companies in the same Group	39 395	30 311
1 717	2 426	Creditors	2 626	1 742
-	-	Short-term balances with credit institutions	80 000	108 100
3 026	5 373	Miscellaneous liabilities	5 373	3 026
69 844	59 493	Total other liabilities	127 394	143 180
2 886	3 024	Withholding tax	3 024	2 886
2 425	2 782	Social security contributions	2 782	2 425
869	902	Capital activity tax	902	869
6 708	6 820	Holiday pay	6 820	6 708
32 092	43 999	Pension obligations	43 999	32 092
-	-	VAT	21	28
9 206	6 364	Provisioned costs	6 364	9 206
54 187	63 892	Total accrued costs and liabilities	63 913	54 215

Note 29 Capital adequacy

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
2 190 000	2 190 000	Share capital and share premium fund	2 190 000	2 190 000
581 681	704 257	Other owners' equity	983 931	776 466
2 771 681	2 894 257	Total owners' equity	3 173 931	2 966 466
-2 416	-2 260	Adjustments due to requirements for proper valuation	-4 276	-6 565
-15 624	-13 943	Deduction goodwill and other intangible assets	-13 943	-15 624
2 753 640	2 878 054	Core capital/Tier 1 capital	3 155 712	2 944 277
-	-	Supplementary capital/Tier 2 capital	-	-
-	-	Supplementary capital/Tier 2 capital	-	-
2 753 640	2 878 054	Total own funds (eligible Tier 1 and Tier 2 capital)	3 155 712	2 944 277
841 539	860 277	Capital requirement	1 162 608	1 138 790
1 912 101	2 017 777	Surplus of own funds (eligible Tier 1 and Tier 2 capital)	1 993 104	1 805 487
		Calculation basis credit risk:		
3 836 958	3 940 022	Institutions	336 067	298 953
-	-	Local and regional authorities	3 846 618	3 963 118
3 869 975	3 911 140	Investments with mortgage security in real estate	8 184 585	8 168 815
501 314	540 366	Retail	942 002	501 314
46 208	49 785	Investments fallen due	49 785	46 208
166 937	155 327	Covered bonds	325 440	502 740
1 639 493	1 637 076	Other holdings	22 517	24 731
10 060 885	10 233 716	Calculation basis credit risk	13 707 014	13 505 877
804 871	818 697	Credit risk	1 096 561	1 080 470
36 664	41 577	Operational risk	65 852	58 035
4	3	Credit valuation adjustments (CVA)	194	284
841 539	860 277	Total capital requirement assets	1 162 608	1 138 790
26.2%	26.8%	Core capital adequacy ratio	21.7%	20.7%
0.0%	0.0%	Supplementary capital ratio	0.0%	0.0%
26.2%	26.8%	Capital adequacy ratio	21.7%	20.7%
5.4%	5.5%	Unweighted capital adequacy	6.3%	5.7%

Capital requirement as at 31.12.2023	Core capital/ Tier 1 capital	Supplementary capital/Tier 2 capital	Own funds
Minimum requirement without buffers	4.5%	3.5%	8.0%
Protective buffers	2.5%	0.0%	2.5%
System risk buffers	4.5%	0.0%	4.5%
Counter-cyclical buffers	2.5%	0.0%	2.5%
Pillar 2-requirement	1.5%	0.0%	1.5%
Current capital requirement incl. buffers	15.5%	3.5%	19.0%
Capital requirement leverage ratio	3.0%	0.0%	3.0%

KLP Banken has been granted exemption from the buffer requirement for the unweighted tier 1 capital ratio in accordance with Section 5 of the CRR/CRD IV regulations.

Note 30 **Financial risk management**

Organisation of risk management

The Board of Directors of the Bank has established a risk management framework aimed at ensuring that risks are identified, analyzed and managed based on policies, limits, procedures and instructions. The Board has adopted risk policies covering the key individual risks as well as an overarching risk policy that covers principles, organization, limits etc. for the Bank's total risk. The risk policies are of an overarching nature and are complemented by procedures, guidelines and instructions laid down at the senior management level. The policies state which departments are responsible for handling the various risks and cover the establishment of a separate risk control function. One purpose of the risk control function is to check that the risk policies and other guidelines for risk management are being followed. This function is carried out by the head of the Risk Management and Compliance Department, which is responsible for preparing periodic risk reports to senior management and the Board as well as reporting on any breaches of policies or guidelines. The Department, which has an independent role in relation to other departments, also has other tasks associated with the Bank's risk management. The responsibility for the operational direction of the Bank's liquidity risk and interest rate risk lies with the Finance Department. KLP Banken has established a risk committee, which is a sub-committee of the Board. The risk committee deals with matters specifically related to risk and has an advisory function to the Board.

Note 31 **Credit risk**

Credit risk is defined as the risk of loss associated with loan customers, derivative counterparties, issuers of securities and other counterparties being unable or unwilling to settle at the agreed time and in accordance with written contracts, where the collateral established does not cover the outstanding claim. The Group provides loans to retail customers, Norwegian municipalities and county administrations, local government enterprises, intermunicipal companies and loans to companies where the loan is guaranteed by a Norwegian municipality or county administration.

31.1 CONTROL AND LIMITATION OF CREDIT RISK

The Board has adopted a policy for credit risk which contains overarching guidelines, requirements and limits associated with credit risk. The policy states that the Bank should have a low credit risk profile and includes limits on types of lending and principles for the organisation and operation of the Bank's lending activity. The Bank is allowed to take on some higher risk within some products, but loan products to retail customers other than mortgage loans may not amount to more than 10 per cent of the Bank's total lending in the retail market. The policy also includes an overarching mandate structure for lending and other counterparty exposure.

Credit risk associated with issuers of securities, derivative counterparties and other counterparties in the financial area is also limited by Board-determined limits on individual counterparties. These limits are based on the counterparty's solvency and other assessments of counterparties' creditworthiness.

In processing all new loan applications in the public sector, checks are made on whether the customer's credit limits are greater than the sum of the loan amounts applied for and current lending. In the credit risk policy described above, requirements are set for reporting to the Board on the use of the limits. Any breach of the limits must be reported to the Company's Board in any event. All loans in the public sector market in KLP Banken are provided to municipalities or county administrations, or with a municipal/county administration guarantee. In the retail market, loans are provided with a mortgage on housing or leisure real estate, generally within 75 per cent of the market value of the mortgaged object. In processing loan applications the borrower's servicing ability and the value of the mortgage object is assessed and loans are provided only within set limits and authorisations. KLP Banken also provides unsecured credit to private individuals through credit cards according to credit rating of the customer's ability to pay and debt ratio.

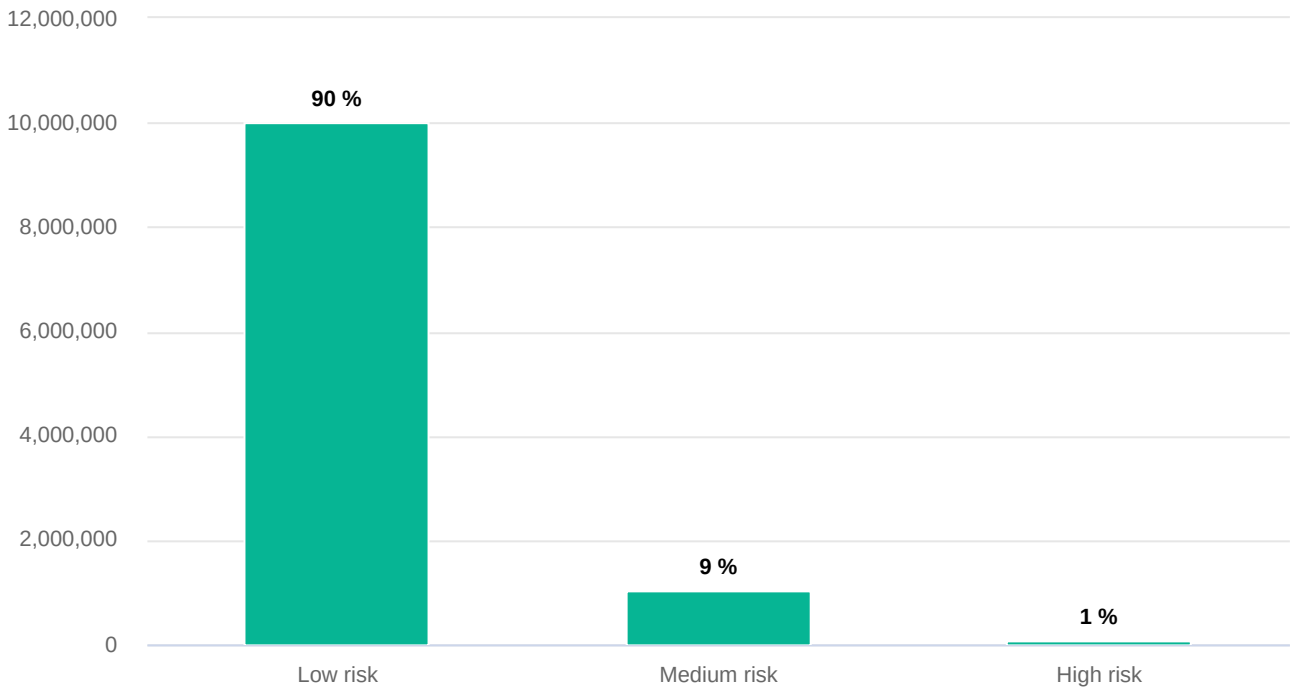
The market value of the mortgage assets is updated quarterly using market values for housing in Norway provided by Eiendomsverdi AS.

31.2 LOANS ACCORDING TO TYPE OF SECURITY/EXPOSURE (PRINCIPAL)

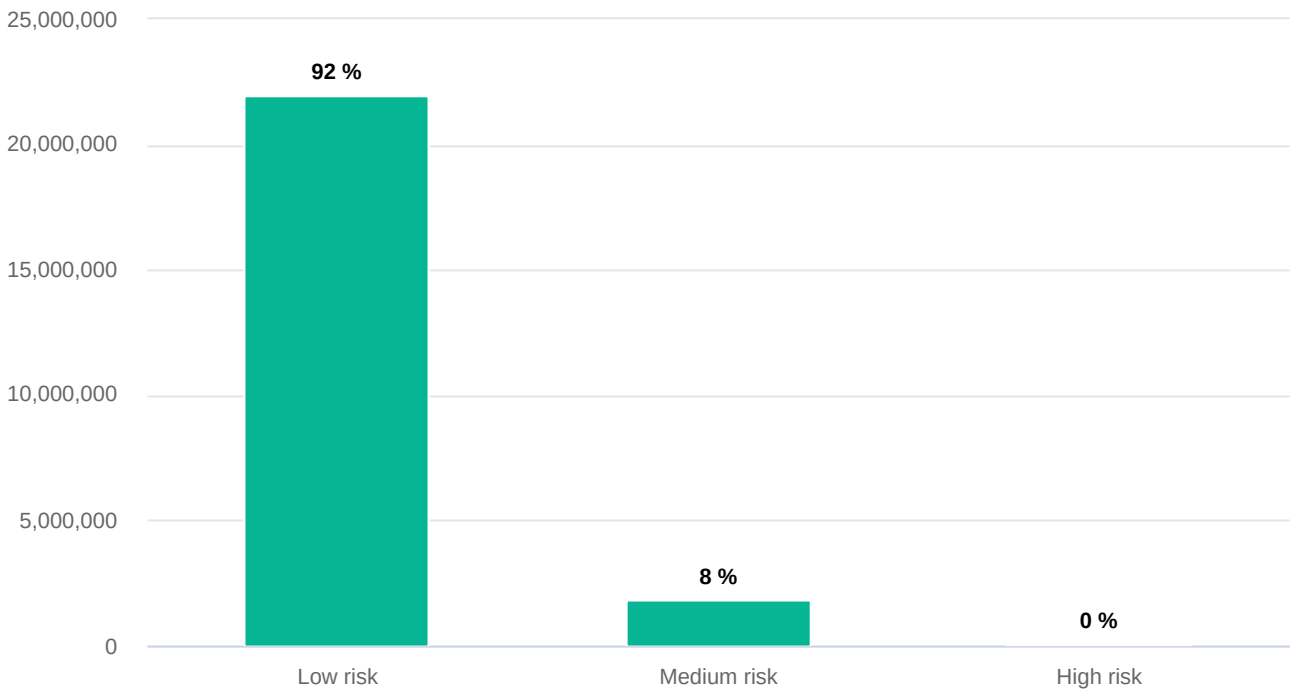
NOK THOUSANDS	KLP Banken AS		KLP Banken Group	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Retail mortgage loans	11 053 771	10 926 271	23 770 916	23 189 691
Unsecured retail loans (credit cards)	42 392	43 046	42 392	43 046
Lending to municipalities and county administrations	-	-	18 086 373	18 282 090
Lending with municipal/county administration guarantee	-	-	808 686	819 701
Total	11 096 163	10 969 316	42 708 367	42 334 528
Sums falling due more than 12 months after the end of the reporting period	10 911 855	10 749 180	41 144 648	40 648 866
Allocation of loan to value (principal) for retail mortgage loans				
Loan to value ratio up to 50 per cent	5 045 871	4 676 730	8 595 462	9 523 161
Loan to value ratio from 51 to 60 per cent	1 367 592	2 133 163	4 381 769	4 725 696
Loan to value ratio from 61 to 75 per cent	1 498 454	1 956 812	6 503 474	6 381 378
Loan to value ratio above 75 per cent	3 141 853	2 159 566	4 290 211	2 559 457
Total	11 053 771	10 926 271	23 770 916	23 189 691

KLP Banken uses a risk classification system to classify retail customers with loans or credits. Customers are classified from A to K, where A indicates very low risk while K is for customers on which the bank has incurred losses. Below is a distribution table with the volume of loans divided into low, medium and high risk, where low risk is defined as lending to customers in class A or B, medium risk is defined as lending to customers in class C or D, and high risk is defined as lending to customers in classes E to K.

Home loans in KLP Banken AS



Home loans in KLP Banken Group



The table below shows the total book value of the various risk classes and per stage in the impairment model. Stage 1 is all healthy loans, which must be written down by the estimated losses for 12 months. Stage

2 indicates that the exposure has a substantially increased credit risk since its initial recognition on the balance sheet, and means that the loan must be written down by the estimated losses throughout the entire term. Stage 3 is all loans in default (over 90 days past due) or with individual loss write-downs, which must be written down by the estimated losses throughout the entire term.

2023 Lending in KLP Banken AS	Stage 1	Stage 2	Stage 3	Total CB book value
Low risk - risk class A	4 911 391	31 910	3 216	4 946 517
Low risk - risk class B	4 990 852	85 924	851	5 077 627
Medium risk - risk class C	663 361	84 508	273	748 142
Medium risk - risk class D	125 344	134 563	18 262	278 169
High risk - risk class E	6 100	36 187	11 198	53 485
High risk - risk class F	-	-	2 321	2 321
High risk - risk class K	-	-	8 072	8 072
Engagements without risk class (new customers)	-	-	-	247
Total CB book value	10 697 048	373 093	44 193	11 114 580

2023 Lending in KLP Banken Group	Stage 1	Stage 2	Stage 3	Total CB book value
Low risk - risk class A	10 384 358	76 002	3 216	10 463 577
Low risk - risk class B	11 348 397	155 999	851	11 505 247
Medium risk - risk class C	1 176 537	162 265	273	1 339 075
Medium risk - risk class D	209 495	247 973	18 262	475 730
High risk - risk class E	12 961	41 662	11 198	65 821
High risk - risk class F	-	-	2 321	2 321
High risk - risk class K	-	-	8 072	8 072
Engagements without risk class (new customers)	19 087 779	-	-	19 088 026
Total CB book value	42 219 528	683 902	44 193	42 947 869

2023 Unused credit in KLP Banken AS	Stage 1	Stage 2	Stage 3	Total unused credit
Low risk - risk class A	1 066 627	33 982	10	1 100 619
Low risk - risk class B	320 962	14 634	52	335 648
Medium risk - risk class C	26 294	3 819	110	30 223
Medium risk - risk class D	2 702	4 423	25	7 150
High risk - risk class E	-	106	-	106
High risk - risk class F	-	-	-	-
High risk - risk class K	-	-	-	-
Engagements without risk class (new customers)	-	-	-	138
Total unused credit	1 416 584	56 965	198	1 473 885

2023 Unused credit in KLP Banken Group	Stage 1	Stage 2	Stage 3	Total unused credit
Low risk - risk class A	1 066 627	33 982	10	1 100 619
Low risk - risk class B	320 962	14 634	52	335 648
Medium risk - risk class C	26 294	3 819	110	30 223
Medium risk - risk class D	2 702	4 423	25	7 150
High risk - risk class E	-	106	-	106
High risk - risk class F	-	-	-	-
High risk - risk class K	-	-	-	-
Engagements without risk class (new customers)	-	-	-	138
Total unused credit	1 416 584	56 965	198	1 473 885

2022 Lending in KLP Banken AS	Stage 1	Stage 2	Stage 3	Total CB book value
Low risk - risk class A	5 212 362	28 886	3 223	5 244 471
Low risk - risk class B	4 804 684	72 031	2 199	4 878 914
Medium risk - risk class C	543 654	59 356	643	603 653
Medium risk - risk class D	104 311	84 115	17 011	205 437
High risk - risk class E	5 733	19 257	12 822	37 812
High risk - risk class F	-	-	2 310	2 310
High risk - risk class K	-	-	5 445	5 445
Engagements without risk class (new customers)	-	-	-	189
Total CB book value	10 670 744	263 644	43 654	10 978 230

2022 Lending in KLP Banken Group	Stage 1	Stage 2	Stage 3	Total CB book value
Low risk - risk class A	11 118 566	71 826	3 223	11 193 615
Low risk - risk class B	10 323 526	122 099	2 199	10 447 824
Medium risk - risk class C	1 091 396	124 334	643	1 216 374
Medium risk - risk class D	161 308	158 178	17 011	336 496
High risk - risk class E	9 352	36 371	12 822	58 545
High risk - risk class F	-	-	2 310	2 310
High risk - risk class K	-	-	5 445	5 445
Engagements without risk class (new customers)	19 215 147	-	-	19 215 336
Total CB book value	41 919 294	512 808	43 654	42 475 945

2022 Unused credit in KLP Banken AS	Stage 1	Stage 2	Stage 3	Total unused credit
Low risk - risk class A	1 016 882	27 405	2	1 044 290
Low risk - risk class B	294 089	20 058	116	314 264
Medium risk - risk class C	24 563	4 858	25	29 446
Medium risk - risk class D	4 246	2 575	86	6 908
High risk - risk class E	-	30	-	30
High risk - risk class F	-	-	-	-
High risk - risk class K	-	-	-	-
Engagements without risk class (new customers)	-	-	-	-
Total unused credit	1 339 781	54 926	231	1 394 938

2022 Unused credit in KLP Banken Group	Stage 1	Stage 2	Stage 3	Total unused credit
Low risk - risk class A	1 016 882	27 405	2	1 044 290
Low risk - risk class B	294 089	20 058	116	314 264
Medium risk - risk class C	24 563	4 858	25	29 446
Medium risk - risk class D	4 246	2 575	86	6 908
High risk - risk class E	-	30	-	30
High risk - risk class F	-	-	-	-
High risk - risk class K	-	-	-	-
Engagements without risk class (new customers)	-	-	-	-
Total unused credit	1 339 781	54 926	231	1 394 938

The KLP Banken Group also invests in securities issued by the government, municipalities and county administrations and deposits in banks satisfying minimum rating requirements, as well as covered bonds issued by Norwegian credit institutions.

Credit quality of securities, bank deposits and derivatives

Securities with external credit rating (Moody's)

NOK THOUSANDS	KLP Banken AS		KLP Banken Group	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
AAA	1 906 156	2 012 258	3 718 563	5 592 976
Aa1-Aa3	353 857	404 220	353 857	404 220
Unrated	-	-	204 050	567 431
Total	2 260 013	2 416 478	4 276 469	6 564 627

Deposits in banks grouped by external credit assessment (Moody's)

NOK THOUSANDS	KLP Banken AS		KLP Banken Group	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Aa1-Aa3	764 286	668 254	1 254 267	1 108 300
A1-A3	202 935	150 258	323 423	211 787
Total	967 221	818 512	1 577 691	1 320 087

The Bank Group may also be exposed to credit risk from interest rate derivatives. The purpose of such contracts is to reduce risks arising from the Group's borrowing and lending activities. The Group's internal policy sets out the requirements for the creditworthiness of derivative counterparties. All derivative contracts are entered into with counterparties with a minimum A1 rating (Moody's).

31.3 MAXIMUM EXPOSURE TO CREDIT RISK

KLP Banken measures maximum exposure as the sum of principal and accrued interest. Security in cash or securities is not exchanged, nor are other credit improvements carried out. The table below shows the maximum exposure for the parent bank and the Group.

Maximum exposure to credit risk

NOK THOUSANDS	KLP Banken AS		KLP Banken Group	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Receivables from central banks	75 312	72 960	75 312	72 960
Loans to and receivables from credit institutions	3 355 107	3 050 512	1 577 691	1 320 087
Loans to and receivables from customers	11 114 580	10 978 230	42 755 150	42 343 418
- of which retail mortgage loans	11 070 033	10 934 569	23 815 544	23 197 966
- of which retail credit cards	44 547	43 661	44 547	43 661
- of which lending to the public sector	-	-	18 895 059	19 101 791
Fixed-income securities	2 260 013	2 416 478	4 276 469	6 564 627
Financial derivatives	232	255	108 370	139 153
Off-balance sheet items	1 473 885	1 394 938	1 473 885	1 394 938
Loan loss provisions rated at amortized cost	1 485	1 790	1 726	2 040
Loan loss provisions rated at a real value over other comprehensive income (FVOCI)	663	430	663	430
Loan loss provisions on off-balance items	3 028	2 773	3 028	2 773
TOTAL	18 284 306	17 918 367	50 272 295	51 840 424

31.4 LOAN LOSS PROVISIONS

The Bank has very low losses, cf. Note 14, and considers all receivables to be satisfactorily secured. All mortgage loans to the retail market in KLP Banken are secured with mortgages generally within 75 per cent of the market value, and any losses will only arise when the value of the mortgaged object falls below the residual amount of the loan. The Bank has also issued credit cards to customers in the retail market. These are unsecured receivables with a higher risk of loss than for mortgage-secured loans. Loans in the public-sector market are provided to municipalities or county administrations, or to undertakings with a municipal/county administration guarantee. KLP Banken has had no write-downs or losses in the public-sector market.

Loans fallen due or written down

NOK THOUSANDS	KLP Banken AS		KLP Banken Group	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Principal on loans with payments overdue by 7-30 days	83 294	60 598	259 751	214 340
Principal on loans with payments overdue by 31-90 days	40 144	54 230	45 809	67 238
Principal on non-performing loans	43 461	43 162	43 461	43 162
Total loans fallen due	166 899	157 990	349 022	324 739
Relevant collateral or guarantees	163 772	154 004	273 116	154 004
Principal on lending that has been written down	5 193	2 645	5 193	2 645
- of which written down	802	294	802	294

31.5 CONCENTRATION OF CREDIT RISK

Half of the Group's lending at the end of the year was linked to public-sector financing, so the portfolio has a high concentration towards a single sector. The underlying credit risk from this sector is however so low that it is hardly possible to reduce this concentration without increasing the total risk in the portfolio. The concentration towards the Norwegian public sector is thus considered not to be a risk issue. The concentration towards individual borrowers is limited by individual Board-set limits.

Lending to the Group's largest borrower as at 31 December 2023 was approximately 2.1 per cent of the Group's total lending.

Note 32 **Market risk**

Market risk is here understood to mean the risk of a reduction in the fair value of the Bank's owners' equity as a result of fluctuations in market prices for the Bank's assets and liabilities. Changes in credit margins are excluded as they fall under credit risk.

The Group is exposed to market risk as a result of the Group's borrowing and lending activity and management of its liquidity. The exposure is however limited to interest rate risk and exchange rate risk. Interest rate risk arises from differences in timing of interest rate adjustments for the Company's assets and

liabilities. The risk associated with such imbalances is reduced by using derivative contracts. All of the Company's borrowing is in NOK, and the whole of the lending portfolio comprises loans in NOK.

32.1 MEASUREMENT OF MARKET RISK

Interest rate risk is measured as the change in value on a one percentage point change in all interest rates.

32.2 INTEREST RATE RISK

The market risk policy comprises the Group's overarching guidelines, requirements and limits associated with market risk. The policy dictates that the market risk should be minimised so the total market risk is low. It further states that the Group should not actively take positions that expose it to market risk. The policy also sets limits for interest rate risk, both for the total interest rate risk for the indefinite future and for rolling 12-month periods. The risk limits are set to ensure that low market risk profile that has been adopted is adhered to. The operational responsibility for managing the Company's market risk lies with the Finance Department. The Risk Management and Compliance Department reports the Company's actual exposure in relation to limits in accordance with guidelines set by the Board.

Interest rate risk arises because the fixed interest periods for the Bank's assets and liabilities are not the same. The gap in the table below shows the difference between assets and liabilities that can be interest-adjusted within the given time intervals. The repricing date shows the time to the next agreed interest adjustment date. Floating-rate loans and deposits, and cash and receivables from credit institutions, fall into the time interval up to one month, while fixed-interest loans, securities and liabilities created on issuance of securities fall into the time interval for which interest adjustment has been agreed.

INTEREST RISK KLP BANKEN AS

Repricing dates for interest-bearing assets and liabilities as at 31 December 2023

NOK THOUSANDS	Total Principal	Up to 1 mth	From 1 mth to 3 mths	From 3 mths to 12 mths	From 1 year to 5 years	Over 5 years
Loans to and receivables from credit institutions	3 430 420	3 430 420	-	-	-	-
Loans to and receivables from customers	11 096 163	4 880 947	6 203 806	3 580	7 829	-
Fixed-income securities	2 231 000	651 000	1 580 000	-	-	-
Total	16 757 583	8 962 367	7 783 806	3 580	7 829	-
Liabilities to depositors	14 488 213	-	14 488 213	-	-	-
Liabilities created on issuance of securities	900 000	-	900 000	-	-	-
Liabilities to credit institutions	-	-	-	-	-	-
Total	15 388 213	-	15 388 213	-	-	-
Gap	1 369 370	8 962 367	-7 604 407	3 580	7 829	-
Financial derivatives	-	-	7 200	-	-7 200	-
Net gap	1 369 370	8 962 367	-7 597 207	3 580	629	-

INTEREST RISK KLP BANKEN GROUP

Repricing dates for interest-bearing assets and liabilities as at 31 December 2023

NOK THOUSANDS	Total Principal	Up to 1 mth	From 1 mth to 3 mths	From 3 mths to 12 mths	From 1 year to 5 years	Over 5 years
Loans to and receivables from central banks and credit institutions	1 653 003	1 653 003	-	-	-	-
Loans to and receivables from customers	42 708 457	20 453 585	20 530 577	229 347	1 201 457	293 491
Fixed-income securities	4 245 431	1 030 608	3 214 824	-	-	-
Total	48 606 892	23 137 196	23 745 401	229 347	1 201 457	293 491
Liabilities to depositors	14 060 460	-	14 060 460	-	-	-
Liabilities created on issuance of securities	31 207 000	7 500 000	22 007 000	1 000 000	700 000	-
Liabilities to credit institutions	-	-	-	-	-	-
Total	45 267 460	7 500 000	36 067 460	1 000 000	700 000	-
Gap	3 339 431	15 637 196	-12 322 060	-770 653	501 457	293 491
Financial derivatives	-	-930 637	747 424	60 072	-169 880	293 022
Net gap	3 339 431	14 706 558	-11 574 636	-710 581	331 577	586 513

INTEREST RISK KLP BANKEN AS

Repricing dates for interest-bearing assets and liabilities as at 31 December 2022

NOK THOUSANDS	Total Principal	Up to 1 mth	From 1 mth to 3 mths	From 3 mths to 12 mths	From 1 year to 5 years	Over 5 years
Loans to and receivables from central banks and credit institutions	3 123 473	3 123 473	-	-	-	-
Loans to and receivables from customers	10 969 315	4 120 812	6 833 330	1 669	13 504	-
Fixed-income securities	2 393 000	486 000	539 000	1 368 000	-	-
Total	16 485 788	7 730 285	7 372 330	1 369 669	13 504	-
Liabilities to depositors	14 189 341	-	14 189 341	-	-	-
Liabilities created on issuance of securities	1 050 000	-	1 050 000	-	-	-
Liabilities to credit institutions	-	-	-	-	-	-
Total	15 239 341	-	15 239 341	-	-	-
Gap	1 246 448	7 730 285	-7 867 011	1 369 669	13 504	-
Financial derivatives	-	-	7 600	-	-7 600	-
Net gap	1 246 448	7 730 285	-7 859 411	1 369 669	5 904	-

INTEREST RISK KLP BANKEN GROUP

Repricing dates for interest-bearing assets and liabilities as at 31 December 2022

NOK THOUSANDS	Total Principal	Up to 1 mth	From 1 mth to 3 mths	From 3 mths to 12 mths	From 1 year to 5 years	Over 5 years
Loans to and receivables from central banks and credit institutions	1 393 047	1 393 047	-	-	-	-
Loans to and receivables from customers	42 334 528	19 616 310	20 894 703	235 359	1 288 132	300 024
Fixed-income securities	6 519 713	907 000	4 056 409	1 556 304	-	-
Total	50 247 288	21 916 357	24 951 112	1 791 663	1 288 132	300 024
Liabilities to depositors	13 778 881	-	13 778 881	-	-	-
Liabilities created on issuance of securities	35 023 000	9 205 000	24 118 000	-	1 000 000	700 000
Liabilities to credit institutions	-	-	-	-	-	-
Total	48 801 881	9 205 000	37 896 881	-	1 000 000	700 000
Gap	1 445 407	12 711 357	-12 945 768	1 791 663	288 132	-399 976
Financial derivatives	-	-931 130	824 868	73 568	-249 259	281 953
Net gap	1 445 407	11 780 227	-12 120 900	1 865 231	38 873	-118 023

The Company's interest rate sensitivity as at 31 December 2023 (2022), measured as value change in the event of one percentage point change in all interest rates, was NOK 2.9 million (6.7).

Note 33 **Liquidity risk**

Liquidity risk is the risk that the Bank may not be able to meet its obligations and/or finance increases in its assets without substantial additional costs arising in the form of price falls on assets which must be realised, or in the form of more costly financing.

33.1 MANAGEMENT OF LIQUIDITY RISK

A liquidity policy has been established for the Group containing principles, guidelines, requirements and limits that apply to the management of the liquidity risk. The policy contains various requirements and limits to adhere to the desired liquidity risk profile, including targets for deposit cover, limits for refinancing needs for various timeframes and liquidity buffer requirements. The Board has also adopted an emergency plan for financial crises (including liquidity crises) as part of the Bank's recovery plan. In addition to the requirements at Group level, separate specific requirements have been established for subsidiaries, including requirements for continuously positive cash flows, limits for refinancing requirements and requirements for liquidity reserves and drawing rights. The operational responsibility for managing the Company's liquidity risk lies with the Finance Department. The Risk Management and Compliance Department reports the Company's actual exposure in relation to limits in accordance with guidelines set by the Board.

33.2 MATURITY ANALYSIS

The tables below show the maturity analysis of the Group's assets and liabilities including stipulated interest rates.

Liquidity risk KLP Banken AS

Maturity analysis for assets and liabilities as at 31 December 2023:

NOK THOUSANDS	Total	Undefined	Up to 1 mth	From 1 mth to 3 mths	From 3 mths to 12 mths	From 1 year to 5 years	Over 5 years
Lending	12 546 487	4 274 547	32 312	64 788	290 401	1 888 054	5 996 384
Credit Card issued	44 938	44 938	44 938	-	-	-	-
Securities	2 506 688	-	9 711	237 987	82 900	2 176 090	-
Receivables from credit institutions	3 477 757	975 614	975 614	5 183	39 397	2 457 563	-
Deposits in central banks	75 312	-	75 312	-	-	-	-
Total	18 651 182	4 319 485	1 092 950	307 958	412 697	6 521 707	5 996 384
Liabilities to depositors	14 488 213	-	12 505 986	1 982 226	-	-	-
Liabilities created on issuance of securities	942 980	-	-	161 815	161 815	468 691	-
Financial derivatives	320	-	55	162	103	103	-
Liabilities to credit institutions	-	-	-	-	-	-	-
Lease liabilities	17 272	-	617	-	1 851	7 402	7 402
Total	15 448 784	-	12 506 603	2 294 755	163 827	476 196	7 402
Net cash flow	3 202 398	4 319 485	-11 413 654	-1 986 797	248 870	6 045 511	5 988 982

Liquidity risk KLP Banken Group

Maturity analysis for assets and liabilities as at 31 December 2023:

NOK THOUSANDS	Total	Undefined	Up to 1 mth	From 1 mth to 3 mths	From 3 mths to 12 mths	From 1 year to 5 years	Over 5 years
Lending	50 124 235	4 274 547	159 396	402 928	1 987 936	12 072 838	31 226 590
Credit Card issued	44 938	44 938	-	-	-	-	-
Securities	4 656 124	-	267 454	598 640	235 393	3 554 638	-
Receivables from credit institutions	1 577 691	-	1 577 691	-	-	-	-
Deposits in central banks	75 312	-	75 312	-	-	-	-
Total	56 478 300	4 319 485	2 079 852	1 001 567	2 223 329	15 627 475	31 226 590
Liabilities to depositors	14 488 213	-	12 505 986	1 982 226	-	-	-
Liabilities created on issuance of securities	33 943 042	-	94 435	589 134	3 827 833	29 431 640	-
Financial derivatives	48 544	-	-11 842	3 150	33 810	16 998	6 427
Liabilities to credit institutions	-	-	-	-	-	-	-
Lease liabilities	17 272	-	617	-	1 851	7 402	7 402
Total	48 497 070	-	12 589 196	2 574 510	3 863 493	29 456 040	13 829
Net cash flow	7 981 230	4 319 485	-10 509 344	-1 572 943	-1 640 164	-13 828 565	31 212 761

Liquidity risk KLP Banken AS

Maturity analysis for assets and liabilities as at 31 December 2022:

NOK THOUSANDS	Total	Undefined	Up to 1 mth	From 1 mth to 3 mths	From 3 mths to 12 mths	From 1 year to 5 years	Over 5 years
Lending	12 495 779	3 835 536	32 287	64 769	291 247	1 533 631	6 738 308
Credit Card issued	43 653	43 653	-	-	-	-	-
Securities	2 623 215	-	-144 463	328 798	469 983	1 817 485	151 413
Receivables from credit institutions	3 160 380	-	827 061	4 710	36 624	2 291 985	-
Deposits in central banks	72 960	-	72 960	-	-	-	-
Total	18 395 988	3 879 190	787 845	398 277	797 853	5 643 102	6 889 720
Liabilities to depositors	14 189 341	-	12 519 200	1 670 140	-	-	-
Liabilities created on issuance of securities	1 107 068	-	-	10 902	319 399	776 767	-
Financial derivatives	272	-	-	28	85	159	-
Liabilities to credit institutions	-	-	-	-	-	-	-
Total	15 296 681	-	12 519 200	1 681 070	319 485	776 925	-
Net cash flow	3 099 307	3 879 190	-11 731 355	-1 282 793	478 369	4 866 176	6 889 720

Liquidity risk KLP Banken Group

Maturity analysis for assets and liabilities as at 31 December 2022:

NOK THOUSANDS	Total	Undefined	Up to 1 mth	From 1 mth to 3 mths	From 3 mths to 12 mths	From 1 year to 5 years	Over 5 years
Lending	52 273 404	3 835 536	197 496	443 534	1 947 151	10 098 693	35 750 994
Credit Card issued	43 653	43 653	-	-	-	-	-
Securities	7 084 504	-	-140 291	764 868	1 516 304	4 792 211	151 413
Receivables from credit institutions	1 320 087	-	1 320 087	-	-	-	-
Deposits in central banks	72 960	-	72 960	-	-	-	-
Total	60 794 607	3 879 190	1 450 251	1 208 402	3 463 455	14 890 904	35 902 407
Liabilities to depositors	14 189 341	-	12 519 200	1 670 140	-	-	-
Liabilities created on issuance of securities	36 178 362	-	66 540	224 182	5 444 723	29 681 317	761 600
Financial derivatives	115 932	-	-9 370	307	36 109	69 474	19 412
Liabilities to credit institutions	-	-	-	-	-	-	-
Total	50 483 634	-	12 576 371	1 894 628	5 480 832	29 750 791	781 012
Net cash flow	10 310 973	3 879 190	-11 126 120	-686 227	-2 017 377	-14 859 887	35 121 395

Note 34 Hedge accounting

NOK THOUSANDS 31.12.2023			
KLP Banken Group	Nominal value	Changed value in hedged risk	Book value 31.12.2023
HEDGED OBJECT			
Loan	1 661 635	-86 553	1 668 836
Debt	1 700 000	7 000	1 700 000
HEDGING INSTRUMENT			
Interest rate swap loan	1 661 635	-7 868	89 294
Interest rate swap debt	1 700 000	86 783	-4 390
Hedge effectiveness as at 31.12.2023		99.2%	
Hedge effectiveness through the year		99.2%	

NOK THOUSANDS 31.12.2022			
KLP Banken Group	Nominal value	Changed value in hedged risk	Book value 31.12.2022
HEDGED OBJECT			
Loan	1 788 972	-98 049	1 702 475
Debt	1 700 000	18 575	1 700 000
HEDGING INSTRUMENT			
Interest rate swap loan	1 788 972	71 852	97 162
Interest rate swap debt	1 700 000	8 699	15 796
Hedge effectiveness as at 31.12.2022		101.4%	
Hedge effectiveness through the year		101.4%	

Note 35 Written-down assets

KLP Banken AS KLP Banken Group 31.12.2023 THOUSANDS	Sector	1. Contract amount of loans that have been written down, but which can still be recovered	2. Written down in the accounts	3. Amount outstanding that can be recovered	4. Estimated value of collateral for amount that can be recovered	5. Point 3-4 exposure without collateral	6. Point 4 in % of point 3
		Gross exposure	Written down	Continued	Value of security	Net exposure	Guarantee ratio
WRITE-DOWNS OF FINANCIAL ASSETS							
Mortgages with collateral	Collateral	-	-	-	-	-	0.0%
Mortgage loans with realised collateral (established losses)	None	4 102	4 102	4 102	-	4 102	0.0%
Credit cards (established losses)	None	14 341	14 341	14 341	-	14 341	0.0%
Total		18 443	18 443	18 443	-	18 443	0.0%
31.12.2023							
Defaulted loans with individual write-downs							5 193
Defaulted loans in the balance sheet (without individual write-downs)							39 000
Total defaults							44 193
Non-performing loans secured by collateral							41 601
Defaults loans without collateral security							2 592

KLP Banken AS KLP Banken Group	Sector	1. Contract amount of loans that have been written down, but which can still be recovered	2. Written down in the accounts	3. Amount outstanding that can be recovered	4. Estimated value of collateral for amount that can be recovered	5. Point 3-4 exposure without collateral	6. Point 4 in % of point 3
		Gross exposure	Written down	Continued	Value of security	Net exposure	Guarantee ratio
31.12.2022 THOUSANDS							
WRITE-DOWNS OF FINANCIAL ASSETS							
Mortgages with collateral	Collateral	-	-	-	-	-	0.0%
Mortgage loans with realised collateral (established losses)	None	3 913	3 913	3 913	-	3 913	0.0%
Credit cards (established losses)	None	14 538	14 538	14 538	-	14 538	0.0%
Total		18 451	18 451	18 451	-	18 451	0.0%
31.12.2022							
Defaulted loans with individual write-downs							2 645
Defaulted loans in the balance sheet (without individual write-downs)							41 009
Total defaults							43 654
Non-performing loans secured by collateral							41 237
Defaults loans without collateral security							2 417

KLP Banken follows up commitments in default where instalments and interest have not been paid on time because the customer cannot or will not pay. Arrears over 90 days are always reported as defaults. A commitment is marked as defaulted and doubtful if the debtor initiates debt negotiations or restructuring arrangements and/or goes bankrupt, for example. The need to write down individual defaults is assessed against the value of the available collateral. Loans/credits with individual loss write-downs, mainly mortgage loans, are followed up with an agreement on ordinary voluntary sale or through the use of legally-enforced recovery and compulsory sale. Residual claims after realisation of collateral by legally-enforced recovery are generally transferred to the debt collection agency for further follow-up. Loans/credits with established losses are monitored by the debt collection agency and followed up on a regular basis.

Note 36 Transactions with related parties

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
01.01.2022 -31.12.2022	01.01.2023 -31.12.2023		01.01.2023 -31.12.2023	01.01.2022 -31.12.2022
Income statement items				
57 951	61 251	KLP, fees lending management	61 251	57 951
155	38	KLP Skadeforsikring AS, fees	38	155
13 116	13 966	KLP Kommunekreditt AS, administrative services (at cost)	-	-
60 693	56 169	KLP Boligkreditt AS, administrative services (at cost)	-	-
17 264	66 549	KLP Kommunekreditt AS, interest lending	-	-
7 039	26 129	KLP Boligkreditt AS, interest lending	-	-
-4 177	-8 646	KLP Kommunekreditt AS, interest on deposits	-	-
-4 177	-8 646	KLP Boligkreditt AS, interest on deposits	-	-
-87	-90	KLP Kapitalforvaltning AS, fees for services provided	-187	-180
-2 755	-3 318	KLP, rent	-3 318	-2 755
-1 867	-2 171	KLP Skipsbygget AS, rent	-2 171	-1 867
-90	-96	KLP Bassengtomten AS, rent	-96	-90
-532	-472	KLP Eiendomsdrift AS, rent	-472	-532
-14 485	-13 855	KLP, pension premium	-13 855	-14 485
-71 410	-77 627	KLP, staff services (at cost)	-77 627	-71 410
5 712	8 060	KLP Group companies, subsidised interest employee loans	18 048	14 120
62 349	117 239	Total	-18 390	-19 094

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
Financial position statement items				
1 707 544	701 570	KLP Kommunekreditt AS, lending Group short-term	-	-
524 456	1 686 316	KLP Boligkreditt AS, lending Group short-term	-	-
-205 231	-213 878	KLP Kommunekreditt AS, deposits	-	-
-205 229	-213 875	KLP Boligkreditt AS, deposits	-	-
-20 092	-10 618	KLP Kommunekreditt AS, loan settlement	-	-
-14 697	-1 778	KLP Boligkreditt AS, loan settlement	-	-
-28 988	-32 167	KLP, loan settlement	-32 167	-28 988
4 485 153	4 538 968	KLP Boligkreditt AS, transferred loans	-	-
Net internal accounts to:				
-1 324	-7 041	KLP	-5 433	-6
1 402	1 627	KLP Kommunekreditt AS, net internal accounts	-	-
4 569	5 316	KLP Boligkreditt AS, net internal accounts	-	-
544	608	KLP Group companies, net other internal accounts	1 421	1 252

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

Note 37 **Salary and obligations to senior management etc.**

2023	Paid from KLP Banken AS				Interest rate as at 31.12.2023	Repayment plan ¹⁾	Paid from another company in the same group					
	Salaries, fees etc.	Other benefits	Annual pension accumulation	Loans			Salaries, fees etc.	Other benefits	Annual pension accumulation	Loans	Interest rate as at 31.12.2023	Repayment plan ¹⁾
SENIOR EMPLOYEES												
Marianne Sevaldesen, <i>Managing Director</i>	3 185	151	1 313	-	-	-	-	-	-	3 738	4.70	A43
Carl Steinar Lous, <i>Department Manager Public Market</i>	1 547	24	309	3 125	4.70	A39	-	-	-	120	4.70	A27
Christopher A. Steen, <i>Department Manager Finance</i>	1 556	58	313	555	4.70	A30	-	-	-	957	4.70	A29
BOARD OF DIRECTORS												
Sverre Thornes, <i>Chair</i>	-	-	-	4 516	4.70	Fleksilån	5 137	189	1 628	10 000	4.25	A53
Aage E. Schaanning	-	-	-	6 182	4.70	Fleksilån	4 099	152	1 281	-	-	-
Aina Iren Slettedal Eide (<i>Left the Board in March 2023</i>)	-	-	-	-	-	-	-	-	-	-	-	-
Jannicke Elisaeth S. Falkenberg (<i>from March 2023</i>)	-	-	-	-	-	-	-	-	-	-	-	-
Kjell Fosse	138	-	-	-	-	-	-	-	-	-	-	-
Karianne Oldernes Tung (<i>Up to November 2023</i>)	126	-	-	-	-	-	-	-	-	-	-	-
Anne Bjertnæs (<i>from November 2023</i>)	-	-	-	-	-	-	-	-	-	-	-	-
Jonas Vincent Kårstad, <i>elected by and among the employees</i>	126	-	-	-	-	-	-	-	-	-	-	-
Ellen Winge Ler, <i>elected by and among the employees</i>	126	-	-	-	-	-	-	-	-	-	-	-
EMPLOYEES												
Loans to employees of KLP Banken AS for employee terms	-	-	-	77 897	-	-	-	-	-	66 962	-	-
Loans to employees of KLP Banken AS under ordinary terms	-	-	-	-	-	-	-	-	-	2 982	-	-

2022	Paid from KLP Banken AS				Interest rate as at 31.12.2022	Repayment plan ¹⁾	Paid from another company in the same group					
	Salaries, fees etc.	Other benefits	Annual pension accumulation	Loans			Salaries, fees etc.	Other benefits	Annual pension accumulation	Loans	Interest rate as at 31.12.2022	Repayment plan ¹⁾
SENIOR EMPLOYEES												
Leif Magne Andersen, <i>Managing Director until 1 August</i>	1 474	99	474	4 820	3.30	A51	-	-	-	-	-	-
Marianne Sevaldesen, <i>Managing Director as of 1 August</i>	1 275	65	567	-	-	-	1 767	107	-	3 864	3.50	A43
Carl Steinar Lous, <i>Department Manager Public Market</i>	1 503	29	330	3 285	3.50	A39	-	-	-	150	3.50	A27
Christopher A. Steen, <i>Department Manager Finance</i>	1 450	25	315	481	3.50	A30	-	-	-	1 081	3.50	A29
BOARD OF DIRECTORS												
Sverre Thornes, <i>Chair</i>	-	-	-	20 000	3.50	Fleksilån	4 733	220	1 556	-	-	-
Aage E. Schaanning	-	-	-	9 600	3.50	Fleksilån	3 912	144	1 377	-	-	-
Aina Iren Slettedal Eide	-	-	-	-	-	-	-	-	-	-	-	-
Kjell Fosse	133	-	-	-	-	-	-	-	-	-	-	-
Karianne Oldernes Tung	121	-	-	-	-	-	-	-	-	-	-	-
Malin Moldrem, <i>elected by and among the employees</i>	61	-	-	-	-	-	-	-	-	-	-	-
Kristian Lie-Pedersen, <i>elected by and among the employees</i>	59	-	-	-	-	-	-	-	-	-	-	-
Jonas Vincent Kårstad, <i>elected by and among the employees</i>	70	-	-	-	-	-	-	-	-	-	-	-
Ellen Winge Ler, <i>elected by and among the employees</i>	61	-	-	-	-	-	-	-	-	-	-	-
EMPLOYEES												
Loans to employees of KLP Banken AS for employee terms	-	-	-	67 717	-	-	-	-	-	79 468	-	-
Loans to employees of KLP Banken AS under ordinary terms	-	-	-	-	-	-	-	-	-	2 982	-	-

1) A= Annuity loan, last payment.

NOK THOUSANDS	2023	2022
Period expenses related to interest subsidies on loans to employees	1 187	1 108

The KLP Board of Directors has laid down principles and guidelines for remuneration that apply for the entire Group and set up a remuneration committee as a subcommittee of the Board. The committee reports on and carries out checks that the remuneration schemes in the Group are in line with the Board's principles and guidelines.

The Managing Director of KLP Banken AS has no agreement on performance pay (bonus) or guaranteed salary. She is pensionable aged 65.

Department Manager Public Sector Market also holds the position as the Managing Director of the subsidiary KLP Kommunekreditt AS, but he receives no remuneration for that appointment. He has no agreement on performance pay (bonus) or guaranteed salary on termination. He is pensionable aged 70.

The Department Manager Finance holds the post of Managing Director of the subsidiary KLP Boligkreditt AS. He receives no remuneration for this appointment, and has no agreement on performance pay (bonus) or guaranteed salary. He is pensionable aged 70.

All employees of the KLP Group in Norway are registered in KLP's pension scheme for municipalities and companies. The employees earn pension rights in this scheme for salaries up to 12G.

Employees in the KLP Group with salaries above 12 G and for lower retirement age than 67 years, also earn pension benefits for salaries above 12G if they were employed before 2 May 2013 and had a salary above 12G at that time. Full retirement pension in this additional cover amounts to 66% of salary above 12G, and is achieved after at least 30 years of earnings in the scheme. Employees with a special agreement for a lower pension age than 67 years are ensured an old-age pension corresponding to 66% of all pensionable salary up to 67 years. This add-on was closed May 2, 2013 and does not apply to employees who started after that date. Nor does the scheme apply to employees who were employed at this time in KLP, but who only receive salary above 12G after this date.

There are no obligations to provide the Chair of the Board of Directors with special consideration or other benefits on termination or change in employment contract or appointment.

Directors' fees are set by the General Assembly. Board members employed in the KLP Group, not having been elected by and from the employees, do not receive a fee for the Board appointment. This applies to the following board members: Sverre Thornes, CEO of KLP, Aage E. Schaanning, CFO of KLP, Jannicke Elisabeth S. Falkenberg, Section leader, and Aina Iren Slettedal Eide, Group Chief Accountant at KLP. Benefits in addition to Directors' fees for Board members employed in the KLP Group are stated only if they are included in the senior management group employed in the KLP Group. The same applies to information about lending.

All benefits are shown without the addition of social security costs and capital activity taxes.

The KLP Group offers loans for various purposes. There are separate loan terms for employees, and no senior employees have loan terms that deviate from these. Loans to external directors are only granted under ordinary loan terms. The interest rebate that accrues to employees is refunded to the lending company.

Attention is drawn otherwise to the description of the main principles on determination of remuneration in the KLP Group that may be found at klp.no.

Note 38 Number of employees

KLP Banken AS			KLP Banken Group	
2022	2023		2023	2022
75	73	Number of permanent employees 31.12.	73	75
4	3	Number of temporary employees 31.12.	3	4
79	76	Total number of employees 31.12.	76	79
71	72	Number of full time equivalents permanent employees	72	71
3	3	Number of full time equivalents temporary employees	3	3
74	75	Total number of full time equivalents	75	74

Note 39 Contingent liabilities

KLP Banken AS		NOK THOUSANDS	KLP Banken Group	
31.12.2022	31.12.2023		31.12.2023	31.12.2022
885 395	1 275 687	Credit facilities for lending not utilized	1 275 687	885 395
259 010	262 897	Credit facilities issued credit card	262 897	259 010
1 135 928	814 421	Loan commitment	885 271	1 170 419
19 668 000	19 253 000	Credit facility KLP Kommunekreditt AS	-	-
12 600 000	11 054 000	Credit facility KLP Boligkreditt AS	-	-
34 548 332	32 660 005	Total contingent liabilities	2 423 855	2 314 823

Credit facilities for lending not utilized: The 'Fleksilån' product is included here; this is a credit facility which allows the customer to borrow up to a specified credit limit.

Credit facilities issued credit card: Customers' credit card limits are a contingent liability for the Bank, where the customer can choose to utilise the credit up to the allocated credit limit.

Loan commitment: The Bank issues funding certificates that customers can use in bidding procedures for home purchases. This also includes other loans that have been granted but not disbursed.

Credit facility: This is based on a guarantee to the subsidiaries from the parent company equal to the outstanding covered bonds.



To the General Meeting of KLP Banken AS

Independent Auditor's Report

Opinion

We have audited the financial statements of KLP Banken AS, which comprise:

- the financial statements of the parent company KLP Banken AS (the Company), which comprise the balance sheet as at 31 December 2023, the income statement, statement of owners' equity and statement of cash flows for the year then ended, and notes to the accounts, including material accounting policy information, and
- the consolidated financial statements of KLP Banken AS and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2023, the income statement, statement of owners' equity and statement of cash flows for the year then ended, and notes to the accounts, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 15 years from the election by the general meeting of the shareholders on 25 February 2009 for the accounting year 2009.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appear to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 6 March 2024

PricewaterhouseCoopers AS

Stig Lund

State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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